FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 29, 2010

Honorable Christopher Dodd
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Dodd:

Pursuant to section 1125 of the Housing and Economic Recovery Act of2008, I am pleased to submit the enclosed report titled "Annual Housing Report." As required by the Act, this report provides information for calendar year 2009 regarding Enterprise housing goal performance and other Enterprise housing activities. Should you or your staff have any questions regarding the matters covered in this report, please contact Nelson Hernandez, Senior Associate Director for the Office of Housing and Community Investment at (202) 408-2983.

Sincerely,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

1700 G Street, N.W., Washington, D.C. 20552-0003 • 202-414-3800 • 202-414-3823 (fax)

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 29, 2010

Honorable Richard Shelby
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Ranking Member Shelby:

Pursuant to section 1125 of the Housing and Economic Recovery Act of2008, I am pleased to submit the enclosed report titled "Annual Housing Report." As required by the Act, this repo1t provides information for calendar year 2009 regarding Enterprise housing goal performance and other Enterprise housing activities. Should you or your staff have any questions regarding the matters covered in this report, please contact Nelson Hernandez, Senior Associate Director for the Office of Housing and Community Investment at (202) 408-2983.

Sincerely,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 29, 2010

Honorable Barney Frank
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20510

Dear Chairman Frank:

Pursuant to section 1125 of the Housing and Economic Recovery Act of2008, I am pleased to submit the enclosed report titled "Annual Housing Report." As required by the Act, this report provides information for calendar year 2009 regarding Enterprise housing goal performance and other Enterprise housing activities. Should you or your staff have any questions regarding the matters covered in this report, please contact Nelson Hernandez, Senior Associate Director for the Office of Housing and Community Investment at (202) 408-2983.

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Acting Director

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FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 29, 2010

Honorable Spencer Bachus
Ranking Minority Member
Committee on Financial Services
United States House of Representatives
B-371A Rayburn House Office Building
Washington, DC 20510

Dear Ranking Member Bachus:

Pursuant to section 1125 of the Housing and Economic Recovery Act of2008, I am pleased to submit the enclosed report titled "Annual Housing Report." As required by the Act, this report provides information for calendar year 2009 regarding Enterprise housing goal performance and other Enterprise housing activities. Should you or your staff have any questions regarding the matters covered in this report, please contact Nelson Hernandez, Senior Associate Director for the Office of Housing and Community Investment at (202) 408-2983.

Sincerely,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

FHFA Annual Housing Report

October 2010

Prepared for

The Committee on Banking, Housing, and Urban Affairs of the Senate

and

The Committee on Financial Services of the House of Representatives

I. Introduction

Section 1324 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), as amended by section 1125 of the Housing and Economic Recovery Act of 2008 (HERA), requires the Federal Housing Finance Agency (FHFA) to submit annually to Congress a report on the housing activities of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (known as the Enterprises).[1] FHFA is required to submit its report no later than October 30 each year to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives. This annual housing report discusses the Enterprises' housing activities in 2009 as outlined in section 1324 of the Safety and Soundness Act, as amended.

II. Monthly Mortgage Survey

Section 1324(c) of the Safety and Soundness Act requires FHFA to survey mortgage markets monthly, make data derived from that survey available to the public in a timely manner, and use the data in preparing the *Annual Housing Report*. The specific language of section 1324(c) implies that Congress intended the survey to encompass only mortgages that finance properties with one to four units. Section 1324(c) also requires FHFA to ensure the data made publicly available is not released in an identifiable form and is not otherwise obtainable from other publicly available data sets.

Section 1324(c)(2)(A) requires FHFA to collect information under the monthly survey on the characteristics of individual mortgages both eligible and ineligible for Enterprise purchase. For each loan, the information must include the price of the house securing the mortgage, the loan-to-value (LTV) ratio of the mortgage (including secondary financing), the terms of the mortgage, the creditworthiness of the borrower(s), and whether the mortgage (if eligible for Enterprise purchase) was purchased by an Enterprise. In addition, section 1324(c)(2)(B) requires FHFA to collect information on the loan and borrower characteristics of subprime mortgages and nontraditional mortgages eligible for purchase by the Enterprises, including the creditworthiness of such borrowers and other information needed to determine whether such borrowers would qualify for prime lending.

FHFA did not conduct a monthly mortgage survey during 2009. FHFA sought to contract the function out but was unable to award a contract until mid-2010. On June 1, 2010, following a competitive bidding process, FHFA awarded a contract to Five Bridges Advisors, LLC to assist FHFA in conducting the monthly survey. By October 2010, Five Bridges had delivered data on mortgage originations for the months of June through September 2010. FHFA is currently assessing the quality of the data received from Five Bridges.

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1 12 U.S.C. § 4544.

III. Affordable Housing Goals

A. Housing Goals - Introduction

Section 1324(b)(1)(A)(i) requires FHFA to discuss in the annual housing report how and the extent to which each Enterprise is achieving the annual housing goals. Prior to HERA, the Safety and Soundness Act of 1992 required the Department of Housing and Urban Development (HUD) to establish, monitor, and enforce the affordable housing goals for the Enterprises. In November 2004, HUD issued regulations establishing affordable housing goal and subgoal levels for the Enterprises for 2005 through 2008. These goals generally increased each year over this four-year period. On July 30, 2008, HERA transferred the authority to establish, monitor, and enforce the affordable housing goals for the Enterprises from HUD to FHFA.[2]

Section 1128(b) of HERA amended the Safety and Soundness Act to include a transitional provision for the 2009 housing goals. Under Section 1331(c) of the Safety and Soundness Act, the housing goals effective for 2008 would remain in effect for 2009. FHFA was required to review the goal levels for 2009 to determine their feasibility given current market conditions and, after seeking public comment, make appropriate adjustments consistent with market conditions.[3]

In light of continued deterioration in market conditions and an unexpectedly high volume of refinance mortgages obtained by higher-income borrowers, FHFA determined that each of the single-family housing goal and home purchase subgoal levels should be reduced for 2009. On May 1, 2009, FHFA published a proposed rule revising each of the 2009 housing goal and home purchase subgoal levels.[4] After reviewing the comments on the proposed rule and an updated analysis of mortgage market conditions, on August 10, 2009, FHFA published a final rule establishing new housing goal levels for 2009.[5]

B. Housing Goal Levels for 2009

The single-family housing goal levels for 2009 were expressed as a percentage of the total number of dwelling units financed by that Enterprise's mortgage purchases. FHFA lowered the 2009 housing goal levels because market conditions did not support the levels HUD established for 2008 and 2009. FHFA established the 2009 goal levels as follows:[6]

Low- and Moderate-Income (LM) Goal:	43 percent
Underserved Areas (UA) Goal:	32 percent
Special Affordable (SA) Goal:	18 percent

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[2] See Division A, titled the "Federal Housing Finance Regulatory Reform Act of2008," Title I, Section 1101 of HERA.
[3] 12 U.S.C. § 4561(c).
[4] 74 Fed. Reg. 20236 (May 1, 2009).
[5] 74 Fed. Reg. 39873 (Aug. 10, 2009).
[6] These goal categories are defined in Appendix A.

The 2009 home purchase subgoals were expressed as a percentage of the total number of single-family home purchase mortgages on owner-occupied homes in metropolitan areas financed by that Enterprise's mortgage purchases. After a review of market conditions, FHFA also lowered the 2009 home purchase subgoal levels. FHFA established the 2009 subgoal levels as follows:

LM Home Purchase Subgoal:	40 percent
UA Home Purchase Subgoal:	30 percent
SA Home Purchase Subgoal:	14 percent

In 2004, HUD established minimum dollar-based special affordable multifamily subgoals for each Enterprise. These were established at levels equal to 1 percent of the average annual aggregate dollar volume of total mortgage purchases by each Enterprise in a base period (2000, 2001, and 2002). FHFA modestly increased the existing special affordable multifamily subgoals for the Enterprises. The 2009 dollar-based special affordable multifamily subgoals for each Enterprise were:

Fannie Mae SA Multifamily Subgoal:	$6.56 billion
Freddie Mac SA Multifamily Subgoal:	$4.60 billion

C. <u>Feasibility Determinations for 2009</u>

The Enterprises are required to submit quarterly mortgage reports to FHFA to assist the Director in monitoring the Enterprises' housing goal activities.[7] The mortgage report for the second quarter includes loan-level data on each mortgage purchased by the Enterprise in the first half of the year. Based on Enterprise-reported performance through October 31, 2009, and on FHFA's analysis of mortgage market conditions, on December 15, 2009, FHFA informed Fannie Mae that there was a substantial probability that it would fail to meet its 2009 underserved areas housing goal. FHFA also informed Freddie Mac that there was a substantial probability that it would fail to meet its 2009 underserved areas housing goal, special affordable housing goal, underserved areas home purchase subgoal, and special affordable multifamily subgoal. FHFA permitted the Enterprises to submit comments regarding the feasibility of the goals and subgoals.

Fannie Mae submitted its response regarding the feasibility of the 2009 underserved areas goal and special affordable multifamily subgoal on January 19, 2010. Freddie Mac submitted its response on January 19, 2010, regarding the feasibility of its undeserved areas housing goal and home purchase subgoal, special affordable housing goal, and special affordable multifamily subgoal.

With regard to the overall goals and the single-family home purchase subgoals, FHFA considered the tightened underwriting standards adopted by the Enterprises and others in the industry, the decreased availability of private mortgage insurance in the primary mortgage market, the sharp increase in the share of single-family mortgages insured by the Federal Housing Administration, and the sharp fall in the issuance of private-label securities. With regard to the special affordable multifamily subgoals, FHFA considered the collapse of the commercial

[7] See 12 C.F.R. § 1282.62.

mortgage-backed securities market. For all goals and subgoals, FHFA considered the financial condition of the Enterprises in 2009. After considering the responses from the Enterprises and the above factors, FHFA determined that the underserved areas housing goal and the two special affordable multifamily subgoals were not feasible in 2009, but that the underserved areas home purchase subgoal and the special affordable housing goal were feasible in 2009. FHFA notified each Enterprise of its determinations in letters dated June 3, 2010.[8]

D. Enterprise Performance on the 2009 Housing Goals

The Federal National Mortgage Association Charter Act and the Federal Home Loan Mortgage Corporation Act require Fannie Mae and Freddie Mac *to* submit annual housing activities reports (AHARs) detailing their housing goal activities to FHFA, the Committee on Banking, Housing, and Urban Affairs of the Senate, and the Committee on Banking, Housing, and Urban Affairs of the House of Representatives.[9] The AHARs include loan-level data on each mortgage purchased by the Enterprises. The Enterprises are required to submit these reports no later than 75 days after the end of each calendar year, generally by March 16 of each year.[10]

As part of the annual housing report, section 1324(b)(2) of the Safety and Soundness Act requires FHFA to "aggregate and analyze relevant data on income to assess the compliance of each Enterprise with the housing goals."[11] FHFA analyzed the loan-level data submitted with the Enterprises' AHARs for 2009 to determine their performance on the 2009 housing goals and subgoals. The results are as follows:

	Fannie Mae	Freddie Mac	Target
LM Goal:	47.6 percent	44.7 percent	43 percent
UA Goal:	28.8 percent	26.8 percent	32 percent
SA Goal:	20.7 percent	17.8 percent	18 percent
LM Home Purchase Subgoal:	51.7 percent	48.4 percent	40 percent
UA Home Purchase Subgoal:	31.0 percent	27.9 percent	30 percent
SA Home Purchase Subgoal:	23.2 percent	20.6 percent	14 percent
SA Multifamily Subgoals (Target):	$6.42 billion ($6.56)	$3.69 billion ($4.60)	

Fannie Mae exceeded the low- and moderate-income goal, the special affordable goal, and all three home purchase subgoals, but fell short of the underserved areas goal and its special affordable multifamily subgoal, although its performance in the latter category was 98 percent of the subgoal level of $6.56 billion. Freddie Mac exceeded the low- and moderate-income goal and home purchase subgoal and the special affordable home purchase subgoal. Freddie Mac fell short of the underserved areas goal and home purchase subgoal, the special affordable goal and its special affordable multifamily subgoal, where its performance was 80 percent of the subgoal

[8] These letters are included in Appendix B.
[9] See section 309(n) of Fannie Mae's charter act and section 307(f) of Freddie Mac's charter act. 12 U.S.C. § 1723a; 12 U.S.C. § 1456. The charter acts require that the annual housing activities reports be submitted to the Committee on Banking, Housing, and Urban Affairs of the House of Representatives. However, the Enterprises submit the annual housing activities reports to the Committee on Financial Services of the House of Representatives.
[10] See 12 C.F.R. § 1282.63.
[11] 12 U.S.C. § 4544(b)(2).

level of $4.60 billion. FHFA notified the Enterprises of their official goal performance in letters dated July 7, 2010.[12]

Fannie Mae's performance exceeded Freddie Mac's performance on all goals and home purchase subgoals, and FHFA will undertake additional research to determine the reasons for this disparity in performance. Although both Enterprises fell short of their special affordable multifamily subgoals, Fannie Mae's performance amounted to a higher percentage of its goal than Freddie Mac's performance relative to its goal.

E. Comparison of 2009 Goal and Subgoal Performance with Primary Mortgage Market, Based on 2009 HMDA Data

FHFA's final rule on the 2010-11 housing goals established a two-part test for measuring whether or not an Enterprise achieves the four single-family goals and the low-income areas home purchase subgoal. Specifically, an Enterprise achieves the goal if its performance equals or exceeds the specified benchmark level in the final rule. For example, the benchmark is 27 percent for the low-income home purchase goal for 2010. If performance falls short of the benchmark level, a subsequent review is made of primary mortgage market data submitted by mortgage originators to their regulators in accordance with the Home Mortgage Disclosure Act (HMDA).

FHFA will calculate the share of conventional mortgages in the primary mortgage market that would have qualified for each of the single-family goals, and Enterprise performance will be compared against these market estimates. For example, if an Enterprise's performance on the low-income home purchase goal is 25.5 percent, falling short of the goal, that figure will also be compared with the HMDA market estimate for the goal. If the market estimate is 25 percent, the Enterprise would have passed the goal. If the market estimate is 26 percent, the Enterprise would have fallen short on the goal, since its performance was less than the benchmark of 27 percent and also less than the market estimate of 26 percent.

Although the provision for a formal comparison of goal performance with the goal-qualifying shares of conventional conforming loan originations in the primary market was not in effect for 2009, housing analysts at HUD and independent researchers have performed these calculations for the last several years to measure whether Enterprise performance led or lagged the primary market. The comparisons of performance and market estimates for the single-family home purchase subgoals are made from FHFA analysis of HMDA data. The overall goals also include rental units in multifamily and single-family rental properties, thus FHFA has had to supplement its analysis of HMDA data with estimated market conditions in those markets.

The comparisons of goal and subgoal performance with market estimates for 2009 are:

[12] These letters are included in Appendix C. Each Enterprise had five working days to request reconsideration of FHFA's final determinations regarding official goal performance, but neither did so. Official goal performance figures for 2008, as determined by FHFA, were reported in FHFA's *2009 Annual Report to Congress* (published May 2010).

- Performance on the low- and moderate-income goal was 44.1 percent for Fannie Mae and 42 percent for Freddie Mac, *excluding* the effects of loan modifications. FHFA estimates that 41.8 percent of units financed in the primary mortgage market qualified for this goal.

- Performance on the low- and moderate-income home purchase subgoal was 42.8 percent for Fannie Mae and 42.1 percent for Freddie Mac, *excluding* the effects of loan modifications. FHFA estimates that 39.5 percent of units financed in the primary mortgage market qualified for this subgoal.

- Performance on the underserved areas goal was 27 percent for Fannie Mae and 25.4 percent for Freddie Mac, *excluding* the effects of loan modifications. FHFA estimates that 26.3 percent of units financed in the primary mortgage market qualified for this goal.

- Performance on the underserved areas home purchase subgoal was 26.9 percent for Fannie Mae and 24.6 percent for Freddie Mac, *excluding* the effects ofloan modifications. FHFA estimates that 26.6 percent of units financed in the primary mortgage market qualified for this subgoal.

- Performance on the special affordable goal was 18.2 percent for Fannie Mae and 15.8 percent for Freddie Mac, *excluding* the effects of loan modifications. FHFA estimates that 18.2 percent of units financed in the primary mortgage market qualified for this goal.

- Performance on the special affordable home purchase subgoal was 16.6 percent for Fannie Mae and 16.2 percent for Freddie Mac, *excluding* the effects of loan modifications. FHFA estimates that 15.4 percent of units financed in the primary mortgage market qualified for this subgoal.

Fannie Mae's performance was above or matched the market on all housing goals and home purchase subgoals. Freddie Mac was above the market on the low- and moderate-income goal, the low- and moderate-income home purchase subgoal, and the special affordable home purchase subgoal, but below the market on the underserved areas goal, the underserved areas home purchase subgoal, and the special affordable goal.

IV. Duty to Serve Underserved Markets

A. Introduction

Section 1324(b)(l)(A)(ii) of the Safety and Soundness Act requires FHFA to discuss in the annual housing report how and the extent to which "each [E]nterprise is complying with its duty to serve underserved markets," as required by section 1335 of the Safety and Soundness Act.[13] Section 1335 establishes a duty for the Enterprises to serve very low-, low-, and moderate-income families in three underserved markets-manufactured housing, affordable housing

[13] 12 U.S.C. § 4544(b).

preservation, and rural areas-in order to increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing in each of these underserved markets.[14] In addition, section 1335 requires FHFA to establish, by regulation effective for 2010 and each subsequent year, a method for evaluating and rating whether and the extent to which the Enterprises have complied with the duty to serve underserved markets.[15]

B. Rulemaking

FHFA initiated its rulemaking to implement the duty to serve by issuing an Advance Notice of Proposed Rulemaking on August 4, 2009 and publishing a Notice of Proposed Rulemaking on June 7, 2010.[16] The proposed rule sets forth the types of Enterprise transactions and activities that would receive consideration towards the duty to serve. For example, only manufactured homes titled as real property would receive consideration towards the duty to serve the manufactured housing market, and the Neighborhood Stabilization Program would be added to the enumerated list of eligible programs in the affordable housing preservation market. In addition, the proposed rule provides flexibility to the Enterprises in serving the affordable housing preservation and rural markets.

The proposed rule establishes a process for FHFA to evaluate and rate each Enterprise for compliance with the duty to serve each market. The proposed rule requires each Enterprise to submit to FHFA for review an Underserved Markets Plan describing the steps it would take to serve each market. In its plan, each Enterprise would be required to establish benchmarks and objectives against which FHFA would evaluate and rate its performance in each underserved market. FHFA would evaluate and rate each Enterprise on its development of loan products and more flexible underwriting guidelines, volume of loans purchased, extent of outreach to market participants, and amount of investments and grants. Each Enterprise would receive an overall rating of compliance or noncompliance in each underserved market.

In addition, the proposed rule provides for each Enterprise to report periodically to FHFA on its performance. The comment period for the proposed rule ended July 22, 2010, and FHFA received more than 3,900 comments. FHFA plans to issue a final regulation implementing the duty to serve in the first quarter of 2011.

V. Affordable Housing Allocations

Section 1324(b)(1)(A)(iii) of the Safety and Soundness Act requires FHFA to discuss in the annual housing report how and the extent to which each Enterprise is complying with the affordable housing allocation requirements under section 1337 of the Safety and Soundness Act.[17] Section 1337 requires each Enterprise to set aside in each fiscal year an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of its total new business

[14] See 12 U.S.C. § 4565.
is Id.
[16] 74 Fed. Reg. 38572 (Aug. 4, 2009); 75 Fed. Reg. 32099 (June 7, 2010).
[17] 12 U.S.C. § 4544(b).

purchases.[18] Each Enterprise is required to allocate or transfer 65 percent of this amount to the Secretary of HUD to fund the housing trust fund established under section 1338 of the Safety and Soundness Act and 35 percent to fund the capital magnet fund established under section 1339 of the Safety and Soundness Act.

Section 1337(b) directs FHFA to temporarily suspend these allocations upon a finding that such allocations: (1) are contributing, or would contribute, to the financial instability of the Enterprise; (2) are causing, or would cause, the Enterprise to be classified as undercapitalized; or (3) are preventing, or would prevent, the Enterprise from successfully completing a capital restoration plan under section 1369C.[19] In November 2008 FHFA dete1mined that the Enterprises' affordable housing allocations would be suspended until further notice.[20]

VI. **Transactions and Activities Pursuant to Section 1331(b)(2)**

Section 1324(b)(l)(A)(iv) of the Safety and Soundness Act requires FHFA to discuss in the annual housing report how and the extent to which "each [E]nterprise received credit towards achieving each of its goals resulting from a transaction or activity pursuant to section 133l(b)(2)."[21] However, section 133l(b)(2) does not exist in the Safety and Soundness Act. FHFA has analyzed the legislative history of HERA and has concluded that the intended statutory reference was likely section 1332(i) of the Safety and Soundness Act.[22] Section 1332(i) provides in part:

> (i) GOALS CREDIT.-The Director shall determine whether an [E]nterprise shall receive full, partial, or no credit for a transaction toward achievement of any of the housing goals established pursuant to section 1332 and 1333. In making any such determination, the Director shall consider whether a transaction or activity of an [E]nterprise is substantially equivalent to a mortgage purchase and either (1) creates a new market, or (2) adds liquidity to an existing market.[23]

This provision provides guidance to the Director as to how to award credit towards achievement of any of the housing goals established pursuant to sections 1332 and 1333 of the Safety and Soundness Act. Sections 1332 and 1333 provide for the Director to establish single-family and multifamily housing goals for 2010. However, the housing goals in effect for 2009 were established pursuant to sections 1332-1334 of the Safety and Soundness Act of 1992. FHFA has interpreted section 1324(b)(1)(A)(iv) as a requirement to report on how and the extent to which each Enterprise received credit for a transaction or activity, pursuant to section 1332(i), towards achieving the housing goals in effect for the particular reporting year.

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[18] 12 U.S.C. § 4567.
[19] 12 U.S.C. § 4567(b).
[20] As reported in FHFA's *2008 Annual Report to Congress*, May 18, 2009, p. 8l.
[21] 12 U.S.C. § 4544(b).
[22] In H.R. 3221.EAS2, an earlier version of the bill that was eventually enacted into law as HERA, the language in section 133l (b)(2) was almost identical to the language in current section 1332(i).
[23] 12 U.S.C. § 4562(i).

FHFA treated loan modifications as mortgage purchases for purposes of the 2009 single-family housing goals and subgoals.[24] FHFA only counted loans modified in accordance with the Administration's Home Affordable Modification Program (HAMP). Loan modifications cannot prevent all defaults or foreclosures from occurring, but they can help some existing homeowners stay in their homes, which enhances the stability and liquidity of the housing and credit markets.

Loan modifications were treated as either home purchase mortgages or refinancing mortgages to correspond with the original purpose of the loan being modified. For example, if the original mortgage financed the purchase of a home, then the modification of that loan would be treated as a home purchase mortgage.

Loan modifications increased performance on each of the single-family housing goals and home purchase subgoals for both Enterprises in 2009. The official performance results include the impact of loan modifications. FHFA has also calculated Enterprise performance with loan modifications excluded. These figures are as follows:

- The **low- and moderate-income goal** was 43 percent for 2009. Goal performance was 47.6 percent for Fannie Mae and 44.7 percent for Freddie Mac. Without loan modifications, performance would have been 44.1 percent for Fannie Mae and 42 percent for Freddie Mac.

- The **low- and moderate-income home purchase subgoal** was 40 percent for 2009. Subgoal performance was 51.7 percent for Fannie Mae and 48.4 percent for Freddie Mac. Without loan modifications, performance would have been 42.8 percent for Fannie Mae and 42.1 percent for Freddie Mac.

- The **underserved areas goal** was 32 percent for 2009. Goal performance was 28.8 percent for Fannie Mae and 26.8 percent for Freddie Mac. Without loan modifications, performance would have been 27 percent for Fannie Mae and 25.4 percent for Freddie Mac.

- The **underserved areas home purchase subgoal** was 30 percent for 2009. Subgoal performance was 31 percent for Fannie Mae and 27.9 percent for Freddie Mac. Without loan modifications, performance would have been 26.9 percent for Fannie Mae and 24.6 percent for Freddie Mac.

- The **special affordable goal** was 18 percent for 2009. Goal performance was 20.7 percent for Fannie Mae and 17.7 percent for Freddie Mac. Without loan modifications, performance would have been 18.2 percent for Fannie Mae and 15.8 percent for Freddie Mac.

- The **special affordable home purchase subgoal** was 14 percent for 2009. Subgoal performance was 23.2 percent for Fannie Mae and 20.6 percent for Freddie Mac. Without

[24] For the 2009 housing goals, FHFA permitted the Enterprises to count trial loan modifications.

loan modifications, performance would have been 16.6 percent for Fannie Mae and 16.2 percent for Freddie Mac.

VII. Additional Actions by the Enterprises

Section 1324(b)(1)(B) of the Safety and Soundness Act requires FHFA to discuss in the annual housing report the actions that each Enterprise could undertake to promote and expand their purposes.[25]

On September 6, 2008, the Director of FHFA appointed FHFA as conservator of the Enterprises in accordance with the Safety and Soundness Act to maintain the Enterprises in a safe and sound financial condition. The Enterprises continue under conservatorship at present. FHFA does not intend for the Enterprises to undertake economically adverse or high-risk activities in support of the housing goals or the duty to serve underserved markets, nor does it intend for the Enterprises' state of conservatorship to be a justification for withdrawing support from these important market segments.

Fannie Mae and Freddie Mac are important to the secondary market for multifamily loans, and multifamily lending is critical to the affordable housing mission of the Enterprises. In conservatorship, both Enterprises must remain dedicated to and actively involved in multifamily lending, adapting to new conditions relative to important housing building blocks such as the low-income housing tax credit. In addition, the Enterprises should assist state and local housing finance agencies where appropriate and feasible. The Enterprises should lead the market in efforts to help troubled borrowers remain in their homes through loan modifications in accordance with HAMP.

VIII. Enterprise Purchase of Subprime and Nontraditional Loans

Section 1324(b)(4) of the Safety and Soundness Act requires FHFA to "identify the extent to which each [E]nterprise is involved in mortga§e purchases and secondary market activities involving subprime and nontraditional loans." [6] Section 1324(b)(5) requires FHFA to "compare the characteristics of subprime and nontraditional loans both purchased and securitized by each [E]nterprise to other loans purchased and securitized by each [E]nterprise."[27] Implementing those provisions requires FHFA to identify subprime and nontraditional mortgages acquired by the Enterprises.

A. <u>Subprime Mortgages</u>

The Interagency Expanded Guidance for Subprime Lending Programs issued in January 2001 by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve

[25] 12 U.S.C. § 4544(b).
[26] 12 U.S.C. § 4544(b)(4).
[27] 12 U.S.C. § 4544(b)(5).

System, Federal Deposit Insurance Corporation, and Office of Thrift Supervision defines a subprime borrower as having:

- Two or more 30-day delinquencies in the last 12 months, or one or more 60-day delinquencies in the last 24 months;
- Judgment, foreclosure, repossession, or charge-off in the prior 24 months;
- Bankruptcy in the last 5 years;
- Relatively high default probability as evidenced by, for example, a credit bureau risk score (such as a FICO credit score)[28] of 660 or below (depending on the product/collateral), or other bureau or proprietary scores with an equivalent default probability likelihood; or
- Debt service-to-income ratio of 50 percent or greater, or otherwise limited ability to cover family living expenses after deducting total monthly debt-service requirements from monthly income.[29]

The expanded guidance cautioned that the enumerated characteristics are "not exhaustive and may not match all market or institution-specific subprime definitions." Recognizing that statement and the lack of a standard definition, FHFA elected to provide information on Enterprise acquisitions in 2009 of mortgages with FICO credit scores below 660 and below 620 (see page 12). Where information on multiple scores is available, FHFA used the lowest score of the primary borrower.

B. Nontraditional Mortgages

The definition of nontraditional mortgages in the Interagency Guidance for Nontraditional Mortgage Product Risks issued in 2006 by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of Thrift Supervision, and National Credit Union Administration includes interest-only and negative amortization loans but excludes home equity lines of credit.[30] An interest-only mortgage allows the borrower to make monthly payments that only cover accrued interest. A negative amortization loan allows the borrower to make monthly payments that result in increases in the mortgage's unpaid principal balance. This report focuses on interest-only and negative amortization mortgages acquired by Fannie Mae and Freddie Mac in 2009 (see page 12).

C. Overview of Single-Family Mortgages Acquired by the Enterprises

Excluding second liens and reverse mortgages, Fannie Mae and Freddie Mac acquired $1.159 trillion in single-family loans in 2009.[31] That total includes loans that collateralized mortgage-backed securities guaranteed by either Enterprise and loans purchased for cash. The total represented an increase of nearly 27 percent from the $914.2 billion the Enterprises acquired in 2008.

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[28] FICO stands for Fair Isaac Corporation, which produces the most widely used credit score models.
[29] Available at www.federalreserve.gov/boarddocs/srletters/2001/ rO I04a I.pdf.
[30] 71 Fed. Reg. 58609 (Oct. 4, 2006).
[31] See Appendix D, Table I.

Fully amortizing loans comprised the overwhelming majority of loans acquired by the Enterprises in 2008. Fully amortizing fixed-rate mortgages (FRMs) accounted for 97.7 percent of combined acquisitions, up from 90 percent in 2008.[32] Fully amortizing hybrid adjustable-rate mortgages (ARMs) accounted for 1.6 percent of2009 acquisitions, down from 3.9 percent in 2008.

There was a substantial improvement in the distribution of the LTV ratios of single-family mortgages acquired by Fannie Mae and Freddie Mac in 2009.[33] The share of loans with LTV ratios above 95 percent fell from 8.5 percent in 2008 to 2.9 percent in 2009. Mortgages with LTV ratios of 80 percent or below increased from 57.2 percent of loans acquired in 2008 to 71.3 percent in 2009. Pursuant to the Enterprises' charter acts, mortgages purchased with LTV ratios greater than 80 percent must have some form of credit enhancement, such as mortgage insurance, to protect the Enterprises against some of the losses from defaults of such loans.

D. Acquisitions of Nontraditional Mortgages

The Enterprises acquired $319.1 million in interest-only FRMs in 2009, down from $15 billion in 2008. Acquisitions of interest-only hybrid ARMs totaled $7.6 billion, down from $40.3 billion in the previous year. In 2008, interest-only FRMs represented 1.6 percent and interest-only hybrid ARMs represented 4.4 percent of combined Enterprise acquisitions. In 2009, interest-only FRMs represented 0.03 percent and interest-only hybrid ARMs represented 0.7 percent of combined Enterprise acquisitions. The Enterprises also acquired $2.6 million in interest-only traditional ARMs in 2008, which represented 0.0003 percent of acquisitions that year.

Neither Enterprise acquired any negative amortization mortgages in 2009. One Enterprise had acquired a single negative amortization ARM in 2008. Interest-only mortgages acquired with LTV ratios above 95 percent totaled $45.6 million in 2009, down from $3.5 billion in 2008. Those loans accounted for 0.004 percent of acquisitions in 2009, down from 0.4 percent in 2008.

E. Acquisitions of Mortgages with Lower FICO Scores

There was a substantial improvement in the distribution of the borrower FICO scores of single-family mortgages acquired by Fannie Mae and Freddie Mac in 2009.[34] The share of loans with FICO scores below 620 fell from 3.4 percent in 2008 to 0.9 percent in 2009. Mortgages with FICO scores between 620 and 659 declined from 6.4 percent of loans acquired in 2008 to 2 percent in 2009.

In 2009, the Enterprises acquired $16.3 million of interest-only mortgages with FICO scores below 620 (0.001 percent of acquisitions) and $81.6 million of interest-only mortgages with FICO scores between 620 and 659 (0.007 percent of acquisitions). In 2008, acquisitions of mortgages totaled $883.7 million (0.1 percent of acquisitions) in the below 620 FICO score group and $2.6 billion (0.3 percent of acquisitions) in the 620 to 659 score group.

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[32] See Appendix D, Table 1.
[33] See Appendix D, Table 2.
[34] See Appendix D, Table 3.

IX. **Public** Access to Mortgage **Information**

Section 1323 of the Safety and Soundness Act requires FHFA to make available to the public, loan level data submitted by the Enterprises in the reports required under section 309(m) of Fannie Mae's Charter Act and section 307(e) of Freddie Mac's Charter Act, with an exception for excluding proprietary information.[35] The data are made available to the public through a public-use database.

HERA amended section 1323 by transferring the authority for releasing the data to the public from HUD to FHFA and adding two new provisions to the data requirements. FHFA is now required to make available to the public data elements required to be reported under HMDA at the census tract level. FHFA also is required to publish the data by September 30 of the year following the year to which the data relates.

FHFA released the 2008 data to the public on July 30, 2010, pursuant to a Notice of Order published in the *Federal Register.*[36] The 2009 data was released to the public on September 24, 2010. The information is available on FHFA's website.[37]

HERA also amended section 1326 of the Safety and Soundness Act to require that FHFA make public certain high-cost securitized loan data FHFA collects to compare the characteristics of high-cost loans the Enterprise purchases and securitizes.[38] FHFA anticipates the public release of the high-cost securitized loan data during the first quarter of 2011.

X. **Other** Matters

Section 1324(b)(3) of the Safety and Soundness Act requires FHFA to "aggregate and analyze data on income, race, and gender by census tract and other relevant classifications, and compare such data with larger demographic, housing, and economic trends."[39] Section 1324(b)(6) requires FHFA to "compare the characteristics of high-cost loans purchased and securitized, where such securities are not held on portfolio to loans purchased and securitized, where such securities are either retained on portfolio or repurchased by the [E]nterprise."[40] FHFA will present the required analyses and comparisons in a supplemental report to Congress during the first quarter of 2011.

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[35] See 12 U.S.C. § 4543.
[36] 75 Fed. Reg. 41180 (July 15, 2010). The release of the 2008 public-use database was delayed due to the transfer of authority to release the data from HUD to FHFA and technical and operational issues raised by the new HERA data.
[37] http://www.fhfa.gov/Default.aspx?Page= 137.
[38] See 12 U.S.C. § 4544(b)(6); 12 U.S.C. § 4546(d).
[39] 12 U.S.C. § 4544(b)(3).
[40] 12 U.S.C. § 4544(b)(6).

Appendix A
Brief Definition of Housing Goal Categories for 2009

Low- and moderate-income: Households with incomes less than or equal to area median income.

Underserved Areas: Dwelling units in metropolitan census tracts with (1) tract median family income less than or equal to 90 percent of area median income or (2) minority population of at least 30 percent *and* tract median family income less than or equal to 120 percent of area median income. Census tract incomes and minority population shares are based on data from the 2000 census. A similar definition applies to census tracts in nonmetropolitan counties and micropolitan areas, but where the cutoff for area median income is 95 percent of the greater of the state or nationwide nonmetropolitan median income.

Special Affordable: Households with income (1) less than or equal to 60 percent of area median income or (2) less than or equal to 80 percent of area median income and living in low-income areas (tract median income at or below 80 percent of area median income.)

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

Appendix B
Final Feasibility on 2009 Housing Goals Compliance

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

June 3, 2010

Mr. Charles E. Haldeman, Jr.
Chief Executive Officer
Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, VA 22102-3107

RE: Final Feasibility Determination on 2009 Housing Goals Compliance

Dear Mr. Haldeman;

Pursuant to section 1336 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), as amended by the Housing and Economic Recovery Act of 2008, the Federal Housing Finance Agency (FHFA) has determined that Freddie Mac failed to meet its underserved areas housing goal, underserved areas home purchase subgoal, special affordable housing goal, and special affordable multifamily subgoal for 2009. FHFA has also determined, however, that Freddie Mac will not be required to submit a housing plan to FHFA pursuant to the Safety and Soundness Act with regard to these goals and subgoals. FHFA's determination is based on information contained in Freddie Mac's Annual Housing Activities Report, submitted to FHFA on March 16, 2010. Based on analysis of loan-level data also submitted to FHFA on that date, FHFA will publish Freddie Mac's official 2009 housing goal and subgoal performance later this year.

On December 15, 2009, FHFA notified Freddie Mac of its determination that there was a substantial probability that Freddie Mac would fail to meet its underserved areas housing goal, underserved areas home purchase subgoal, special affordable housing goal, and special affordable multifamily subgoal for 2009. By letter dated January 19, 2010, Freddie Mac submitted its own analysis of the feasibility of these goals and subgoals and requested that FHFA find these goals and subgoals infeasible for 2009.

Based on the most recent information available, FIIFA has made a final determination that Freddie Mac has failed to meet the aforementioned goals and subgoals for 2009. In determining whether these goals and subgoals were feasible, FHFA considered the tightened single-family underwriting standards adopted by Freddie Mac and others in the mortgage industry, the decreased availability of private mortgage insurance in the primary market, the sharp increase in the share of single-family mortgages insured by the Federal Housing Administration, and the

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sharp fall in the issuance of private-label securities. With regard to Freddie Mac's purchases of multifamily mortgages, FHFA considered the decrease in the multifamily share of units financed by Freddie Mac in 2009, and the collapse of the Commercial Mortgage-Backed Securities market. FHFA also considered the financial condition of Freddie Mac in 2009.

FHFA has determined that, while the housing market and economic conditions mentioned in the preceding paragraph made it difficult for Freddie Mac to meet the underserved areas home purchase subgoal, these conditions did not make the subgoal infeasible. FHFA has also considered Freddie Mac's financial condition. Despite the adverse financial condition of Freddie Mac in 2009, FHFA has determined that the underserved areas home purchase subgoal was feasible. Under the Safety and Soundness Act, there is no housing plan requirement for subgoals established within the underserved areas housing goal.

Similarly, FHFA has determined that the 2009 special affordable housing goal for Freddie Mac was feasible. In light of the near achievement of this goal-a difference of only 30 basis points between the goal and performance-FHFA will not require a housing plan.

FHFA has determined that actual economic conditions in 2009 limited the relative number of mortgages qualifying for the underserved areas housing goal and the special affordable multifamily subgoal. Based on the housing market and economic conditions in 2009, FHFA has concluded that achievement by Freddie Mac of this goal and subgoal was not feasible in 2009. FHFA also recognized that the subgoal was increased by 17 percent over the 2008 level-an increase announced in late July 2009. Accordingly, Freddie Mac is not required to submit a housing plan to FHFA for this goal and subgoal pursuant to the Safety and Soundness Act.

FHFA expects Freddie Mac to focus on serving low-income households and areas in both single-family and multifamily housing in a safe and sound manner in meeting the revised housing goals for 2010. FHFA will monitor Freddie Mac's performance on the achievement of the 2010 housing goals through monthly meetings, quarterly updates, and ongoing supervision.

Sincerely,

Edward J. DeMarco
Acting Director

xc: The Honorable Christopher J. Dodd, Chairman, Committee on Banking Housing & Urban Affairs
The Honorable Barney Frank, Chairman, Committee on Financial Services
The Honorable Richard C. Shelby, Ranking Member, Committee on Banking Housing & Urban Affairs
The Honorable Spencer Bachus, Ranking Member, Committee on Financial Services

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

June 3, 2010

Mr. Michael J. Williams
President and Chief Executive Officer
Federal National Mortgage Association
3900 Wisconsin Avenue, N.W.
Washington, DC 20016-2892

RE: Final Feasibility Determination on 2009 Housing Goals Compliance

Dear Mr. Williams:

Pursuant to section 1336 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), as amended by the Housing and Economic Recovery Act of 2008, the Federal Housing Finance Agency (FHFA) has determined that Fannie Mac failed to meet its underserved areas housing goal and special affordable multifamily subgoal for 2009. FHFA has also determined, however, that Fannie Mae will not be required to submit a housing plan to FHFA pursuant to the Safety and Soundness Act with regard to this goal and subgoal. FHFA's determination is based on information contained in Fannie Mae's Annual Housing Activities Report, submitted to FHFA on March 15, 20 I 0. Based on analysis of loan-level data also submitted to FHFA on that date, FHFA will publish Fannie Mae’s official 2009 housing goal and subgoal performance later this year.

On December 15, 2009, FHFA notified Fannie Mae of its determination that there was a substantial probability that Fannie Mae would fail to meet its underserved areas housing goal and special affordable multifamily subgoal for 2009. By letter dated January 19, 2010, Fannie Mae submitted its own analysis of the feasibility of this goal and subgoal and requested that FHFA find this goal and subgoal infeasible for 2009.

Based on the most recent information available, FHFA has made a final determination that Fannie Mae has failed to meet the aforementioned goal and subgoal for 2009. In determining whether this goal and subgoal were feasible, FHFA considered the tightened single-family underwriting standards adopted by Fannie Mae and others in the mortgage industry, the decreased availability of private mortgage insurance in the primary market, the sharp increase in the share of single-family mortgages insured by the Federal Housing Administration, and the sharp fall in the issuance of private-label securities. With regard to Fannie Mae's purchases of multifamily mortgages, FHFA considered the decrease in the multifamily share of units financed by Fannie Mae in 2009 and the collapse of the Commercial Mortgage-Backed Securities market.

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FHFA also considered the financial condition of Fannie Mae in 2009 and recognized that the special affordable multifamily subgoal was increased by 19 percent over the 2008 level-an increase announced in late July 2009.

FHFA has determined that actual economic conditions in 2009 limited the relative number of mortgages qualifying for the underserved areas housing goal and the special affordable multifamily subgoal. Based on the housing market and economic conditions in 2009, FHFA has concluded that achievement by Fannie Mae of this goal and subgoal was not feasible in 2009. Accordingly, Fannie Mae is not required to submit a housing plan to FHFA for this goal and subgoal pursuant to the Safety and Soundness Act.

FHFA expects Fannie Mae to focus on serving low-income households and areas in both single-family and multifamily housing in a safe and sound manner in meeting the revised housing goals for 2010. FHFA will monitor Fannie Mae's performance on the achievement of the 2010 housing goals through monthly meetings, quarterly updates, and ongoing supervision.

Sincerely,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

xc: The Honorable Christopher J. Dodd, Chairman, Committee on Banking Housing & Urban Affairs
The Honorable Barney Frank, Chainnan, Committee on Financial Services
The Honorable Richard C. Shelby, Ranking Member, Committee on Banking Housing & Urban Affairs
The Honorable Spencer Bachus, Ranking Member, Committee on Financial Services

Appendix C
2009 Official Housing Goals Performance Results

Federal Housing Finance Agency
1625 Eye Street, N.W., Washington, D.C. 20006-4001
Tel"ephone: (202) 408-2500
Facsimile: (202) 408-1435
www.fufa.gov

July 7, 2010

Mr. Charles E. Haldeman, Jr.
Chief Executive Officer
Federal Home Loan Mortgage Coq>oration
8200 Jones Branch Drive
McLean, VA 22102-3 107

VIA E-MAIL and U.S. MAIL

Dear Mr. Haldeman:

The Federal Housing Finance Agency (FHFA) has complicated its review of Freddie Mac s Annual Mortgage Report for 2009, including computerized loan-level data that are required to be submitted with this report.

In accordance with Section 1324 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and implementing regulations, the FHFA hereby notifies Freddie Mac that it intends to release to the public, after five working days from the date of this letter, the following official housing goal performance results for 2009:

HOUSING GOAL	GOAL TARGET - 2009	OFFICIAL PERFORMANCE RESULTS – 2009
Low- and Moderate-Income	43%	44.67%
Underserved Areas	32%	26.75%
Special Affordable	18%	17.75%
Special Affordable Multifamily Subgoal	$4.60 Billion	$3.69 Billion

HOME PURCHASE St;BGOALS	GOAL TARGET-2009	OFFICIAL PERFORMANCE RESVLTS-2009
Low- and Moderate-Income	40%	48.41%
Underserved Areas	30%	27.86%
Special Affordable	14%	20 .56%

Letter to Mr. Charles E. Haldeman, Jr.

Should Freddie Mac wish to request a reconsideration of FHFA's final determination of its 2009 performance, Freddie Mac must provide, by the close of business of the fifth working day from the date of this letter, a written request for reconsideration of this determination. The written request must provide the basis for requesting the reconsideration and should be directed to the attention of Brian Doherty, Manager, Office of Housing and Community Investment.

Sincerely,

Senior Associate Director
Office of Housing and Community Investment

Federal Housing Finance Agency
1625 Eye Street, N.W., Washington, D.C. 20006-2500
Telephone: (202) 408-2500
Facsimile: (202) 408-1435
www.fhfa.gov

July7, 2010

Mr. Michael J. Williams
President and Chief Executive Officer
Federal National Mortgage Association
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

VIA E-MAIL and U.S. MAIL

Dear Mr. Williams:

The Federal Housing Finance Agency (FHFA) has completed its review of Fannie Mae's Annual Mortgage Report for 2009, including computerized loan-level data that are required to be submitted with this report.

In accordance with Section 1324 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and implementing regulations, the FHFA hereby notifies Fannie Mae that it intends to release to the public, after five working days from the date of this letter, the following official housing goal performance results for 2009:

'HOUSING GOAL	GOAL TARGET - 2009	OFFICIAL PERFORMANCE RESULTS – 2009
Low- and Moderate-Income	43%	47.60%
Underserved Areas	32%	28.76%
Special Affordable	18%	20.73%
Special Affordable Multifamily Subgoal	$6.56 Billion	$6.42 Billion

HOME PURCHASE SUOGOALS	GOAL TARGET - 2009	OFFICIAL PERFORMANCE RESULTS-2009
Low- and Moderate-Income	40%	St.74%
Underserved Areas	30%	31.04%
Special Affordable	14%	23.18%

Letter to Mr. Michael J. Williams

Should Fannie Mae wish to request a reconsideration of FHFA's final determination of its 2009 performance, Fannie Mae must provide, by the close of business of the fifth working day from the date of this letter, a written request for reconsideration of this determination. The written request must provide the basis for requesting the reconsideration and should be directed to the attention of Brian Doherty, Manager, Office of Housing and Community Investment.

Sincerely,

Nelson Hernandez

Senior Associate Director
Office of Housing and Community Investment

Appendix D

Table la. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2008 and 2009, by Payment and Product Type($ in millions)[1]

	2008				2009			
Product Type	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**
Fixed-Rate Mortgages	$ 822,665.7	$ 15,021.8	-	$837,687.6	$ 1,132,174.7	$ 319.1	-	$ 1,132,493.8
ARMS -								
Traditional	273.8	2.6	0.0[3]	276.4	133.3	-	-	133.3
Hybrid	35,498.4	40,287.8	-	75,786.3	18,847.1	7,610.0	-	26,457.0
Balloon Mortgages	472.5	-	-	472.5	26.4	-	-	26.4
Other Mortgages[2]	5.0	-	-	5.0	-	-	-	-
Total	$ 858,915.4	$ 55,312.2	0.0	$ 914,227.7	$ 1,151,181.4	$ 7,929.0		$ 1,159,110.5

Table lb. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2008 and 2009, by Payment and Product Type (Percent)[4]

	2008				2009			
Product Type	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**
Fixed-Rate Mortgages	90.0%	1.6%	0.0%	91.6%	97.7%	0.0%	0.0%	97.7%
ARMS -								
Traditional	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
-Hybrid	3.9%	4.4%	0.0%	8.3%	1.6%	0.7%	0.0%	2.3%
Balloon Mortgages	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Other Mortgages[2]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	93.9%	6.1%	0.0%	100.0%	99.3%	0.7%	0.0%	100.0 %

Source: Federal Housing Finance Agency based on information from Fannie Mae and Freddie Mac

[1]Includes mortgages purchased for cash and financed with guaranteed mortgage-backed securities. Excludes second liens and reverse mortgages.

[2]0ther and unidentified payment types.

[3]Less than $500,000

[4]Percentages may be zero due to rounding.

Table 2a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2008 and 2009, by Payment Type and Loan-to-Value Ratio Group($ in millions)[1]

Table C2a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2009 and 2010, by Payment Type and Loan-to-Value Ratio Group ($ in millions)[a]

	2009				2010			
Loan-to-Value Ratio Group	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total
0-70 Percent	$ 537,002.4	$ 4,525.3	$ -	$ 541,527.7	$ 419,195.4	$ 5,082.9	$ -	$ 424,278.3
70.1-80 Percent	$ 491,184.9	$ 3,200.0	$ -	$ 494,384.9	$ 397,344.5	$ 2,599.7	$ -	$ 399,944.3
80.1-95 Percent	$ 91,062.5	$ 155.8	$ -	$ 91,218.4	$ 105,803.9	$ 56.9	$ -	$ 105,860.8
>95 Percent	$ 25,643.0	$ 45.6	$ -	$ 25,688.6	$ 33,055.7	$ 31.4	$ -	$ 33,087.1
Total	$ 1,144,892.8	$ 7,926.7	$ -	$ 1,152,819.5	$ 955,399.5	$ 7,771.0	$ -	$ 963,170.4

Table C2b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2009 and 2010, by Payment Type and Loan-to-Value Ratio Group (Percent)[b]

	2009				2010			
Loan-to-Value Ratio Group	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total	Fully-Amortizing	Interest-Only	Negatively-Amortizing	Total
0-70 Percent	46.6%	0.4%	0.0%	47.0%	43.5%	0.5%	0.0%	44.1%
70.1-80 Percent	42.6%	0.3%	0.0%	42.9%	41.3%	0.3%	0.0%	41.5%
80.1-95 Percent	7.9%	0.0%	0.0%	7.9%	11.0%	0.0%	0.0%	11.0%
>95 Percent	2.2%	0.0%	0.0%	2.2%	3.4%	0.0%	0.0%	3.4%
Total	99.3%	0.7%	0.0%	100.0%	99.2%	0.8%	0.0%	100.0%

Source: Federal Housing Finance Agency based on information from Fannie Mae and Freddie Mac

[a] Includes mortgages purchased for cash and financed with guaranteed mortgage-backed securities. Excludes second liens and reverse mortgages.

[b] Percentages may be zero due to rounding.

Table 2b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2008 and 2009, by Payment Type and Loan-to-Value Ratio Group (Percent)[3]

	2008				2009			
Loan-to-Value Ratio Group	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**
0-70 Percent	33.3%	2.2%	0.0%	35.5%	46.3%	0.4%	0.0%	46.7%
70.1-80 Percent	20.3%	1.4%	0.0%	21.7%	24.4%	0.2%	0.0%	24.6%
80.1-95 Percent	32.2%	2.0%	0.0%	34.3%	25.7%	0.1%	0.0%	25.8%
>95 Percent	8.1%	0.4%	0.0%	8.5%	2.9%	0.0%	0.0%	2.9%
Total	93.9%	6.1%	0.0%	100.0%	99.3%	0.7%	0.0%	100.0%

Source: Federal Housing Finance Agency based on information from Fannie Mae and Freddie Mac

[1] Includes mortgages purchased for cash and financed with guaranteed mortgage-backed securities. Excludes second liens and reverse mortgages.
[2] Less than $500,000.

[3] Percentages may be zero due to rounding.

Table 3a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2008 and 2009, by Loan-to-Value Ratio Group, by Payment Type FICO Score Group ($in millions)[1]

	2008				2009			
FICO Score Group	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
0-619	$ 30,213.4	$ 832.1	$ -	$ 31,045.5	$ 10,165.5	$ 16.3	$ -	$ 10,181.8
620-659	55,822.4	2,588.3	-	58,410.8	23,479.3	81.3	-	23,560.5
660-719	210,620.8	14,681.8	0.0[3]	225,302.7	174,347.9	966.7	-	175,314.6
720+	562,258.8	37,210.0	-	599,468.8	943,188.8	6,864.8	-	950,053.5
Total	$ 858,915.4	$ 55,312.2	$ 0.0	$ 914,227.7	$ 1,151,181.4	$ 7,929.0	$ -	$ 1,159,110.5

Table 3b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2008 and 2009, by Payment Type and FICO Score Group (Percent)[3]

	2008				2009			
FICO Score Group	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**
0-619	3.3%	0.1%	0.0%	3.4%	0.9%	0.0%	0.0%	0.9%
620-659	6.1%	0.3%	0.0%	6.4%	2.0%	0.0%	0.0%	2.0%
660-719	23.0%	1.6%	0.0%	24.6%	15.0%	0.1%	0.0%	15.1%
720+	61.5%	4.1%	0.0%	65.6%	81.4%	0.6%	0.0%	82.0%
Total	93.9%	6.1%	0.0%	100.0%	99.3%	0.7%	0.0%	100.0%

Source: Federal Housing Finance Agency based on information from Fannie Mae and Freddie Mac

[1] Includes mortgages purchased for cash and financed with guaranteed mortgage-backed securities. Excludes second liens and reverse mortgages.

[2] Less than $500,000.

[3] Percentages may be zero due to rounding.