REGULATORY ANALYSIS

for

The Secretary of HUD's Proposed Rule on HUD's Regulation of The Federal National Mortgage Association (Fannie Mae) and The Federal Home Loan Mortgage Corporation (Freddie Mac)

April, 2004

U. S. Department of Housing and Urban Development
Office of Policy Development and Research

Contents

CHAPTER I

INTRODUCTION

The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are shareholder-owned, Government-Sponsored Enterprises (GSEs), chartered by Congress to make a national secondary market for residential mortgages in the United States. Fannie Mae and Freddie Mac purchase home mortgages for their own portfolios, largely financed through unsecured debt obligations, or create mortgage-backed securities (MBS) through sale or swap transactions. The GSEs guarantee payment of principal and interest to MBS investors. However, neither the GSEs' MBS nor their debt securities are backed by the full faith and credit of the United States. At the end of 2002, the two GSEs together held $1.382 trillion of mortgages or mortgage-backed securities in portfolio ($798 billion by Fannie Mae and $583 billion by Freddie Mac), along with $1.722 trillion financed through mortgage-backed securities held by others ($1.029 trillion by Fannie Mae and $743 billion by Freddie Mac)—a total of $3.104 trillion of mortgages held or securitized by the two GSEs.[1]

This proposed rule implements HUD's regulatory authorities regarding the housing goals, which Congress established in the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA).[2] FHEFSSA divided the Federal government's regulatory responsibilities over Fannie Mae and Freddie Mac between the Office of Federal Housing Enterprise Oversight (OFHEO), an independent office within HUD which oversees the financial safety and soundness of the enterprises, and the Secretary of HUD, who establishes housing goals, issues fair housing regulations, reviews new program requests, and oversees all other matters not involving financial safety and soundness. This Regulatory Analysis focuses on issues related to the housing goals, which are the focus of HUD's proposed rule.

A. Background on Fannie Mae and Freddie Mac

The Fannie Mae Charter Act and the Freddie Mac Act establish a clear set of public objectives for the housing GSEs, expressing their purposes as follows:[3]

(1) To provide stability in the secondary market for residential mortgages.

---

[1] Source: Office of Federal Housing Enterprise Oversight, *Report to Congress*, June 2003, pp. 81, 101, 119. Total mortgage-backed securities held by others is less than the sum of the figures for the two enterprises because each GSE holds some of the other GSE's MBS.

[2] FHEFSSA is P.L. 102-550, Title XIII.

[3] The Fannie Mae Charter Act is Title III of the National Housing Act (12 U.S.C. 1716 *et seq.*, as amended) and the Freddie Mac Act is Title III of the Emergency Home Finance Act of 1970 (12 U.S.C. 1451 *et seq*., as amended).

(2) To respond appropriately to the private capital market.

(3) To provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

(4) To promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

Fannie Mae and Freddie Mac enjoy special privileges that provide them with significant cost advantages over other secondary market conduits, and over banks and thrifts with respect to certain forms of portfolio holdings. In particular, these implicit subsidies derive from:

(1) Lower borrowing costs, because the market perceives an implicit Federal guarantee of GSE securities.

(2) Exemption from all state and local taxes (other than property taxes).

(3) Exemption from registration requirements for their securities, including SEC registration and reporting requirements and state registration requirements.[4]

(4) Higher demand for their securities, which are qualified investments for regulated financial institutions.

(5) A conditional $2.25 billion line of credit from the Treasury for each enterprise.

In addition, the GSEs generally have had regulatory capital requirements that were lower than those of other financial institutions.

These special privileges give Fannie Mae and Freddie Mac a significant competitive advantage in the secondary market. This competitive advantage has essentially made Fannie Mae and Freddie Mac the only firms in the business of creating MBS for conventional conforming loans.[5] Since the GSEs have lower borrowing costs, the GSEs are able to price

---

[4] Fannie Mae recently voluntarily registered its stock with the SEC, and Freddie Mac has agreed to do so after the revisions of its financial data for recent years. Neither GSE registers its debt with the SEC, nor have they agreed to do so.

[5] Conforming loans are those with an unpaid principal balance less than or equal to a specified amount, referred to as the conforming loan limit, which is based on home prices as measured by the Monthly Interest Rate Survey

mortgages lower than the non-conforming loan market, which translates into conforming mortgage rates being about 25- to 40-basis points below non-conforming mortgage rates.[6]

B. Need for Regulations

In 1995, HUD established new definitions and target levels for the three affordable housing goals—Low- and Moderate-Income, Special Affordable, and Underserved Areas (see Chapter II for the definition of each goal). The target levels were set for the years 1996-1999, and the goals for 1999 also applied to 2000. In 2000, increased and revised goals were established for 2001-2003. The latter goals are also in effect for 2004, although certain goal-related incentives that raised the GSE goal performance figures were not extended beyond 2003. This proposed rule proposes new goal levels and the establishment of home purchase mortgage subgoals for 2005-07, and it incorporates data from the 2000 census into the goals.

C. Objectives of the Regulatory Analysis

This Regulatory Analysis (RA) analyzes the effects of HUD's proposed regulation and assesses the need for and consequences of this regulation, within the framework established by the Office of Management and Budget's Circular A-4 dated September 17, 2003. The RA's discussion considers the public benefits of the housing goals and the costs implied for Fannie Mae and Freddie Mac, and it examines alternatives considered in developing the proposed goal levels. The effects of the regulation are not always quantifiable and in important cases are characterized qualitatively.

D. Scope and Organization of the Analysis

This RA considers benefits and costs of this proposed regulation for each of the three housing goals. Chapter II gives an overview of the housing goals and summarizes HUD's findings related to the six statutory factors that HUD must consider when setting the goal levels. Chapter III presents the core of the regulatory analysis including the rationale for the proposed goal levels, subgoals, and subgoal levels, and alternatives considered in establishing the proposed rule. Chapters IV, V, and VI, present supporting material for the regulatory analysis of chapter III. Chapter IV details the benefits and anticipated impacts of the housing goals in the single-family mortgage market. This chapter includes a discussion of the role of the mortgage market actors, such as FHA and portfolio lenders, and an analysis of the impact of the goals on their activities. Chapter V examines the benefits and impacts of the housing goals in the

---

conducted by the Federal Housing Finance Board. The conforming loans limit is $333,700 in 2004 for one-unit properties, except that it is 50 percent higher in Hawaii, Alaska, Guam, and the Virgin Islands, with higher limits for two-, three-, and four-unit properties. The conforming loan limits for properties with five or more units were repealed in 1998.

[6] U.S. Department of Housing and Urban Development, "Privatization of Fannie Mae and Freddie Mac: Desirability and Feasibility." (July 1996), pp. 148-9.

multifamily mortgage market. Chapter VI then assesses the costs of the housing goals, which relate principally to mortgage default and credit risk effects. This chapter estimates effects of the goals on the financial return earned by the GSEs on their goals-qualifying mortgage purchases.

CHAPTER II

GENERAL DISCUSSION OF HOUSING GOALS AND SUMMARY OF SIX FACTORS

Section A defines the three housing goals and reports Fannie Mae and Freddie Mac's performance on each goal. Section B summarizes the Department's findings concerning the six factors that Congress requires the Department to consider when setting the levels of the housing goals. Section C discusses certain housing goal-related incentives that were in effect for 2001-03. Section D discusses the home purchase mortgage subgoals that are proposed for 2005-08.

A. Housing Goals Performance

The Secretary is responsible for establishing income-based and underserved areas housing goals for the purchase of mortgages by each GSE. The 2000 GSE rule set specific goals for the years 2001 to 2003 for three housing goals: Low- and Moderate-Income Goal; Central Cities, Rural Areas, and Other Underserved Areas Goal (also called the Underserved Areas Goal); and Special Affordable Housing Goal. Table 2.1 summarizes the goals and the performance of Fannie Mae and Freddie Mac over the 1996-2002 period.[1]

1. *Low- and Moderate-Income Housing Goal.* The Low- and Moderate-Income Housing Goal is broadly defined to include mortgage purchases on housing for borrowers with income at or below area median income (AMI). HUD's 1995 GSE Rule set the Low- and Moderate-Income Goal at 40 percent for 1996 and 42 percent for the 1997-99 period. HUD's 2000 rule increased this goal to 50 percent for 2001-03, and the goal continues at 50 percent for 2004. In 2002, 51.8 percent of Fannie Mae's mortgage purchases and 51.4 percent of Freddie Mac's mortgage purchases supported housing for low- and moderate-income households under the Act. After consideration of the factors described in section B below, HUD is proposing to establish the Low- and Moderate-Income Goal at 52 percent of eligible units financed in 2005, 53 percent in 2006, 55 percent in 2007, and 57 percent in 2008.[2]

2. *Underserved Areas Housing Goal.* Research conducted by the GSEs, other mortgage market economists, and HUD have found that mortgage availability in a census tract is strongly correlated with the minority concentration or median income of that tract. Thus, minority concentration and median income are proxies for defining the Underserved Areas Goal. Since 1995 the goal has targeted census tracts within metropolitan areas where either the median income of families in the tract does not exceed 90 percent of

---

[1] The housing goals performances were calculated using the GSEs' loan level data submissions to the Secretary and were based on the provisions of HUD's 1995 GSE Rule.

[2] As explained below, the historical goals performance figures for Fannie Mae and Freddie Mac are based on a different measurement concept than the 52 percent proposed low-mod housing goal.

Table 2.1

Overview of the GSEs' Housing Goal Performance, 1996-2002, and Goals for 1996-2004[1]

Goal[2]	1996	1997	1998	1999	2000	2001	2002	1996 Goals	1997-2000 Goals	2001-04 Goals
Low- and Moderate-Income:										
Fannie Mae	45.6%	45.7%	44.1%	45.9%	49.5%	51.5%	51.8%	40%	42%	50%
Freddie Mac	41.1%	42.6%	42.9%	46.1%	49.9%	53.2%	51.4%			
Ratio[3]	0.90	0.93	0.97	1.00+	1.01	1.03	0.99			
Geographically Targeted:										
Fannie Mae	28.1%	28.8%	27.0%	26.8%	31.0%	32.6%	32.8%	21%	24%	31%
Freddie Mac	25.0%	26.3%	26.1%	27.5%	29.2%	31.7%	31.9%			
Ratio[3]	0.89	0.91	0.97	1.03	0.94	0.97	0.97			
Special Affordable:										
Fannie Mae	15.4%	17.0%	14.3%	17.6%	19.2%	21.6%	21.4%	12%	14%	20%
Freddie Mac	14.0%	15.2%	15.9%	17.2%	20.7%	22.6%	21.4%			
Ratio[3]	0.91	0.89	1.11	0.98	1.08	1.05	1.00			
Special Affordable Multifamily:[4]										
Fannie Mae	$2.37	$3.19	$3.53	$4.06	$3.79	$7.36	$7.57	$1.29	$1.29	$2.85
Freddie Mac	$1.06	$1.21	$2.69	$2.26	$2.40	$4.65	$5.22	$0.99	$0.99	$2.11

Source: HUD analysis of data submitted by the GSEs. Some results differ from performance reported by the GSEs in their Annual Housing Activities Reports (AHARs).

[1] Percentages of dwelling units in properties whose mortgages were purchased by the GSEs that qualified for each goal in 1996-2002, based on the counting conventions in HUD's December 1995 rule (1996-2000 performance) and October 2000 rule (2001-2002 performance), and goals for 1996-2004.

[2] Abbreviated definitions of goals

Low- and Moderate-Income: Households with income less than or equal to area median income (AMI).

Geographically Targeted: Dwelling units in metropolitan census tracts with (1) tract median family income less than or equal to 90 percent of AMI or (2) minority concentration of at least 30 percent and tract median family income less than or equal to 120 percent of AMI; dwelling units in nonmetropolitan counties with (1) median family income less than or equal to 95 percent of the greater of state or national nonmetropolitan median income or (2) minority concentration of at least 30 percent *and* county median family income less than or equal to 120 percent of the greater of state or national nonmetropolitan median income.

Special Affordable: Households with income (1) less than or equal to 60 percent of AMI or (2) less than or equal to 80 percent of AMI and located in low-income areas.

For the low- and moderate-income and special affordable goals, AMI is median income for the MSA for borrowers in metropolitan areas, and the greater of county or state nonmetropolitan median income for borrowers outside metropolitan areas.

[3] Ratio of Freddie Mac goal performance to Fannie Mae goal performance.

[4] Performance and goals in billions of dollars. Goals for 1996-2000 were 0.8 percent of each GSE's total mortgage purchases in 1994; goals for 2001-04 are 1.0 percent of each GSE's average mortgage purchases in 1997-99.

area median income, or minorities comprise 30 percent or more of the residents and the median income of families in the tract does not exceed 120 percent of area median income. For nonmetropolitan areas, the goal has targeted counties where either minorities comprise 30 percent or more of the residents and the median income of families does not exceed 120 percent of the greater of state or national nonmetropolitan median income, or counties where the median income of families does not exceed 95 percent of the greater of state or national nonmetropolitan median income. HUD's 1995 GSE Rule set the Underserved Areas Goal at 21 percent for 1996 and at 24 percent for the 1997-99 period. HUD's 2000 rule increased this goal to 31 percent for 2001-03, and the goal continues at 31 percent for 2004.

In 2002, 32.8 percent of Fannie Mae's mortgage purchases and 31.9 percent of Freddie Mac's mortgage purchases met the requirements for scoring under the Underserved Areas Goal. After consideration of the factors described in section B below, HUD is proposing to establish the Underserved Areas Goal at 38 percent of eligible units financed in 2005, 39 percent in 2006 and 2007, and 40 percent in 2008. This proposed rule takes into account new data from the 2000 Census, which indicates that a greater share of the population now resides in underserved areas, as defined by HUD. It also proposes to change from a county-based definition of underserved nonmetropolitan areas to a census tract-based definition of such areas.

3. *Special Affordable Housing Goal*. The Special Affordable Housing Goal is directed to units occupied by low-income owners and renters in low-income areas, and units occupied by very low-income owners and renters. The goal also includes low-income rental units in multifamily properties where at least 20 percent of the units are affordable to families whose incomes do not exceed 50 percent of area median income, or where at least 40 percent of the units are affordable to families whose incomes do not exceed 60 percent of area median income. HUD's 1995 GSE Rule set the Special Affordable Housing Goal at 12 percent for 1996 and 14 percent for the 1997-99 period. HUD's 2000 rule increased this goal to 20 percent for 2001-03, and the goal continues at 20 percent for 2004.

In 2002, 21.4 percent of both Fannie Mae's mortgage purchases and Freddie Mac's mortgage purchases supported housing for special affordable households under the Act. After consideration of the factors described in section B below, HUD is proposing to establish the Special Affordable Goal at 22 percent of eligible units financed in 2005, 24 percent in 2005, 26 percent in 2006, and 28 percent in 2008.[3]

As part of the Special Affordable Housing Goal, under this proposed rule each GSE would have to annually purchase multifamily mortgages in an amount at least equal to 1.0 percent of the dollar volume of average combined (single family and multifamily)

[3] As explained below, the historical goals performance figures for Fannie Mae and Freddie Mac are based on a different measurement concept than the 22 percent proposed special affordable housing goal.

mortgage purchases for the 2000-2002 period. In terms of dollars, Fannie Mae and Freddie Mac would have to purchase at least $5.49 billion and $3.92 billion, respectively, in special affordable multifamily mortgages during each year, 2005-08. This subgoal was established at $2.85 billion annually for Fannie Mae and $2.11 billion annually for Freddie Mac for 2001-03, and these subgoals also apply in 2004.

B. Statutorily-Required Factors for HUD's Consideration in Establishing Goals

In determining the levels of the proposed housing goals, three objectives were established: setting the goals in a way that reflects consideration of the six statutory factors, setting goals that are reasonable and appropriate, and setting goals far enough into the future to allow the GSEs to engage in long-term planning.

The proposed levels of the goals reflect a full consideration of all the factors mandated by FHEFSSA. These factors include estimates of the share of the primary market qualifying for each goal, national housing needs, the financial condition of the GSEs, economic and demographic conditions, previous performance on the goals, and the GSEs' leadership role within the industry.

A brief discussion of each of the factors that HUD took into account in proposing these goals follows. More detailed discussions of these factors are contained in Appendices A, B, C and D of the final rule and in Chapters III-VI of this Regulatory Analysis.

1. *National housing needs.* Homeownership and the provision of affordable housing are basic objectives of U.S. housing policy. In determining the level of each proposed goal, HUD examined homeownership trends and conditions in the mortgage lending market. Analysis and research by HUD and outside experts indicate that there are substantial housing needs among lower-income and minority families. Despite record homeownership rates and the growth in affordable housing lending since the early 1990s, gaps in the homeownership rate remain, with certain minorities, particularly African-American and Hispanic families, lagging the overall market. Research has also demonstrated that there are disparities in mortgage lending between whites and these same minority groups.

2. *Economic, housing, and demographic conditions.* This factor pertains to the condition of the housing market, both overall and as related to each of the goals. In evaluating these markets, HUD considered several demographic changes that will affect the demand for housing over the next few years: continued increases in immigration and the minority population, changes in age and family composition of households, growth of non-traditional households such as singles and single-parent households, and continued strong demand by first-time homebuyers.

   Studies indicate that changing population demographics will result in a need for the mortgage market to meet nontraditional credit needs and to respond to diverse housing preferences. In particular, the continued influx of immigrants will increase the demand for rental housing, while those who immigrated during the 1980s and 1990s will be in the market to purchase owner-occupied housing. There will also be increased credit needs from new and expanding market sectors, such as manufactured housing, CRA-type loans, and housing for senior citizens.

3. *Performance and effort of the GSEs toward achieving the goal in previous years.* In evaluating the past performance of the GSEs for setting the goals, HUD analyzed the GSEs' mortgage purchase activities in detail. In particular, HUD focused on the GSEs' performances with respect to the housing goals, the GSEs' affordable lending efforts (such as adjusting their purchase/underwriting guidelines and introducing new programs and products), and the GSEs' funding of mortgages for special groups such as first-time homebuyere. Both Fannie Mae and Freddie Mac have improved their affordable housing loan performance over the past five years. However, as discussed in Chapter IV below, the GSEs' mortgage purchases have generally lagged the overall market in providing financing for housing for lower-income borrowers, underserved neighborhoods, and first-time homebuyers.

4. *Size of the conventional mortgage market serving the targeted population or areas, relative to the size of the overall conventional mortgage market.* An important consideration in determining the level of the goals is the size of the relevant loan market relative to the overall conventional, conforming primary market. HUD estimates that over the 2005-08 period 51-57 percent of dwelling units financed in the conventional conforming mortgage market will be for low- and moderate-income families, 35-40 percent will be for properties in underserved areas, and 24-28 percent will be for very low-income families and low-income families in low-income areas. As discussed, the proposed annual housing goal for these three categories for 2005 are 52 percent for the low-mod goal, 38 percent for the underserved areas goal, and 22 percent for the special affordable goal. Thus the initial low-mod goal is in the lower portion of the range for corresponding primary market, the inital underserved areas goal is in the middle of the range for the corresponding primary market, and, for reasons discussed below, the inital special affordable goal is slightly below the lower end of the range for the corresponding primary market. Due to inherent uncertainty about future market conditions, HUD has developed a plausible range of estimates, rather than a point estimate, for each goal. The above market ranges allow for housing and mortgage conditions much less affordable than have existed recently. For each goal, the proposed rule establishes a sequence of annual levels that will bring both GSEs to the top of the projected market range by 2008. The detailed analyses underlying these estimates are presented in Appendix D.

5. *Ability of the GSEs to lead the industry in making mortgage credit available for the targeted population or areas.* Congress clearly intended for the GSEs to lead the mortgage finance industry in making mortgage credit available for the groups and regions

targeted by the goals. Research concludes that the GSEs have generally not been leading the market, but have lagged behind the primary market in financing housing for low-income borrowers and their communities. As discussed in Chapter IV, the GSEs' purchases represented 49 percent of all single-family and multifamily units financed during 1999-2002; however, their shares of goal-qualifying mortgages represented much smaller percentages of financed units in the three housing goal markets: low-mod (42 percent), special affordable (35 percent), and underserved areas (41 percent). On the other hand, the GSEs' state-of-the-art technology, staff resources, dominant position in the industry, and their financial strength suggest that the GSEs have the ability to lead the industry in making mortgage credit available for low-income families and underserved neighborhoods.

6. *Need to maintain the sound financial condition of the GSEs.* The GSEs are substantial corporations as measured by their asset size and profits. HUD considered the effect of each of the goals on the respective financial strength of each GSE by evaluating the credit risks the GSEs would assume through the purchase of additional mortgages that are affordable to lower-income households and that are for properties located in underserved areas. HUD's analysis concludes that the GSEs earn a reasonable financial return on their purchases of goal-qualifying loans (see Chapter VI). Based on this Regulatory Analysis, HUD concludes that the level of the goals in the final rule will not adversely affect the sound financial condition of the GSEs.

C. Incentives for Purchasing Certain Types of Mortgages and Housing Goal Performance under the Counting Provisions in the 2004 Proposed Rule

The official goal performance figures presented in Table 2.1 above are based on HUD's analyses of loan-level submitted to the Department by the GSEs, taking into account the goal-scoring rules that were in effect for 2001-2003. These are not readily comparable with the goals proposed for 2005-08, for three reasons.

First, as discussed in detail below, certain incentives were in effect for 2001-03 that are not in effect for 2004. Specifically, each GSE received double credit (or "bonus points") for financing goal-qualifying units in small multifamily properties and, above a threshold, units in owner-occupied 2-4 unit properties with at least one rental unit, and Freddie Mac received 1.35 units of credit under a "temporary adjustment factor" (TAF) for financing goal-qualifying units in large multifamily properties. The provisions expired at the end of 2003. As discussed below, performance on all goals by both GSEs would have been lower than the official performance figures reported in Table 2.1 for 2001 and 2002 in the absence of these provisions. Equivalently, discontinuation of these provisions in effect increased the goals for both GSEs, but especially for Freddie Mac, for 2004.

Second, HUD is incorporating new information from the 2000 census in its market estimates and in formulating the proposed goals for 2005-08. These are also discussed in more detail below and in the Appendices to the proposed rule. For example, in its final 2002 rule, HUD estimated that underserved areas accounted for 29-32 percent of the primary mortgage market. Date from the 2000 census indicate that there are many more high-minority census tracts than there were in the 1990 census. Thus the Department estimates that in the period covered by these proposed housing goals underserved areas will account for 35-40 percent of the primary mortgage market.

Third, HUD is proposing to define underserved areas in nonmetropolitan areas in terms of census tracts, rather than counties, as has been the case for the 1996-2004 period.

Table 2.2 presents data on what each GSE's performance would have been in 1999-2002 under the goal-counting provisions in this proposed rule. These may be contrasted with the official performance figures shown in Table 2.1. For example, Fannie Mae's official performance on the low-mod goal was 51.8 percent in 2002, but if the counting rules in this proposed rule had been in effect, its performance would have been 47.9 percent. And Freddie Mac's official performance on the underserved areas goal was 31.9 percent in 2002, but if the proposed counting rules had been in effect, its performance would have been higher, at 32.8 percent.

D. Proposed Home Purchase Subgoals

As discussed above, in 1995 HUD established special affordable multifamily subgoals for both GSEs. These dollar-based subgoals have been in effect for every year since 1996. The subgoals and performance on the subgoals are shown in Table 2.1.

In its proposed 2000 rule HUD discussed the possibility of additional subgoals, which are permitted under the 1992 GSE legislation. In the final 2000 rule, however, the Department did not establish any subgoals other than the special affordable multifamily subgoals. HUD is now proposing three additional subgoals, to focus the GSEs' attention somewhat more on the national objective of increasing homeownership. These would correspond to the same three categories targeted by the overall housing goals. That is, as discussed in detail in Chapter III and in the proposed rule, HUD is proposing to establish a low- and moderate-income home purchase subgoal, a special affordable home purchase subgoal, and an underserved areas home purchase subgoal.

Table 2.2

GSEs' Housing Goal-Qualifying Mortgage Purchases, 1999-2002, based on Counting Provisions in the 2004 Proposed Rule, and Proposed Goals for 2005-2008[1]

Goal [2]	1999	2000	2001	2002	Proposed 2005 - 2008 Goals 2005	2006	2007	2008
Low- and Moderate-Income:								
Fannie Mae	46.3%	51.2%	48.7%	47.9%	52%	53%	55%	57%
Freddie Mac	46.0%	50.2%	47.0%	45.0%				
Ratio[3]	0.99	0.98	0.97	0.94				
Underserved Areas:								
Fannie Mae	31.6%	37.5%	35.7%	35.0%	38%	39%	39%	40%
Freddie Mac	31.6%	34.1%	32.5%	32.8%				
Ratio[3]	1.00	0.91	0.91	0.94				
Special Affordable:								
Fannie Mae	18.6%	21.7%	20.1%	19.4%	22%	24%	26%	28%
Freddie Mac	17.4%	20.8%	19.1%	17.8%				
Ratio[3]	0.94	0.96	0.95	0.92				
Special Affordable Multifamily[4]:								
Fannie Mae	$4.06	$3.79	$7.36	$7.57	$5.49	$5.49	$5.49	$5.49
Freddie Mac	$2.26	$2.40	$4.65	$5.22	$3.92	$3.92	$3.92	$3.92

Source: HUD analysis of data submitted by the GSEs.

1 Percentages of dwelling units in properties whose mortgages were purchased by the GSEs that would have qualified for each goal in 1999-2002, based on the proposec counting conventions in this proposed rule and data from the 2000 Census, and proposed goals for 2005-2007.

2 Abbreviated definitions of goals:
Low- and Moderate-Income: Households with income less than or equal to area median income (AMI).
Geographically Targeted: Dwelling units in metropolitan census tracts with (1) tract median family income less than or equal to 90 percent of AMI or (2) minority concentration of at least 30 percent and tract median family income less than or equal to 120 percent of AMI; dwelling units in nonmetropolitan counties with (1) median family income less than or equal to 95 percent of the greater of state or national nonmetropolitan median income or (2) minority concentration of at least 30 percent and county median family income less than or equal to 120 percent of the greater of state or national nonmetropolitan median income.
Special Affordable: Households with income (1) less than or equal to 60 percent of AMI or (2) less than or equal to 80 percent of AMI and located in low-income areas.

For the low- and moderate-income and special affordable goals, AMI is median income for the MSA for borrowers in metropolitan areas, and the greater of county or state nonmetropolitan median income for borrowers outside metropolitan areas.

3 Ratio of Freddie Mac's goals-qualifying mortgage purchases to Fannie Mae's goal-qualifying purchases, under counting provisions proposed for 2005-0

4 Performance and goals in billions of dollars. Proposed goals for 2005-07 are 1.0 percent of each GSE's average mortgage purchases in 2000-02