ANNUAL HOUSING REPORT
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Division of Housing Mission & Goals

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Introduction

The Federal Housing Finance Agency (FHFA) was established by the Housing and Economic Recovery Act of 2008 (HERA) and is responsible for the supervision, regulation, and housing mission oversight of the 11 Federal Home Loan Banks (FHLBanks, FHLBank System), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac). FHFA's mission is to ensure that these regulated entities operate in a safe and sound manner so that they serve as a reliable source of liquidity and funding for housing finance. Since 2008, FHFA has also served as conservator of Fannie Mae and Freddie Mac.

This Annual Housing Report describes the affordable housing activities of Fannie Mae and Freddie Mac in 2015.[1] The Charter Acts that established Fannie Mae and Freddie Mac (the Enterprises) emphasize their important role in providing a stable source of housing finance that supports access to mortgage credit to low- and moderate-income families and in underserved areas.[2] In line with these responsibilities, the Enterprises carry out numerous activities designed to support the secondary market for lending to creditworthy borrowers who have lower incomes or live in financially underserved communities.

In addition to the activities described in this report, FHFA in its role as conservator also oversees other Enterprise activities that maintain credit availability in the housing market in a safe and sound manner. FHFA's expectations as conservator are outlined in the agency's *Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac* and annual conservatorship scorecards. FHFA has reported on the Enterprises' 2015 Scorecard activities in its 2015 Scorecard Progress Report.

The report begins by describing FHFA's preliminary review of the Enterprises' 2015 housing goals performance. The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, requires FHFA to establish several annual housing goals for both single-family and multifamily mortgages purchased by Fannie Mae and Freddie Mac. The housing goals include separate categories for single-family and multifamily mortgages on housing that is affordable to low-income and very low-income families, among other categories. FHFA published a final rule establishing the Enterprise housing goals for 2015 through 2017 in the

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[1] The report fulfills the statutory requirement of section 1324 of the Safety and Soundness Act. *See* 12 U.S.C. § 4544.

[2] *See* Federal National Mortgage Association Charter Act, 12 U.S.C. § 1716, and Federal Home Loan Mortgage Corporation Act, 12 U.S.C. § 1451 Note.

Federal Register on September 3, 2015.[3] FHFA's final evaluation of the Enterprises' performance against the 2015 goals involves a two-step process (evaluation against benchmarks and subsequent evaluation against HMDA data) and is still ongoing.

This report next includes the distribution of single-family loans by race/ethnicity, gender, and census tract median income. In addition, the report includes a breakdown of the single-family mortgage product-types purchased by the Enterprises, as well as information on mortgage payment type *(e.g.*, amortization schedule), loan-to-value ratios, and credit scores for 2015.

This report then describes the status of several other activities related to affordable housing, including FHFA's plans to finalize a Duty to Serve rule proposed in December 2015 that will encourage Fannie Mae and Freddie Mac to innovate responsibly in the areas of manufactured housing, affordable housing preservation, and housing in rural areas. It also describes the affordable housing allocations made by each Enterprise, as well as FHFA's efforts to survey mortgage markets and make loan-level data submitted by the Enterprises available to the public. Finally, this report describes the Enterprises' purchases of subprime and nontraditional loans, as well as of higher-priced mortgage loans.

Affordable Housing Goals

I. Housing Goals - Introduction

The Safety and Soundness Act requires FHFA to establish annual housing goals for both single-family and multifamily mortgages purchased by Fannie Mae and Freddie Mac.[4] The housing goals are one measure of the extent to which the Enterprises are meeting their public purposes, which include "an affirmative obligation to facilitate the financing of affordable housing for low- and moderate-income families in a manner consistent with their overall public purposes, while maintaining a strong financial condition and a reasonable economic return."[5]

Although the Enterprises remain in conservatorship, they continue to have the mission of supporting a stable and liquid national market for residential mortgage financing. FHFA has continued to establish annual housing goals for the Enterprises and to assess their performance

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[3] http://www.gpo.gov/fdsys/pkg/FR-2015-09-03/pdf/2015-20880.pdf.
[4] *See* 12 U.S.C. § 4561(a).
[5] *See* 12 U.S.C. § 4501(7).

against the housing goals each year during conservatorship.[6] FHFA established housing goals for the Enterprises for 2015 through 2017 in a final rule published in the Federal Register on September 3, 2015.[7] The 2015 housing goals established by FHFA include four goals and one subgoal for single-family, owner-occupied housing and one goal and two subgoals for multifamily housing. These goals are described below:

1. A **low-income home purchase goal** for home purchase mortgages to families with incomes no greater than 80 percent of area median income (AMI);

2. A **very low-income home purchase goal** for home purchase mortgages to families with incomes no greater than 50 percent of AMI;

3. A **low-income areas home purchase subgoal** for home purchase mortgages to families living in census tracts with tract incomes[8] no greater than 80 percent of AMI, or families with incomes no greater than 100 percent of AMI who live in census tracts with a minority population of 30 percent or more and a tract median income of less than 100 percent of AMI;

4. A **low-income areas home purchase goal** for mortgages that meet the criteria under the low-income areas home purchase subgoal described above as well as home purchase mortgages to families with incomes no greater than 100 percent of AMI who live in a federally declared disaster area;

5. A **low-income refinance goal** for refinance mortgages to families with incomes no greater than 80 percent of AMI;

6. **A low-income multifamily goal** for rental units in multifamily properties for families with incomes no greater than 80 percent of AMI;

7. **A very low-income multifamily subgoal** for rental units in multifamily properties for families with incomes no greater than 50 percent of AMI; and

[6] Under 12 U.S.C. § 4544(b)(1)(A)(i), FHFA is required to discuss in the annual housing report whether and how each Enterprise is achieving the annual housing goals.
[7] The final rule was published in the Federal Register on September 3, 2015. 80 FR 53392 (September 3, 2015), codified at 12 CFR part 1282.
[8] The low-income areas goal and subgoal include all borrowers, regardless of borrower income, if the property is located in a "low-income census tract." A low-income census tract is one where the median income of the tract is not greater than 80 percent of the median income of the wider area (e.g., the MSA). The low-income areas goal and subgoal also include borrowers in certain other census tracts, but only if the borrower's income is not greater than the median income of the wider area.

8. **A small multifamily low-income subgoal** for rental units in multifamily properties with 5-50 units for families with incomes no greater than 80 percent of AMI.

II. Freddie Mac's 2014 Goals Performance

FHFA made its final determinations on the performance of the Enterprises under the 2014 housing goals after last year's Annual Housing Report was submitted. FHFA found that Fannie Mae achieved all of the housing goals for 2014. FHFA found that Freddie Mac achieved the multifamily goals and three of the single-family goals, but its performance fell short of the benchmark and market levels on the low-income and very low-income home purchase goals. FHFA determined that achievement of the goals was feasible for Freddie Mac in 2014 and required Freddie Mac to submit a housing plan outlining steps Freddie Mac will take to achieve those goals in future years. Freddie Mac delivered a plan as required and FHFA approved the plan on March 31, 2016. FHFA is closely monitoring Freddie Mac's performance on these goals and meets with Freddie Mac on a regular basis to discuss the steps Freddie Mac is taking to improve its performance.

III. 2015 Goals Performance

FHFA notified the Enterprises of its preliminary determinations of their performance under the Enterprise housing goals for 2015 on October 14, 2016, and those letters are included as Appendix A.[9] To reach preliminary determinations of the Enterprises' performance on the 2015 housing goals and subgoals, FHFA analyzed the loan-level data submitted with the Enterprises' annual housing activities reports for 2015. FHFA also calculated the goal-qualifying market shares based on 2015 Home Mortgage Disclosure Act (HMDA) data released by the Federal Financial Institutions Examination Council (FFIEC) on September 29, 2016. Each Enterprise has 30 days to submit any documentation it wishes FHFA to consider in making a final determination about the Enterprise's compliance with the housing goals for 2015.[10]

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[9] Appendix A of the 2015 Annual Housing Report contained the preliminary goal performance determination letters for 2014. Appendix A of this Report contains the corresponding letters for 2015. The final determination letters regarding goal performance in 2014 were sent to the Enterprises on December 17, 2015, and are available on FHFA's Web site.

[10] *See* 12 U.S.C. § 4566(b)(2).

A. 2015 Goal Performance – Single-Family

The single-family housing goal levels for 2015 through 2017 are expressed as percentages of each Enterprise's total single-family mortgage purchases. The home purchase goals measure home purchase mortgages on owner-occupied properties, and the refinance goal measures refinance mortgages on owner-occupied properties.

For the single-family housing goals for 2015 through 2017, an Enterprise meets a goal if its performance meets or exceeds either:

- The specific benchmark levels established in FHFA's September 3, 2015 final rule, or
- The share of the primary mortgage market that qualified for the goal based on FHFA's analysis of HMDA data.

FHFA analyzes the single-family mortgage market by calculating the share of home purchase or refinance mortgages originated in the primary mortgage market that qualified for the goal in that year. The market level figures represent loans that were eligible to count toward the housing goals and are defined as HMDA-reported loans on owner-occupied properties with principal balances less than or equal to the Enterprises' conforming loan limits, excluding any loans insured or guaranteed by the federal government, such as Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), or Rural Housing Service (RHS) loans. These calculations are based on FHFA's analysis of HMDA data submitted to FFIEC by primary market mortgage originators.

For the 2015 performance year, as in 2010 through 2014, FHFA counted Enterprise loans modified in accordance with the Home Affordable Modification Program (HAMP) as purchases of refinance mortgages for purposes of the low-income refinance goal. Loan modifications resulted in improved performance on the low-income refinance goals by each Enterprise in 2015.

Fannie Mae – Single-Family

Table 1: Fannie Mae Single-Family Housing Goals and Performance Results 2015

	Benchmark Level	Market Level	FHFA Preliminary Determination of Fannie Mae's 2015 Performance
Low-Income Home Purchase Goal	24%	23.6%	23.5%
Very Low-Income Home Purchase Goal	6%	5.8%	5.6%
Low-Income Areas Home Purchase Goal	19%	19.8%	20.4%
Low-Income Areas Home Purchase Subgoal	14%	15.2%	15.6%
Low-Income Refinance Goal[11]	21%	22.5%	22.1%

Based on the above information, FHFA has preliminarily determined that Fannie Mae achieved the single-family low-income areas home purchase goal and subgoal and the low-income refinance goal for 2015. FHFA has preliminarily determined that Fannie Mae failed to meet the low-income and very low-income home purchase goals for 2015.

[11] Fannie Mae's performance on the low-income refinance goal exclusive of loan modifications in 2015 was 21.9 percent. Fannie Mae modified 6,595 loans under HAMP in 2015, of which 3,563 (54 percent) were for low-income families. FHFA has preliminarily determined that Fannie Mae's performance on this goal in 2015 was 22.1 percent, thus HAMP modifications added 0.2 percentage points to its performance. The impact was larger in previous years, when HAMP volume was higher.

Freddie Mac – Single-Family

Table 2: Freddie Mac Single-Family Housing Goals and Performance Results 2015

	Benchmark level	Market level	FHFA Preliminary Determination of Freddie Mac's 2015 Performance
Low-Income Home Purchase Goal	24%	23.6%	22.3%
Very Low-Income Home Purchase Goal	6%	5.8%	5.4%
Low-Income Areas Home Purchase Goal	19%	19.8%	19.0%
Low-Income Areas Home Purchase Subgoal	14%	15.2%	14.5%
Low-Income Refinance Goal[12]	21%	22.5%	22.8%

Based on the above information, FHFA has preliminarily determined that Freddie Mac achieved the single-family low-income areas home purchase goal and subgoal and the low-income refinance goal for 2015. FHFA has preliminarily determined that Freddie Mac failed to meet the low-income and very low-income home purchase goals for 2015.

B. 2015 Goal Performance - Multifamily

FHFA establishes the multifamily goals as minimum numbers of multifamily units qualifying for the goals, not as shares of all multifamily units financed by each Enterprise. In the past FHFA had set different multifamily housing goals for the two Enterprises, but the final rule published last year established identical multifamily housing goals for both Enterprises for 2015-2017.

Under the final rule published on September 3, 2015 the Enterprises are subject to the specific multifamily housing goals established in the rule, but are not subject to a retrospective market analysis because there is no multifamily data comparable to single-family HMDA data.

[12] Freddie Mac's performance on the low-income refinance goal exclusive of loan modifications was 22.6 percent in 2015. Freddie Mac modified 4,933 loans under HAMP in 2015, of which 3,064 (69 percent) were for low-income families. FHFA has preliminarily determined that Freddie Mac's performance on this goal was 22.8 percent, thus HAMP modifications added 0.2 percentage points to its performance. The impact was larger in previous years, when HAMP volume was higher.

Fannie Mae - Multifamily

Table 3: Fannie Mae Multifamily Housing Goals and Performance Results 2015

	Benchmark Level	FHFA Preliminary Determination of Fannie Mae's 2015 Performance
Low-Income Multifamily Goal	300,000	307,510
Very Low-Income Multifamily Subgoal	60,000	69,078
Small Multifamily Low-Income Subgoal	6,000	6,731

Based on the above information, FHFA has preliminarily determined that Fannie Mae achieved the low-income multifamily goal, the very low-income multifamily subgoal, and the small multifamily low-income subgoal for 2015.

Freddie Mac – Multifamily

Table 4: Freddie Mac Multifamily Housing Goals and Performance Results 2015

	Benchmark Level	FHFA Preliminary Determination of Freddie Mac's 2015 Performance
Low-Income Multifamily Goal	300,000	379,042
Very Low-Income Multifamily Subgoal	60,000	76,935
Small Multifamily Low-Income Subgoal	6,000	12,801

Based on the above information, FHFA has preliminarily determined that Freddie Mac achieved the low-income multifamily goal, the very low-income multifamily subgoal, and the small multifamily low-income subgoal for 2015.

Enterprise Data Compared to Market Data

In 2015, Fannie Mae and Freddie Mac acquired $758.3 billion of loans on single-family owner-occupied housing. Tables 5 through 9 show various characteristics of mortgages purchased by Fannie Mae and Freddie Mac in 2015 and the corresponding characteristics of mortgages originated in the conventional, conforming primary market, as determined by FHFA's analysis of HMDA data.[13]

The tables reflect the Enterprises' acquisitions of conventional home purchase and refinance mortgages on single-family owner-occupied properties for loans that were eligible to count towards the housing goals. Loans for which information was missing or not provided are not included in this analysis. The "Market" figures in these tables represent HMDA-reported loans originated each year on owner-occupied properties with principal balances less than or equal to the Enterprises' conforming loan limits, excluding any loans insured or guaranteed by the federal government, such as FHA, VA, or RHS loans.

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[13] Under 12 U.S.C. 4544(b)(3), FHFA is required 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." Loans with missing data on any of these characteristics are excluded from Tables 5-9.

Table 5 shows the distribution of Enterprise mortgages acquired and the originations distribution in the conventional, conforming market by borrower income in 2014 and 2015.

Table 5: Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Borrower Income and Corresponding Shares of the Conventional, Conforming Market

Home Purchase						
	2015			2014		
Borrower Income Ratio*	Market	Fannie Mae	Freddie Mac	Market	Fannie Mae	Freddie Mac
<=50%	5.8%	5.6%	5.4%	5.7%	5.7%	4.9%
>50% to <=60%	5.1%	5.2%	4.8%	4.9%	5.1%	4.5%
>60% to <=80%	12.6%	12.8%	12.1%	12.2%	12.7%	11.6%
>80% to <=100%	12.8%	13.3%	12.9%	12.5%	13.0%	12.4%
>100% to <=120%	12.0%	12.4%	12.3%	11.8%	12.1%	12.2%
>120%	51.6%	50.8%	52.5%	52.9%	51.4%	54.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2015			2014		
Borrower Income Ratio*	Market	Fannie Mae	Freddie Mac	Market	Fannie Mae	Freddie Mac
<=50%	6.2%	6.2%	6.4%	7.8%	8.6%	8.6%
>50% to <=60%	4.5%	4.4%	4.6%	5.0%	5.2%	5.2%
>60% to <=80%	11.8%	11.5%	11.8%	12.2%	12.6%	12.6%
>80% to <=100%	12.9%	12.9%	13.1%	13.0%	13.2%	13.3%
>100% to <=120%	12.4%	12.5%	12.5%	12.2%	12.2%	12.3%
>120%	52.2%	52.4%	51.6%	49.8%	48.2%	48.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Borrower Income Relative to Area Median Income

Source: FHFA analysis of 2015 and 2014 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

Percentages may not necessarily add to 100.0% or to the official performance numbers due to rounding. As indicated in Table 1, home purchase mortgages to borrowers with incomes no greater than 80 percent of Area Median Income accounted for 23.6% of mortgages originated in the primary market and 23.5% of mortgages acquired by Fannie Mae in 2015.

Table 6 shows the distribution of Enterprise mortgages acquired and the originations distribution in the conventional, conforming market by race/ethnicity of the borrower(s) in 2014 and 2015.

Table 6: Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Borrower Race/Ethnicity, and Corresponding Shares of the Conventional, Conforming Market

Home Purchase						
	2015			2014		
Race/Ethnicity of Borrower(s)	Market	Fannie Mae	Freddie Mac	Market	Fannie Mae	Freddie Mac
Hispanic or Latino	6.8%	7.8%	6.6%	6.7%	7.6%	6.1%
American Indian/Alaskan Native	0.3%	0.5%	0.3%	0.2%	0.6%	0.4%
Asian	7.6%	7.4%	8.1%	7.8%	7.8%	7.9%
African American	3.0%	3.0%	2.4%	2.9%	2.9%	2.3%
Native Hawaiian/Pacific Islander	0.2%	0.3%	0.2%	0.2%	0.3%	0.2%
White Alone	81.6%	80.7%	80.6%	81.7%	80.5%	81.2%
Two or More Races	0.4%	0.3%	0.0%	0.4%	0.3%	1.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2015			2014		
Race/Ethnicity of Borrower(s)	Market	Fannie Mae	Freddie Mac	Market	Fannie Mae	Freddie Mac
Hispanic or Latino	8.3%	9.3%	8.6%	6.7%	7.2%	6.3%
American Indian/Alaskan Native	0.3%	0.5%	0.3%	0.3%	0.3%	0.2%
Asian	6.4%	6.8%	6.7%	5.9%	6.7%	5.7%
African American	3.8%	4.0%	3.6%	3.8%	4.0%	3.4%
Native Hawaiian/Pacific Islander	0.3%	0.4%	0.3%	0.3%	0.3%	0.2%
White Alone	80.4%	78.6%	78.5%	82.7%	81.2%	82.4%
Two or More Races	0.4%	0.4%	2.0%	0.4%	0.4%	1.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FHFA analysis of 2015 and 2014 Enterprise and Home Mortgage Disclosure Act (HMDA) data.
Percentages may not add to 100.0% due to rounding.

Table 7 shows the distribution of Enterprise mortgages acquired and the originations distribution in the conventional, conforming market by gender of borrower in 2014 and 2015.

Table 7: Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Borrower Gender with Corresponding Shares of the Conventional, Conforming Market

Home Purchase						
	2015			2014		
Gender of Borrower(s)	Market	Fannie Mae	Freddie Mac	Market	Fannie Mae	Freddie Mac
All Male	31.8%	32.2%	32.3%	31.9%	32.5%	31.5%
All Female	22.8%	23.3%	22.3%	22.6%	23.4%	21.7%
Male and Female	45.4%	44.5%	45.5%	45.5%	44.1%	46.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2015			2014		
Gender of Borrower(s)	Market	Fannie Mae	Freddie Mac	Market	Fannie Mae	Freddie Mac
All Male	28.2%	28.7%	28.3%	28.1%	28.4%	28.5%
All Female	21.7%	21.9%	21.5%	23.0%	23.7%	23.5%
Male and Female	50.1%	49.4%	50.2%	48.9%	47.9%	47.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: “All Male” means that either there was only one borrower on the loan and that person was male, or there were two borrowers on the loan and both were male. “All Female” indicates that either there was only one borrower on the loan and that person was female, or there were two borrowers on the loan and both were female. “Male and Female” indicates that there were two borrowers on the loan with one being male and the other being female.

Source: FHFA analysis of 2015 and 2014 Enterprise and Home Mortgage Disclosure Act (HMDA) data.
Percentages may not add to 100.0% due to rounding.

Table 8 shows the Enterprises' mortgage purchases distribution and the originations distribution in the conventional, conforming market by the minority share of population in the census tract in 2014 and 2015.

Table 8: Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Census Tract Minority Share and Corresponding Shares of the Conventional, Conforming Market

Home Purchase						
	2015			2014		
Census Tract Minority Share of Population	Market	Fannie Mae	Freddie Mac	Market	Fannie Mae	Freddie Mac
<10%	25.6%	22.7%	24.9%	25.1%	21.8%	24.7%
>=10% to <20%	26.6%	26.7%	26.8%	26.4%	26.7%	26.8%
>=20% to <30%	16.1%	16.8%	16.3%	16.2%	17.0%	16.4%
>=30% to <50%	17.8%	18.8%	18.1%	18.1%	19.2%	18.2%
>=50% to <80%	10.3%	11.0%	10.5%	10.5%	11.3%	10.4%
>=80%	3.6%	3.9%	3.5%	3.8%	4.0%	3.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Refinance						
	2015			2014		
Census Tract Minority Share of Population	Market	Fannie Mae	Freddie Mac	Market	Fannie Mae	Freddie Mac
<10%	24.7%	22.0%	23.3%	25.6%	22.6%	24.1%
>=10% to <20%	23.7%	23.5%	23.7%	22.7%	22.8%	22.6%
>=20% to <30%	15.1%	15.4%	15.2%	14.7%	15.0%	14.8%
>=30% to <50%	18.1%	18.9%	18.4%	17.8%	18.5%	18.3%
>=50% to <80%	12.6%	13.5%	13.1%	12.8%	13.5%	13.4%
>=80%	5.8%	6.8%	6.3%	6.5%	7.5%	6.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FHFA analysis of 2015 and 2014 Enterprise and Home Mortgage Disclosure Act (HMDA) data.
Percentages may not add to 100.0% due to rounding.

Table 9 shows the Enterprises' mortgages purchases distribution and the originations distribution in the conventional, conforming market by the median income level of the population in the census tract in 2014 and 2015.

Table 9: Enterprise Acquisitions of Mortgages on Single-Family Owner-Occupied Properties by Census Tract Median Income Relative to Area Median Income and Corresponding Shares of the Conventional, Conforming Market

Home Purchase						
	2015			2014		
Census Tract Income Ratio*	Market	Fannie Mae	Freddie Mac	Market	Fannie Mae	Freddie Mac
<=60%	3.6%	3.6%	3.3%	3.6%	3.6%	3.1%
>60% to <=80%	8.5%	8.8%	8.3%	8.4%	8.5%	7.7%
>80% to <=100%	18.9%	18.2%	17.8%	18.5%	18.1%	17.8%
>100% to <=120%	23.3%	23.3%	23.3%	23.0%	22.7%	23.0%
>120%	45.7%	46.0%	47.2%	46.5%	47.1%	48.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2015			2014		
Census Tract Income Ratio*	Market	Fannie Mae	Freddie Mac	Market	Fannie Mae	Freddie Mac
<=60%	3.5%	3.6%	3.5%	3.9%	4.1%	3.9%
>60% to <=80%	9.0%	9.0%	8.8%	9.9%	10.0%	9.8%
>80% to <=100%	19.6%	18.9%	18.7%	21.0%	20.6%	20.7%
>100% to <=120%	23.6%	23.2%	23.3%	24.0%	23.7%	23.9%
>120%	44.3%	45.3%	45.7%	41.2%	41.5%	41.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Median income of the census tract relative to Area Median Income (AMI).

Source: FHFA analysis of 2015 and 2014 Enterprise and Home Mortgage Disclosure Act (HMDA) data.
Percentages may not add to 100.0% due to rounding.

Enterprise Purchases of Subprime and Nontraditional Loans

FHFA is required by statute to "identify the extent to which each [E]nterprise is involved in mortgage purchases and secondary market activities involving subprime and nontraditional loans"[14] and 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."[15] On May 6, 2013, FHFA directed Fannie Mae and Freddie Mac not to purchase interest-only loans, negative amortization loans, loans with terms longer than 30 years, or loans with points and fees exceeding the thresholds established by the Consumer Financial Protection Bureau's (CFPB) Qualified Mortgage rule. This directive became effective on January 10, 2014.[16]

Appendix B of this report provides a breakdown of the types of mortgage products purchased by the Enterprises in 2015, as well as information on mortgage payment types, loan-to-value ratios, and credit scores.

Higher-Priced Mortgage Loans

The Safety and Soundness Act requires FHFA to "compare the characteristics of high-cost loans purchased and securitized [by each Enterprise] 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, including such characteristics as (A) the purchase price of the property that secures the mortgage; (B) the loan-to-value ratio of the mortgage, which shall reflect any secondary liens on the relevant property; (C) the terms of the mortgage; (D) the creditworthiness of the borrower; and (E) any other relevant data, as determined by the Director."[17] The Safety and Soundness Act also requires that the high-cost loan characteristics data generally be released by FHFA to the public.[18] However, the Safety and Soundness Act does not define the term "high-cost loan," nor does any legislative history state the intent of this provision.

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[14] *See* 12 U.S.C. § 4544(b)(4).
[15] *See* 12 U.S.C. § 4544(b)(5).
[16] http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Limiting-Fannie-Mae-and-Freddie-MacLoan-Purchases-to-Qualified-Mortgages.aspx.
[17] *See* 12 U.S.C. § 4544(b)(6).
[18] *See* 12 U.S.C. § 4546(d)(2).

After considering various options, FHFA determined that a "high-cost loan" should be defined in this context by whether its HMDA-reportable "rate spread" is 150 basis points or more above the Average Prime Offer Rate (APOR).[19] In other contexts, FHFA refers to loans exceeding this rate-spread threshold as "higher-priced mortgage loans,"[20] and for consistency this report uses the "higher-priced" terminology to refer to "high-cost loans." In 2015, 1.2 percent of all single-family loans purchased by the Enterprises were higher-priced mortgage loans.

For Enterprise mortgage purchases in 2015, the tables in Appendix C show the number of higher-priced mortgage loans in securities compared to the number of higher-priced mortgage loans retained in portfolio at year-end by each Enterprise.[21] The tables identify this information according to the following loan characteristics: purchase price, loan-to-value ratio, product type, term at origination, interest rate at origination, credit score, borrower income ratio, tract income ratio, census tract demographics, purpose of the loan, and federal guarantee status.[22]

Duty to Serve Underserved Markets

The Safety and Soundness Act establishes a duty for the Enterprises to serve very low-, low-, and moderate-income families in three underserved markets- manufactured housing, affordable housing preservation, and rural areas – with the objective of increasing the liquidity of mortgage investments and improving the distribution of investment capital available for mortgage financing in each of these markets. The Safety and Soundness Act also requires FHFA to publish a regulation that establishes a method for evaluating and rating how the Enterprises have

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[19] *See* 76 FR 60031 (September 28, 2011) (defining "high-cost loan" for purposes of 12 U.S.C. §§ 4544(b)(6) and 4546(d)(2)).
[20] CFPB has defined "higher-priced mortgage loan" in the same way for most mortgages, although the CFPB definition sets higher rate spread cut-offs for jumbo mortgages (250 basis points or more above the APOR) and for subordinate lien mortgages (350 basis points or more above the APOR). *See* 12 CFR 1026.35(a). In amending the Truth in Lending Act, the Home Ownership and Equity Protection Act (HOEPA), 15 U.S.C. § 1602(bb), established a separate category of loans designated as "high-cost mortgages." Mortgages on primary residences that exceed the applicable mortgage interest rate and total point and fee thresholds established under HOEPA are not eligible for sale to the Enterprises.
[21] Loans identified as "retained in the portfolio" are generally loans that are held by the Enterprises as assets in their mortgage portfolios. Examples of these loans would be loans that are not eligible for securitization, defaulted loans purchased out of mortgage-backed securities, and loans that are purchased directly by the Enterprises either to hold in portfolio and/or to aggregate for securitization at a future date. Loans identified as "not held in the portfolio" are generally loans that are pooled into mortgage backed securities and sold to investors in those mortgage backed securities.
[22] These loan characteristics are further described in FHFA's September 28, 2011 Notice of Order. 76 FR 60031 (September 28, 2011).

complied with their duty to serve these underserved markets. FHFA issued an Advance Notice of Proposed Rulemaking on August 4, 2009 and published a Notice of Proposed Rulemaking (NPR) on June 7, 2010 to implement the duty to serve provisions. However, no final Duty to Serve rule was issued.

In December 2015, FHFA issued a new proposed rule that would implement "Duty to Serve" provisions included in the Safety and Soundness Act.

Under the proposed rule, Duty to Serve credit was proposed for the following areas:

- In the manufactured housing market, Duty to Serve credit was proposed for eligible Enterprise activities related to manufactured homes financed as real property and blanket loans for certain categories of manufactured housing communities.
- In the affordable housing preservation market, Duty to Serve credit was proposed for eligible Enterprise activities related to preserving the affordability of housing for renters and homebuyers, including activities under the programs specified in the Safety and Soundness Act. Duty to Serve credit was also proposed for activities related to existing small multifamily rental properties, energy efficiency improvements on existing multifamily rental and single-family first-lien properties, shared equity homeownership programs, and the U.S. Department of Housing and Urban Development's Choice Neighborhoods Initiative and Rental Assistance Demonstration program.
- In the rural market, Duty to Serve credit was proposed for eligible Enterprise activities related to housing in rural areas, including activities serving the following high-needs rural regions and populations: Middle Appalachia, the Lower Mississippi Delta, the colonias, members of a Native American tribe located in a Native American area, and migrant and seasonal agricultural workers.

FHFA received more than 1,500 public comments on the proposed rule before the comment period closed on March 17, 2016. FHFA has also engaged in additional public outreach by holding several webinars and meetings to notify interested stakeholders of the proposed rule and to provide them an overview of its key provisions. FHFA staff are reviewing all of the comments received, and the agency is working to develop the final rule.

Affordable Housing Allocations

The Safety and Soundness Act 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 purchases.[23] and to allocate or otherwise transfer 65 percent of the amount set aside to the Secretary of the Department of Housing and Urban Development (HUD) to fund the Housing Trust Fund and 35 percent to the Secretary of the Treasury to fund the Capital Magnet Fund. The Housing Trust Fund is designed to assist states in meeting the housing needs of the lowest income families and the Capital Management Fund is a special account within the Community Development Financial Institutions (CDFI) Fund administered to increase investment in affordable housing, economic development and community development facilities in low-income or underserved rural areas.[24] Of the aggregate amount allocated in 2015, 25 percent was required to be deposited into a reserve fund for the benefit of the HOPE for Homeowners Program administered by HUD.[25]

Prior to 2015, the Enterprises did not set aside these amounts because of a November 2008 directive from FHFA to suspend the allocations until further notice. On December 11, 2014, FHFA directed each Enterprise, commencing with the Enterprise's fiscal (calendar) year 2015, to set aside amounts for allocation to the Housing Trust Fund and the Capital Magnet Fund, and to transfer allocated amounts to HUD or the Treasury Department, as appropriate, within 60 days after the end of the Enterprise's fiscal year, unless during that fiscal year the Enterprise has made, or the transfer would cause the Enterprise to make a draw on the Treasury Department under the terms of the Senior Preferred Stock Purchase Agreements (PSPA).[26]

In its 2015 Form 10-K filed with Securities and Exchange Commission (SEC), Fannie Mae stated that its total business volume in 2015 was $515.5 billion and, as a result, the total affordable housing allocation transferred was $216.5 million.[27] In its 2015 Form 10-K filing,

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[23] *See* 12 U.S.C. § 4567(a).
[24] *Id.*; *see also* 12 U.S.C. §§ 4568 and 4569.
[25] *Id.*, § 4567(e) ; *see also id.*, §1715z-23. The HOPE for Homeowners Program sunset on September 30, 2011. *Id.*, § 1715z-23(r).
[26] http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Statement-on-the-Housing-Trust-Fund-and-Capital-Magnet-Fund.aspx.
[27] Fannie Mae's Form 10-K for 2015, pp. 111, 196-197.

Freddie Mac stated that its total business volume in 2015 was $393.8 billion and, as a result, the total affordable housing allocation transferred was $165.4 million.[28]

Monthly Survey of Mortgage Markets (National Mortgage Database)

The Safety and Soundness Act requires FHFA to conduct a monthly survey of mortgage markets that collects information on the characteristics of individual mortgages, both those eligible and those ineligible for Enterprise purchase.[29] For each loan, the information collected must include the price of the house securing the mortgage, the loan-to-value ratio of the mortgage (including secondary financing), the terms of the mortgage, the creditworthiness of the borrower or borrowers, and whether the mortgage (if eligible) was purchased by an Enterprise. The statute also 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 borrowers and other information needed to determine whether these borrowers could have qualified for prime loans.

A single data source containing all of the items required to comply with the Safety and Soundness Act requirements did not exist at the time HERA was enacted, and FHFA initiated development of the National Mortgage Database (NMDB) to comply with these requirements. FHFA announced its partnership with the CFPB to develop the NMDB in November 2012, and the NMDB is still being developed. Consequently, FHFA did not publish monthly mortgage surveys during 2010 through 2015.

When completed, the NMDB will provide comprehensive information about the U.S. mortgage market based upon a five percent nationally representative sample of single-family, first lien mortgages active as of 1998. The NMDB will also include data based on a subset of this 5 percent sample, from a series of borrower surveys about the borrower experience throughout the mortgage life cycle. These surveys which are currently being conducted include the National Survey of Mortgage Originations and the American Survey of Mortgage Borrowers.

The data included in NMDB will not identify particular borrowers and FHFA continues to determine what data fields are necessary for the NMDB and to exclude those that are not. FHFA

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[28] Freddie Mac's Form 10-K for 2015, pp. 165-166.
[29] *See* 12 U.S.C. § 4544(c).

has established strong information security systems and protocols and continues to review and evaluate every aspect of these systems and protocols.

To date, FHFA has published three reports based on the NMDB:

- *The National Mortgage Database Technical Report 15-01* released on August 27, 2015, which provides users of the NMDB data background on the development of the database, as well as an assessment of the quality of the data;
- *The National Survey of Mortgage Borrowers Technical Report 15-02* also released on August 27, 2015, which provides background details on how the National Survey of Mortgage Originations (NSMO) was developed; and
- *A Profile of 2013 Mortgage Borrowers: Statistics from the National Survey of Mortgage Originations Technical Report 16-01* released on May 27, 2016, which provides information about the first set of responses to the National Survey of Mortgage Originations (NSMO), which is jointly administered by FHFA and the CFPB. The NSMO collects information from a representative sample of recent mortgage borrowers about their experiences in choosing and taking out a mortgage.

Public Access to Mortgage Information

The Safety and Soundness Act requires FHFA to make loan-level data submitted by the Enterprises available to the public, except for certain proprietary information and personally identifiable information.[30] The Act also requires FHFA to make Enterprise data elements reported under HMDA (at the census tract level) available to the public. Finally, the Safety and Soundness Act requires FHFA to make certain high-cost securitized Enterprise loan data it collects available to the public to compare the characteristics of high-cost loans the Enterprises purchase and securitize.[31] As discussed earlier in this report, because the Safety and Soundness Act does not define the term "high-cost loan," FHFA determined that a "high-cost loan" should be defined by whether its HMDA "rate spread" is 150 basis points or more above the APOR. FHFA is required to release the data by September 30 of the year following the year the mortgages were acquired by the Enterprises. FHFA has released this data to the public for 2015 through its Public Use Database (PUDB), which is available on the agency's website.

[30] *See* 12 U.S.C. §§ 4543, 4546.
[31] *See* 12 U.S.C. §§ 4544(b)(6), 4546(d). See Appendix C for the analysis of the higher-priced securitized loan data for 2015.

Appendix A: Preliminary Determination Letters: Enterprise 2015 Housing Goals Performance

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 14, 2016

Mr. Timothy J. Mayopoulos
President and Chief Executive Officer
Federal National Mortgage Association
3900 Wisconsin Avenue, NW
Washington, D.C. 20016-2892

Re: Preliminary Determination of Fannie Mae's 2015 Housing Goals Performance

Dear Mr. Mayopoulos:

The Federal Housing Finance Agency (FHFA) has reviewed Fannie Mae's performance under the Enterprise housing goals for 2015 and is providing this notice 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.

As specified in 12 C.F.R. 1282.12, Fannie Mae must meet a number of single-family housing goals. FHFA evaluated Fannie Mae's performance on the single-family housing goals for 2015, and those figures are included in the below table:

Single-Family Housing Goals	Goal Target – 2015	Market level – 2015	FHFA Preliminary Determination of Fannie Mae's 2015 Performance
Low-Income Home Purchase Goal	24%	23.6%	**23.5%***
Very Low-Income Home Purchase Goal	6%	5.8%	**5.6%***
Low-Income Areas Home Purchase Goal	19%	19.8%	20.4%
Low-Income Areas Home Purchase Subgoal	14%	15.2%	15.6%
Low-Income Refinance Goal	21%	22.5%	22.1%

* *Reflects goal not met.*

400 7th Street, S.W., Washington, D.C. 20219 • 202-649-3801 • 202-649-1071 (fax)

For each housing goal, the percentage shown above reflects the proportion of mortgages that met the criteria for that goal. The home purchase goals are based on Fannie Mae's acquisitions of purchase money mortgages, while the refinance goal is based on Fannie Mae's acquisitions of refinance mortgages and Home Affordable Modification Program (HAMP) loan modifications, where applicable.

Based on the above information, FHFA has preliminarily determined that Fannie Mae achieved the low-income areas home purchase goal and subgoal and the low-income refinance goal for 2015. FHFA has preliminarily determined that Fannie Mae failed to meet the low-income home purchase goal and the very low-income home purchase goal for 2015.

As specified in 12 C.F.R. 1282.13, Fannie Mae must also meet a number of multifamily housing goals. FHFA evaluated Fannie Mae's performance on the multifamily housing goals for 2015, and those figures are included in the below table:

Multifamily Housing Goals	Goal Target – 2015	FHFA Preliminary Determination of Fannie Mae's 2015 Performance
Low-Income Multifamily Goal	300,000	307,510
Very Low-Income Multifamily Subgoal	60,000	69,078
Small Multifamily (5-50-unit) Low-Income Subgoal	6,000	6,731

Based on this information, FHFA has preliminarily determined that Fannie Mae achieved each of the multifamily housing goals for 2015.

Under the Safety and Soundness Act, Fannie Mae has 30 days to submit any documentation it wishes FHFA to consider in making a final determination about Fannie Mae's compliance with the housing goals for 2015.

If you have any questions, please contact Ted Wartell, Manager, Housing and Community Investment, Division of Housing Mission and Goals, at Ted.Wartell@fhfa.gov or 202-649-3157.

Sincerely,

Melvin L. Watt

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 14, 2016

Mr. Donald H. Layton
Chief Executive Officer
Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, VA 22103-3107

Re: Preliminary Determination of Freddie Mac's 2015 Housing Goals Performance

Dear Mr. Layton:

The Federal Housing Finance Agency (FHFA) has reviewed Freddie Mac's performance under the Enterprise housing goals for 2015 and is providing this notice 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.

As specified in 12 C.F.R. 1282.12, Freddie Mac must meet a number of single-family housing goals. FHFA evaluated Freddie Mac's performance on the single-family housing goals for 2015, and those figures are included in the below table:

Single-Family Housing Goals	Goal Target – 2015	Market level – 2015	FHFA Preliminary Determination of Freddie Mac's 2015 Performance
Low-Income Home Purchase Goal	24%	23.6%	**22.3%***
Very Low-Income Home Purchase Goal	6%	5.8%	**5.4%***
Low-Income Areas Home Purchase Goal	19%	19.8%	19.0%
Low-Income Areas Home Purchase Subgoal	14%	15.2%	14.5%
Low-Income Refinance Goal	21%	22.5%	22.8%

** Reflects goal not met.*

400 7th Street, S.W., Washington, D.C. 20219 • 202-649-3801 • 202-649-1071 (fax)

For each housing goal, the percentage shown above reflects the proportion of mortgages that met the criteria for that goal. The home purchase goals are based on Freddie Mac's acquisitions of purchase money mortgages, while the refinance goal is based on Freddie Mac's acquisitions of refinance mortgages and Home Affordable Modification Program (HAMP) loan modifications, where applicable.

Based on the above information, FHFA has preliminarily determined that Freddie Mac achieved the low-income areas home purchase goal and subgoal and the low-income refinance goal for 2015. FHFA has preliminarily determined that Freddie Mac failed to meet the low-income home purchase goal and the very low-income home purchase goal for 2015.

As specified in 12 C.F.R. 1282.13, Freddie Mac must also meet a number of multifamily housing goals. FHFA evaluated Freddie Mac's performance on the multifamily housing goals for 2015, and those figures are included in the below table:

Multifamily Housing Goals	Goal Target – 2015	FHFA Preliminary Determination of Freddie Mac's 2015 Performance
Low-Income Multifamily Goal	300,000	379,042
Very Low-Income Multifamily Subgoal	60,000	76,935
Small Multifamily (5-50 unit) Low-Income Subgoal	6,000	12,801

Based on this information, FHFA has preliminarily determined that Freddie Mac achieved each of the multifamily housing goals for 2015.

Under the Safety and Soundness Act, Freddie Mac has 30 days to submit any documentation it wishes FHFA to consider in making a final determination about Freddie Mac's compliance with the housing goals for 2015.

If you have any questions, please contact Ted Wartell, Manager, Housing and Community Investment, Division of Housing Mission and Goals, at Ted.Wartell@fhfa.gov or 202-649-3157.

Sincerely,

Melvin L. Watt

Appendix B: Enterprise Purchases of Subprime and Nontraditional Loans

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

Excluding second liens and reverse mortgages, Fannie Mae and Freddie Mac acquired $825.6 billion of single-family loans in 2015 (See **Tables B1a** and **B1b**), an increase of 33.5 percent from the $618.6 billion in single-family loans the Enterprises acquired in 2014. These totals include loans that collateralize mortgage-backed securities guaranteed by either Enterprise and loans purchased for cash. While Tables 1 through 9 report on only owner-occupied single-family purchases, this Appendix reports on both owner-occupied and investor-owned single-family purchases.

Fully amortizing mortgages comprised 100 percent of the single-family loans acquired by the Enterprises in 2015, per conservatorship guidance. Fully amortizing fixed-rate mortgages accounted for 94.6 percent of combined acquisitions, a decrease from 94.8 percent in 2014 (See **Tables B1a** and **B1b**). Fully amortizing hybrid adjustable-rate mortgages accounted for 2.8 percent of 2015 acquisitions, a decrease from 5.2 percent in 2014. The Enterprises did not acquire any interest-only mortgages in 2015, a decrease from $59 million in 2014.

Table B1a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2014 and 2015 by Payment and Product Type ($ in millions)[1]

	2014				2015			
Product Type	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
Fixed-Rate Mortgages	$586,704.03	$0.0	$0.0	$586,710.07	$780,984.4	$0.0	$0.0	$780,984.4
ARMS – Traditional	$12.1	$0.0	$0.0	$12.1	$19.3	$0.0	$0.0	$19.3
ARMS-Hybrid	$31,868.7	$59.0	$0.0	$31,927.7	$22,923.5	$0.0	$0.0	$22,923.5
Balloon Mortgages	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other Mortgages[2]	$0.0	$0.0	$0.0	$0.0	$21,672.5	$0.0	$0.0	$21,672.5
Total	$618,585.1	$59.0	$0.0	$618,644.0	$825,599.7	$0.0	$0.0	$825,599.7

Table B1b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2014 and 2015 by Payment and Product Type (Percent)[3]

	2014				2015			
Product Type	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
Fixed-Rate Mortgages	94.84%	0.00%	0.00%	94.85%	94.60%	0.00%	0.00%	94.60%
ARMS-Traditional	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ARMS-Hybrid	5.15%	0.01%	0.00%	5.15%	2.78%	0.00%	0.00%	2.78%
Balloon Mortgages	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Mortgages	0.00%	0.00%	0.00%	0.00%	2.63%	0.00%	0.00%	2.63%
Total	99.99%	0.01%	0.00%	100.00%	100.00%	0.00%	0.00%	100.00%

[1] Includes mortgages purchased for cash and financed with guaranteed mortgage-backed securities. Excludes second liens and reverse mortgages.
[2] Other and unidentified product types. Includes Fixed-Rate Other and Other ARM. Fixed-Rate Other is fixed-rate mortgages with a term other than 40, 30, 20, or 15 years. Other ARM is ARMs with a structure other than 3/1, 5/1, 7/1, or 10/1.
[3] Percentages may be zero due to rounding.
Source: Federal Housing Finance Agency based on information from Fannie Mae and Freddie Mac.

The distribution of the loan-to-value ratios of single-family mortgages acquired by Fannie Mae and Freddie Mac in 2015 was largely similar to 2014 (See **Tables B2a** and **B2b**). The combined share of loans with loan-to-value ratios above 95 percent fell from 2.13 percent in 2014 to 2.00 percent in 2015. Mortgages with loan-to-value ratios of 80 percent or below increased from 70.43 percent of loans acquired in 2014 to 73.25 percent of loans acquired in 2015.

Table B2a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2014 and 2015 by Payment Type and Loan-to-Value Ratio Group ($ in millions)[1]

	2014				2015			
Loan-to-Value Ratio Group	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**
0-70 %	$176,109.1	$58.3	$0.0	$176,167.3	$268,647.0	$0.0	$0.0	$268,647.0
70.1-80 %	$253,879.9	$0.0	$0.0	$253,879.9	$333,836.0	$0.0	$0.0	$333,836.0
80.1-90 %	$77,042.7	$0.0	$0.0	$77,042.7	$99,130.0	$0.0	$0.0	$99,130.0
90.1-95 %	$90,437.3	$0.0	$0.0	$90,437.3	$104,445.0	$0.0	$0.0	$104,445.0
95.1-100 %	$7,146.5	$0.7	$0.0	$7,147.2	$10,119.0	$0.0	$0.0	$10,119.0
>100%	$5,878.4	$0.0	$0.0	$5,878.4	$6,342.0	$0.0	$0.0	$6,342.0
Total	$610,493.9	$59.0	$0.0	$610,552.8	$822,518.0	$0.0	$0.0	$822,518.0

Table B2b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2014 and 2015 by Payment Type and Loan-to-Value Ratio Group (Percent)[2]

	2014				2015			
Loan-to-Value Ratio Group	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**
0-70 %	28.84%	0.01%	0.00%	28.85%	32.66%	0.00%	0.00%	32.66%
70.1-80 %	41.58%	0.00%	0.00%	41.58%	40.59%	0.00%	0.00%	40.59%
80.1-90 %	12.62%	0.00%	0.00%	12.62%	12.05%	0.00%	0.00%	12.05%
90.1-95 %	14.81%	0.00%	0.00%	14.81%	12.70%	0.00%	0.00%	12.70%
95.1-100 %	1.17%	0.00%	0.00%	1.17%	1.23%	0.00%	0.00%	1.23%
>100 percent	0.96%	0.00%	0.00%	0.96%	0.77%	0.00%	0.00%	0.77%
Total	99.99%	0.01%	0.00%	100.00%	100.00%	0.00%	0.00%	100.00%

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

[2] Percentages may be zero due to rounding.

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

II. Acquisitions of Nontraditional Mortgages

The Enterprises acquired no interest-only fixed-rate mortgages in 2015 or 2014. The Enterprises acquired no interest-only hybrid adjustable-rate mortgages in 2015, down from $59 million in 2014. Neither Enterprise acquired any negative amortization mortgages in 2014 or 2015.

III. Acquisitions of Mortgages with Lower Credit Scores

There was some change in the distribution of the borrower credit (FICO) scores of single-family mortgages acquired by Fannie Mae and Freddie Mac in 2015 (See **Tables B3a** and **B3b**). The share of loans with credit scores below 620 fell slightly from 1.24 percent in 2014 to 0.66 percent in 2015. Mortgages with credit scores between 620 and 659 fell from 4.84 percent of loans acquired in 2014 to 4.07 percent of loans acquired in 2015.

Table B3a: Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2014 and 2015 by Payment Type and FICO Score Group ($ in millions)[1]

	2014				2015			
FICO Score Group	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**
0-619	$7,662.5	$0.0	$0.0	$7,662.5	$5,384.5	$0.0	$0.0	$5,384.5
620-659	$29,838.0	$0.0	$0.0	$29,838.0	$33,444.9	$0.0	$0.0	$33,444.9
660-719	$142,279.9	$1.0	$0.0	$142,281.0	$173,327.4	$0.0	$0.0	$173,327.4
720-749	$109.991.1.4	$9.0	$0.0	$110,000.1	$143,973.9	$0.0	$0.0	$143,973.9
750+	$326,133.3.5	$48.7	$0.0	$326,181.9	$465,149.5	$0.0	$0.0	$465,149.5
Total	$615,904.7	$58.8	$0.0	$615,963.5	$821,280.3	$0.0	$0.0	$821,280.3

Table B3b: Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac and 2014 and 2015 by Payment Type and FICO Score Group (Percent)[2]

	2014				2015			
FICO Score Group	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
0-619	1.24%	0.00%	0.00%	1.24%	0.66%	0.00%	0.00%	0.66%
620-659	4.84%	0.00%	0.00%	4.84%	4.07%	0.00%	0.00%	4.07%
660-719	23.10%	0.00%	0.00%	23.10%	21.10%	0.00%	0.00%	21.10%
720-749	17.86%	0.00%	0.00%	17.86%	17.53%	0.00%	0.00%	17.53%
750+	52.95%	0.01%	0.00%	52.95%	56.64%	0.00%	0.00%	56.64%
Total	99.99%	0.01%	0.00%	100.00%	100.00%	0.00%	0.00%	100.00%

[1] Includes mortgages purchased for cash and financed with guaranteed mortgage-backed securities. Excludes second liens and reverse mortgages. Totals in this table do not equal the totals in Table B1a because some loans acquired by the Enterprises do not have FICO Score Group information.
[2] Percentages may be zero due to rounding.

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

Appendix C: Higher-Priced Mortgage Loans

As discussed in the "Higher-Priced Mortgage Loans" section of this report, because the Safety and Soundness Act does not define the term "high-cost loan," FHFA determined that a "high-cost loan" should be defined by whether its HMDA-reportable "rate spread" is 150 basis points or more above the APOR. In other contexts, FHFA refers to such loans as "higher-priced mortgage loans."

In 2015, 1.2 percent of all single-family loans purchased by the Enterprises were higher-priced mortgage loans. The tables below show the number of higher-priced mortgage loans in Enterprise securities compared to the number of higher-priced mortgage loans retained on portfolio at year-end by each Enterprise for 2015.

The Safety and Soundness Act requires FHFA to compare the characteristics of high-cost loans purchased and securitized by each Enterprise "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." The comparisons should include "such characteristics as- (A) the purchase price of the property that secures the mortgage; (B) the loan-to-value ratio of the mortgage, which shall reflect any secondary liens on the relevant property; (C) the terms of the mortgage; (D) the creditworthiness of the borrower; and (E) any other relevant data, as determined by the Director."[32] Terms of a mortgage include product type, whether a fixed-rate mortgage (FRM) or an adjustable-rate mortgage (ARM), term (or length) of the mortgage at origination, amortization term, and interest rate at origination. Other relevant data included for comparative analysis are borrower income ratio, census tract income ratio, 2010 Census tract/percent minority, purpose of loan, and whether the loan has a federal guarantee.

I. Purchase Price

Table C1 shows the comparison of the higher-priced securitized loans based on purchase price.

Table C1: Purchase Price

Purchase Price	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?						In Portfolio at Year-End?					
	Not Held		Retained		Totals		Not Held		Retained		Totals	
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
<= $417,000	26,680	91.7	1,055	92.5	27,735	91.8	7,070	89.6	2,977	97.7	10,047	91.8
> $417,000, <= $625,500	1,734	6.0	73	6.4	1,807	6.0	519	6.6	51	1.7	570	5.2
> $625,500, <= $729,750	295	1.0	6	0.5	301	1.0	121	1.5	6	0.2	127	1.2
> $729,750	378	1.3	6	0.5	384	1.3	181	2.3	14	0.5	195	1.8
Totals	29,087	100.0	1,140	100.0	30,227	100.0	7,891	100.0	3,048	100.0	10,939	100.0

II. Combined Loan-to-Value Ratio

Table C2 shows the comparison of the higher-priced securitized loans based on the combined loan-to-value ratio of the mortgages, including secondary liens. **Table C2a** shows the distribution based on combined loan-to-value ratio for securitized fixed-rate mortgages.

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[32] 12 U.S.C. 4544(b)(6).

Table C2: Combined LTV (or LTV if missing)

Combined LTV (or LTV if missing	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?						In Portfolio at Year-End?					
	Not Held		Retained		Totals		Not Held		Retained		Totals	
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
0% < LTV <= 60%	2,825	9.7	63	5.5	2,888	9.6	1,131	14.3	292	9.6	1,423	13.0
60% < LTV <= 80%	10,190	35.0	285	25.0	10,475	34.7	3,293	41.7	1,247	40.9	4,540	41.5
80% < LTV <= 90%	3,791	13.0	156	13.7	3,947	13.1	534	6.8	297	9.7	831	7.6
90% < LTV <= 95%	7,866	27.0	385	33.8	8,251	27.3	2,401	30.4	947	31.1	3,348	30.6
LTV > 95%	4,415	15.2	251	22.0	4,666	15.4	524	6.6	264	8.7	788	7.2
Missing	0	0.0	0	0.0	0	0.0	8	0.1	1	0.0	9	0.1
Totals	29,087	100.0	1,140	100.0	30,227	100.0	7,891	100.0	3,048	100.0	10,939	100.0

Table C2a: Combined LTV (or LTV if missing) of Fixed-Rate Mortgages

Combined LTV (or LTV if missing	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?						In Portfolio at Year-End?					
	Not Held		Retained		Totals		Not Held		Retained		Totals	
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
0% < LTV <= 60%	2,778	9.6	63	5.5	2,841	9.5	1,121	14.3	291	9.6	1,412	13.0
60% < LTV <= 80%	10,073	34.8	285	25.0	10,358	34.5	3,265	41.6	1,245	40.9	4,510	41.4
80% < LTV <= 90%	3,781	13.1	156	13.7	3,937	13.1	530	6.8	297	9.8	827	7.6
90% < LTV <= 95%	7,865	27.2	385	33.8	8,250	27.5	2,397	30.6	947	31.1	3,344	30.7
LTV > 95%	4,412	15.3	251	22.0	4,663	15.5	524	6.7	264	8.7	788	7.2
Missing	0	0.0	0	0.0	0	0.0	8	0.1	1	0.0	9	0.1
Totals	28,909	100.0	1,140	100.0	30,049	100.0	7,845	100.0	3,045	100.0	10,890	100.0

III. Product Type

Table C3 shows the comparison of the higher-priced securitized loans based on product type.

Table C3: Product Type

Product Type	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
FRM	28,909	99.4	1,140	100.0	30,049	99.4	7,845	99.4	3,045	99.9	10,890	99.6
ARM	178	0.6	0	0.0	178	0.6	46	0.6	3	0.1	49	0.4
Totals	29,087	100.0	1,140	100.0	30,227	100.0	7,891	100.0	3,048	100.0	10,939	100.0

IV. Term at Origination

Table C4 shows the comparison of higher-priced securitized loans based on term at origination.

Table C4: Term at Origination

Term at Origination	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
30 Years	20,458	70.3	915	80.3	21,373	70.7	4,607	58.4	1,531	50.2	6,138	56.1
15 Years	4,009	13.8	21	1.8	4,030	13.3	2,618	33.2	225	7.4	2,843	26.0
All Others	4,620	15.9	204	17.9	4,824	16.0	666	8.4	1,292	42.4	1,958	17.9
Totals	29,087	100.0	1,140	100.0	30,227	100.0	7,891	100.0	3,048	100.0	10,939	100.0

V. Interest Rate at Origination

Tables C5 and **C5a** show the comparison of higher-priced securitized loans based on the annual percentage rate (APR) at origination.

Table C5: Interest Rate at Origination

Interest Rate at Origination	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
< 4.0%	3,562	12.2	47	4.1	3,609	11.9	1,290	16.3	68	2.2	1,358	12.4
>= 4.0%, < 4.5%	10,376	35.7	329	28.9	10,705	35.4	2,499	31.7	973	31.9	3,472	31.7
>= 4.5%, < 5.0%	9,993	34.4	511	44.8	10,504	34.8	2,711	34.4	1,388	45.5	4,099	37.5
>= 5.0%, < 5.5%	4,999	17.2	243	21.3	5,242	17.3	1,224	15.5	616	20.2	1,840	16.8
>= 5.5%, < 6.0%	153	0.5	10	0.9	163	0.5	159	2.0	2	0.1	161	1.5
>= 6.0%, < 6.5%	3	0.0	0	0.0	3	0.0	0	0.0	1	0.0	1	0.0
>= 6.5%, < 7.0%	1	0.0	0	0.0	1	0.0	1	0.0	0	0.0	1	0.0
>= 7.0%, < 7.5%	0	0.0	0	0.0	0	0.0	1	0.0	0	0.0	1	0.0
>= 8.0%	0	0.0	0	0.0	0	0.0	6	0.1	0	0.0	6	0.1
Totals	29,087	100.0	1,140	100.0	30,227	100.0	7,891	100.0	3,048	100.0	10,939	100.0

Table C5a: Interest Rate at Origination of Fixed-Rate Mortgages

Interest Rate at Origination	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
< 4.0%	3,386	11.7	47	4.1	3,433	11.4	1,246	15.9	65	2.1	1,311	12.0
>= 4.0%, < 4.5%	10,374	35.9	329	28.9	10,703	35.6	2,497	31.8	973	32.0	3,470	31.9
>= 4.5%, < 5.0%	9,993	34.6	511	44.8	10,504	35.0	2,711	34.6	1,388	45.6	4,099	37.6
>= 5.0%, < 5.5%	4,999	17.3	243	21.3	5,242	17.4	1,224	15.6	616	20.2	1,840	16.9
>= 5.5%, < 6.0%	153	0.5	10	0.9	163	0.5	159	2.0	2	0.1	161	1.5
>= 6.0%, < 6.5%	3	0.0	0	0.0	3	0.0	0	0.0	1	0.0	1	0.0
>= 6.5%, < 7.0%	1	0.0	0	0.0	1	0.0	1	0.0	0	0.0	1	0.0
>= 7.0%, < 7.5%	0	0.0	0	0.0	0	0.0	1	0.0	0	0.0	1	0.0
>= 8.0%	0	0.0	0	0.0	0	0.0	6	0.1	0	0.0	6	0.1
Totals	28,909	100.0	1,140	100.0	30,049	100.0	7,845	100.0	3,045	100.0	10,890	100.0

VI. Credit Score

Tables C6 and **C6a** show the comparison of higher-priced securitized loans based on credit score.

Table C6: Credit Score

Credit Score	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
Less than 620	155	0.5	1	0.1	156	0.5	518	6.6	234	7.7	752	6.9
620 - < 660	4,978	17.1	220	19.3	5,198	17.2	1,402	17.8	599	19.7	2,001	18.3
660 - < 700	7,594	26.1	315	27.6	7,909	26.2	1,749	22.2	840	27.6	2,589	23.7
700 - < 760	8,196	28.2	354	31.1	8,550	28.3	2,019	25.6	752	24.7	2,771	25.3
760 or Greater	8,093	27.8	250	21.9	8,343	27.6	2,188	27.7	623	20.4	2,811	25.7
Missing/Bad	71	0.2	0	0.0	71	0.2	15	0.2	0	0.0	15	0.1
Totals	29,087	100.0	1,140	100.0	30,227	100.0	7,891	100.0	3,048	100.0	10,939	100.0

Table C6a: Credit Score of Fixed-Rate Mortgages

Credit Score	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
Less than 620	153	0.5	1	0.1	154	0.5	518	6.6	234	7.7	752	6.9
620 - < 660	4,977	17.2	220	19.3	5,197	17.3	1,398	17.8	599	19.7	1,997	18.3
660 - < 700	7,585	26.2	315	27.6	7,900	26.3	1,743	22.2	839	27.6	2,582	23.7
700 - < 760	8,152	28.2	354	31.1	8,506	28.3	1,999	25.5	751	24.7	2,750	25.3
760 or Greater	7,971	27.6	250	21.9	8,221	27.4	2,172	27.7	622	20.4	2,794	25.7
Missing/Bad	71	0.2	0	0.0	71	0.2	15	0.2	0	0.0	15	0.1
Totals	28,909	100.0	1,140	100.0	30,049	100.0	7,845	100.0	3,045	100.0	10,890	100.0

VII. Borrower Income Ratio

Table C7 shows the comparison of higher-priced securitized loans based on borrower income relative to area median income (AMI).

Table C7: Borrower Income Ratio

Borrower Income Ratio	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?						In Portfolio at Year-End?					
	Not Held		Retained		Totals		Not Held		Retained		Totals	
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
>= 0%, <= 50%	2,542	8.7	92	8.1	2,634	8.7	688	8.7	367	12.0	1,055	9.6
> 50%, <= 80%	8,560	29.4	298	26.1	8,858	29.3	2,325	29.5	945	31.0	3,270	29.9
> 80%	17,962	61.8	750	65.8	18,712	61.9	4,408	55.9	1,475	48.4	5,883	53.8
Not Applicable	23	0.1	0	0.0	23	0.1	470	6.0	261	8.6	731	6.7
Totals	29,087	100.0	1,140	100.0	30,227	100.0	7,891	100.0	3,048	100.0	10,939	100.0

VIII. Tract Income Ratio

Table C8 shows the comparison of higher-priced securitized loans based on the tract income ratio, which is the ratio of the 2010 Census tract median income to the 2010 local AMI.

Table C8: Tract Income Ratio

Tract Income Ratio	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?						In Portfolio at Year-End?					
	Not Held		Retained		Totals		Not Held		Retained		Totals	
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
<= 80%	7,388	25.4	257	22.5	7,645	25.3	2,226	28.2	943	30.9	3,169	29.0
> 80%, <= 120%	13,223	45.5	540	47.4	13,763	45.5	3,475	44.0	1,462	48.0	4,937	45.1
> 120%	8,462	29.1	343	30.1	8,805	29.1	2,185	27.7	641	21.0	2,826	25.8
Missing	14	0.0	0	0.0	14	0.0	5	0.1	2	0.1	7	0.1
Totals	29,087	100.0	1,140	100.0	30,227	100.0	7,891	100.0	3,048	100.0	10,939	100.0

IX. 2010 Census Tract/Percent Minority

Table C9 shows the comparison of higher-priced securitized loans based on the composition of minority population in a census tract where the property securing a loan is located.

Table C9: Percent Minority in Census Tract

Percent Minority in Census Tract	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
0% - < 10%	5,435	18.7	208	18.2	5,643	18.7	1,387	17.6	665	21.8	2,052	18.8
10% - < 30%	9,615	33.1	367	32.2	9,982	33.0	2,632	33.4	932	30.6	3,564	32.6
30% - 100%	14,034	48.2	565	49.6	14,599	48.3	3,870	49.0	1,451	47.6	5,321	48.6
Missing	3	0.0	0	0.0	3	0.0	2	0.0	0	0.0	2	0.0
Totals	29,087	100.0	1,140	100.0	30,227	100.0	7,891	100.0	3,048	100.0	10,939	100.0

X. Purpose of Loan

Table C10 shows the comparison of higher-priced securitized loans based on the purpose of the loan, whether for home purchase, refinancing of an existing loan, or other.

Table C10: Loan Purpose

Loan Purpose	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
Purchase	17,066	58.7	791	69.4	17,857	59.1	3,819	48.4	1,404	46.1	5,223	47.7
Refinance/Other	12,021	41.3	349	30.6	12,370	40.9	4,072	51.6	1,644	53.9	5,716	52.3
Totals	29,087	100.0	1,140	100.0	30,227	100.0	7,891	100.0	3,048	100.0	10,939	100.0

XI. Federal Guarantee

Table C11 shows the comparison of higher-priced securitized loans based on whether the loan is federally guaranteed or insured, for example by FHA, VA, or RHS.

Table C11: Federal Guarantee

Federal Guarantee?	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent	Loans	Percent
No	29,075	100.0	1,140	100.0	30,215	100.0	7,870	99.7	3,019	99.0	10,889	99.5
Yes	12	0.0	0	0.0	12	0.0	21	0.3	29	1.0	50	0.5
Totals	29,087	100.0	1,140	100.0	30,227	100.0	7,891	100.0	3,048	100.0	10,939	100.0