ANNUAL HOUSING REPORT

2014

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Division of Housing Mission & Goals

TABLE OF CONTENTS

INTRODUCTION

The Federal Housing Finance Agency (FHFA) was established by the Housing and Economic Recovery Act of 2008 (HERA) and is responsible for the effective supervision, regulation, and housing mission oversight of Fannie Mae and Freddie Mac[1] (collectively known as the Enterprises) and the Federal Home Loan Bank System, which includes 12 Banks and the Office of Finance. The agency'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 and community investment.

Under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), as amended by HERA, the Director of FHFA has the discretionary authority to appoint FHFA as conservator or receiver of Fannie Mae, Freddie Mac, or any of the Federal Home Loan Banks, upon determining that specified criteria have been met. On September 6, 2008, FHFA exercised this authority and placed Fannie Mae and Freddie Mac into conservatorships. Since they were placed into conservatorships, Fannie Mae and Freddie Mac together have received $187.5 billion in taxpayer support under the Senior Preferred Stock Purchase Agreements (SPSPA) executed with the U.S. Department of the Treasury. FHFA continues to oversee these conservatorships.

This report covers the 2013 housing activities of Fannie Mae and Freddie Mac, fulfilling the statutory requirement of section 1324 of the Safety and Soundness Act.[2] Fannie Mae and Freddie Mac acquired $1.048 trillion of single-family owner-occupied loans and provided funding for 772,241 multifamily rental units in 2013.

This report includes information on the Enterprises' performance under their statutory annual housing goals in 2013. The Safety and Soundness Act 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. The annual 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

[1] Fannie Mae is the trade name of the Federal National Mortgage Association. Freddie Mac is the trade name of the Federal Home Loan Mortgage Corp. Both are chartered by acts of Congress.
[2] *See* 12 U.S.C. § 4544.

consistent with their overall public purposes, while maintaining a strong financial condition and a reasonable economic return."[3] FHFA's evaluation of the Enterprises' performance in reaching the 2013 goals is still underway.

The report also provides other information about the Enterprises' 2013 single-family mortgage purchases, including the distribution of loans by race/ethnicity, gender, and census tract median income. In addition, the report provides a breakdown of the mortgage product-types purchased by the Enterprises, as well as information on mortgage payment type, loan-to-value ratios, and credit scores. The report also provides information about higher-priced mortgage loans purchased and securitized by the Enterprises in 2013.

The agency's ongoing efforts to monitor Fannie Mae and Freddie Mac's housing goals performance is one aspect of the agency's overall efforts to carry out its responsibilities. FHFA's statutory mandates require the agency to ensure that Fannie Mae and Freddie Mac are operating in a safe and sound manner and that they are fostering a liquid national housing finance market.

As part of FHFA's responsibilities, FHFA has issued a 2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac[4] and a 2014 Conservatorship Scorecard.[5] FHFA's 2014 Strategic Plan adheres to its existing statutory mandate of overseeing the conservatorships of the Enterprises in their current state and ensuring that the Enterprises' infrastructure meets the needs of their current credit guarantee business and other operations. A key component of FHFA's 2014 Strategic Plan is to maintain credit availability and foreclosure prevention activities in the housing market in a safe and sound manner. A healthy housing finance market requires liquidity and access across different market segments to provide homeownership opportunities to creditworthy borrowers, sensible and appropriate loss mitigation options when borrowers fall into economic distress, and affordable rental housing options.

The 2014 Conservatorship Scorecard expressed the expectation that the Enterprises would work to increase access to mortgage credit for creditworthy borrowers consistent with the full extent of applicable credit requirements and risk-management practices. In line with that expectation, the Enterprises have been working to bring greater certainty to their origination and servicing representation and warranty frameworks for lenders, develop servicer eligibility requirements that address issues raised by new servicer business models, and develop recommendations for

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[3] *See* 12 U.S.C. § 4501(7).
[4] http://www.fhfa.gov/AboutUs/Reports/ReportDocuments/2014StrategicPlan05132014Final.pdf
[5] http://www.fhfa.gov/AboutUs/Reports/ReportDocuments/2014Scorecard051314FINAL.pdf

ways to responsibly increase access to mortgage credit for creditworthy borrowers and encourage greater participation by small lenders, rural lenders, and state and local housing finance agencies. Additionally, FHFA issued a proposed rule for the Enterprise housing goals from 2015 through 2017 on August 29, 2014,[6] and FHFA is currently in the process of developing a new proposed rule concerning the duty to serve requirement for the Enterprises.

AFFORDABLE HOUSING GOALS

I. HOUSING GOALS - INTRODUCTION

The Safety and Soundness Act requires FHFA to establish several annual housing goals for both single-family and multifamily mortgages purchased by Fannie Mae and Freddie Mac.[7] The housing goals provisions of the Safety and Soundness Act were substantially revised in 2008 by HERA. The annual 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."[8]

Although the Enterprises remain in conservatorship at this time, 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 under the housing goals each year during conservatorship.[9] FHFA established housing goals for the Enterprises for 2010 and 2011 in a final rule published on September 14, 2010. FHFA established new housing goals levels for the Enterprises for 2012 through 2014 in a final rule published on November 13, 2012.[10] The 2013 housing goals established by FHFA include four goals and one subgoal for single-family, owner-occupied housing and one goal and one subgoal for multifamily housing:

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[6] http://www.gpo.gov/fdsys/pkg/FR-2014-09-11/pdf/2014-21118.pdf
[7] *See* 12 U.S.C. § 4561(a).
[8] *See* 12 U.S.C. § 4501(7).
[9] 12 U.S.C. § 4544(b)(1)(A)(i) requires FHFA to discuss in the annual housing report whether and how each Enterprise is achieving the annual housing goals.
[10] *See* 12 C.F.R. part 1282.

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 mortgages to families living in census tracts with tract incomes[11] 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**, which includes mortgages that meet the criteria under the low-income areas home purchase subgoal described above as well as 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 for families in multifamily properties with incomes no greater than 80 percent of AMI.

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

To reach a preliminary determination of the Enterprises' performance on the 2013 housing goals and subgoals, FHFA analyzed the loan-level data submitted with the Enterprises' annual housing activities reports for 2013. FHFA also calculated the goal-qualifying market shares based on 2013 Home Mortgage Disclosure Act (HMDA) data released by the Federal Financial Institutions Examination Council (FFIEC) on September 22, 2014. On October 3, 2014, FHFA notified the Enterprises of their performance under the Enterprise housing goals for 2013, and these letters are included as **Appendix A**. 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 2013.[12]

[11] 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.
[12] *See* 12 U.S.C. § 4566(b)(2).

II. Goal Performance – Single Family

The single-family housing goal levels for 2012 through 2014 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, an Enterprise meets a goal for 2012 through 2014 if its performance meets or exceeds either:

- The specific benchmark levels established in FHFA's November 13, 2012 final rule; or
- The share of the primary mortgage market that qualifies 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 represents loans that were eligible to count toward the housing goals and are defined as HMDA-reported conventional, conforming loans on owner-occupied properties, 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 the Consumer Financial Protection Bureau (CFPB) by primary market mortgage originators. An Enterprise fails to meet a goal if its performance falls short of both the benchmark level and the calculated market level.

FHFA has analyzed the Enterprises' loan-level data and independently calculated each Enterprise's 2013 goal performance.[13] FHFA has also calculated the goal-qualifying market shares based on 2013 HMDA data released by the Federal Financial Institutions Examination Council (FFIEC) on September 22, 2014.[14] FHFA has made preliminary determinations and

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[13] The Federal National Mortgage Association Charter Act and the Federal Home Loan Mortgage Corporation Act, known as the Charter Acts, require Fannie Mae and Freddie Mac to submit annual housing activities reports 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, now called the Committee on Financial Services of the House of Representatives. 12 U.S.C. § 1723a; 12 U.S.C. § 1456. The annual housing activities reports include loan-level data on each mortgage purchased by the Enterprises. Per 12 C.F.R. § 1282.63, 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.

[14] *See* 12 U.S.C. § 4544(b)(2). 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

notified the Enterprises on October 3, 2014, whether their performance in 2013 met or fell short of the single-family housing goals. The letters to the Enterprises in this regard are contained in Appendix A.

For the 2013 performance year, as in 2010 through 2012, FHFA treated some loan modifications as purchases of refinanced mortgages for purposes of the low-income refinance goal. FHFA only counted Enterprise loans modified in accordance with the Home Affordable Modification Program (HAMP).

Loan modifications improved performance on the low-income refinance goal for each Enterprise in 2013. The performance results for this goal include the impact of loan modifications. FHFA has also calculated Enterprise performance with loan modifications excluded.

A. Fannie Mae – Single Family

Table 1: Fannie Mae Single Family Housing Goals and Performance Results 2013

	Benchmark Level	Market Level	Fannie Mae Performance Results
Low-Income Home Purchase Goal	23%	24.0%	23.8%
Very Low-Income Home Purchase Goal	7%	6.3%	6.0%
Low-Income Areas Home Purchase Goal	21%	22.1%	21.6%
Low-Income Areas Home Purchase Subgoal	11%	14.2%	14.0%
Low-Income Refinance Goal[15]	20%	24.3%	24.3%

Based on the above information, FHFA has determined that Fannie Mae achieved the low-income home purchase goal, the low-income areas home purchase goal and subgoal, and the low-income refinance goal for 2013. FHFA has preliminarily determined that Fannie Mae did not meet the very low-income home purchase goal for 2013.

with the housing goals."

15 Fannie Mae's performance on the low-income refinance goal exclusive of loan modifications in 2013 was 24.0 percent. Fannie Mae modified 20,742 loans under HAMP in 2013, of which 12,706 (61.3 percent) were for low-income families. Fannie Mae's performance on this goal in 2013 was 24.3 percent, thus HAMP modifications added 0.3 percentage point to its performance.

B. Freddie Mac – Single Family

Table 2: Freddie Mac Single Family Housing Goals and Performance Results 2013

	Benchmark level	Market level	Freddie Mac Performance Results
Low-Income Home Purchase Goal	23%	24.0%	21.8%
Very Low-Income Home Purchase Goal	7%	6.3%	5.5%
Low-Income Areas Home Purchase Goal	21%	22.1%	20.0%
Low-Income Areas Home Purchase Subgoal	11%	14.2%	12.3%
Low-Income Refinance Goal[16]	20%	24.3%	24.1%

Based on the above information, FHFA has determined that Freddie Mac achieved the low-income areas home purchase subgoal and the low-income refinance goal for 2013. FHFA has preliminarily determined that Freddie Mac did not meet the very low-income home purchase goal, the low-income home purchase goal, and the low-income areas home purchase goal for 2013.

III. Goal Performance - Multifamily

FHFA established the multifamily goals as minimum numbers of multifamily units qualifying for the goals, not as shares of all multifamily units financed by each Enterprise. Because Freddie Mac's volume of multifamily business has to date always been lower than Fannie Mae's volume, the 2012 through 2014 multifamily goals are lower for Freddie Mac than for Fannie Mae.

Under the final rule established on November 13, 2012, the Enterprises are subject to the specific multifamily housing goals established in the rule, but not to a retrospective market analysis. As shown in the tables below, FHFA has determined that both Enterprises' 2013 performance on the low-income multifamily goal and the very low-income multifamily subgoal exceeded the established benchmark levels.

[16] Freddie Mac's performance on the low-income refinance goal exclusive of loan modifications was 23.4 percent in 2013. Freddie Mac modified 21,599 loans under HAMP in 2013, of which 14,757 (68.3 percent) were for low-income families. Freddie Mac's performance on this goal was 24.1 percent, thus HAMP modifications added 0.7 percentage point to its performance.

A. Fannie Mae - Multifamily

Table 3: Fannie Mae Multifamily Housing Goals and Performance Results 2013

	Benchmark Level	Fannie Mae Performance Results
Low-Income Multifamily Goal	265,000	326,597
Very Low-Income Multifamily Subgoal	70,000	78,071

Based on the above information, FHFA has determined that Fannie Mae achieved each of the multifamily housing goals for 2013.

B. Freddie Mac – Multifamily

Table 4: Freddie Mac Multifamily Housing Goals and Performance Results 2013

	Benchmark Level	Freddie Mac Performance Results
Low-Income Multifamily Goal	215,000	254,628
Very Low-Income Multifamily Subgoal	50,000	56,752

Based on the above information, FHFA has determined that Freddie Mac achieved each of the multifamily housing goals for 2013.

Enterprise Data Compared to Primary Market Data

The following tables show various characteristics of mortgages purchased by Fannie Mae and Freddie Mac in 2013 and the corresponding characteristics of mortgages originated in the primary market, as determined by FHFA's analysis of HMDA data.[17] 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 where information was missing or not provided are not included in this analysis. The "Primary Market" figures in this table utilize the same definition that is referred to as "Market level" in the housing goals section of this report.

[17] 12 U.S.C. 4544(b)(3) 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."

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

Home Purchase						
	2012			2013		
Borrower Income Ratio*	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=50%	7.7%	6.7%	6.6%	6.3%	6.0%	5.5%
>50% to <=60%	5.8%	5.1%	4.9%	5.2%	5.2%	4.7%
>60% to <=80%	13.1%	11.9%	11.4%	12.5%	12.6%	11.6%
>80% to <=100%	12.5%	11.9%	11.8%	12.6%	12.9%	12.4%
>100% to <=120%	11.6%	11.2%	11.4%	11.7%	12.1%	11.9%
>120%	49.3%	53.2%	53.9%	51.7%	51.2%	53.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Refinance						
	2012			2013		
Borrower Income Ratio*	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=50%	6.5%	6.4%	6.5%	7.6%	7.8%	7.5%
>50% to <=60%	4.5%	4.3%	4.4%	4.8%	4.7%	4.8%
>60% to <=80%	11.3%	10.9%	11.0%	11.9%	11.8%	11.8%
>80% to <=100%	12.4%	12.1%	12.2%	12.8%	12.6%	12.7%
>100% to <=120%	12.2%	11.9%	11.9%	12.1%	12.0%	12.0%
>120%	53.1%	54.4%	53.9%	50.9%	51.1%	51.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Borrower Income Relative to Area Median Income

Source: FHFA analysis of 2012 and 2013 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

Table 5 shows the distribution of mortgages originated/acquired by borrower income. In the primary market, 24.0 percent of the home purchase mortgage originations were made to low-income borrowers (those with incomes at or below 80 percent of AMI) in 2013. Fannie Mae's acquisitions consisted of 23.8 percent low-income borrowers. Freddie Mac's acquisitions of home purchase mortgages consisted of 21.8 percent low-income borrowers. In the primary market, 6.3 percent of the home purchase mortgage originations were made to very low-income borrowers (those with incomes at or below 50 percent of AMI) in 2013. Fannie Mae's acquisitions consisted of 6.0 percent very low-income borrowers. Freddie Mac's acquisitions of home purchase mortgages consisted of 5.5 percent very low-income borrowers.

In the primary market, 24.3 percent of the refinance mortgage originations were made to low-income borrowers in 2013. Fannie Mae's acquisitions also consisted of 24.3 percent low-income borrowers. Freddie Mac's acquisitions of refinance mortgages consisted of 24.1 percent low-income borrowers.

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

Home Purchase						
	2012			2013		
Race/Ethnicity of Borrower(s)	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
Hispanic or Latino	5.4%	5.6%	4.1%	5.9%	6.4%	4.8%
Amer.Ind./AK Native	0.2%	0.3%	0.1%	0.2%	0.2%	0.1%
Asian	8.3%	8.6%	7.3%	8.4%	8.8%	7.9%
African American	2.3%	2.4%	1.5%	2.5%	2.3%	1.8%
Native HI/Pac. Islander	0.2%	0.3%	0.2%	0.2%	0.3%	0.2%
White Alone	83.1%	82.6%	85.0%	82.4%	81.8%	83.3%
Two or More Races	0.3%	0.2%	1.7%	0.4%	0.3%	1.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2012			2013		
Race/Ethnicity of Borrower(s)	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
Hispanic or Latino	5.1%	5.5%	5.2%	6.7%	7.2%	6.3%
Amer.Ind./AK Native	0.2%	0.2%	0.1%	0.3%	0.3%	0.2%
Asian	7.0%	7.7%	6.8%	5.9%	6.7%	5.7%
African American	2.8%	3.0%	2.6%	3.8%	4.0%	3.4%
Native HI/Pac. Islander	0.2%	0.3%	0.2%	0.3%	0.3%	0.2%
White Alone	84.3%	83.0%	83.3%	82.7%	81.2%	82.4%
Two or More Races	0.3%	0.3%	1.8%	0.4%	0.4%	1.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FHFA analysis of 2012 and 2013 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

Table 6 shows the distribution of mortgage loans by race/ethnicity of the borrower(s). Fannie Mae generally mirrored the market in 2013 with respect to lending to minority borrowers.

Freddie Mac's share of acquisitions of home purchase mortgages made to minority borrowers in general increased slightly between 2012 and 2013; however, it lagged the market in the shares of its home purchase loans for Hispanic and African American borrowers. A similar pattern exists for shares of refinance loans purchased by the Enterprises for minority borrowers in 2013.

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

Home Purchase						
	2012			2013		
Gender of Borrower(s)	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
All Male	30.9%	30.1%	28.9%	31.5%	31.8%	30.8%
All Female	22.5%	21.8%	20.3%	22.5%	23.0%	21.2%
Male and Female	46.6%	48.1%	50.8%	46.0%	45.2%	47.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2012			2013		
Gender of Borrower(s)	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
All Male	22.7%	23.0%	22.5%	25.0%	25.4%	24.9%
All Female	18.5%	18.5%	17.9%	21.2%	21.3%	20.6%
Male and Female	58.8%	58.5%	59.5%	53.8%	53.3%	54.5%
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 2012 and 2013 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

Table 7 shows that the mortgage acquisition distribution of the Enterprises by gender of borrower in 2013 was similar to the distribution of mortgage originations in the primary market by gender.

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

Home Purchase						
	2012			2013		
Census Tract Minority Share of Population	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<10%	26.0%	24.1%	29.0%	25.5%	22.3%	26.1%
>=10% to <20%	26.9%	26.9%	27.9%	26.8%	27.1%	27.8%
>=20% to <30%	16.1%	16.7%	15.8%	16.2%	16.9%	16.5%
>=30% to <50%	17.5%	18.5%	16.2%	17.8%	19.2%	17.4%
>=50% to <80%	9.9%	10.4%	8.6%	10.1%	10.9%	9.4%
>=80%	3.5%	3.5%	2.4%	3.5%	3.7%	2.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Refinance						
	2012			2013		
Census Tract Minority Share of Population	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<10%	27.5%	25.2%	28.6%	26.4%	23.2%	26.4%
>=10% to <20%	25.7%	25.4%	25.5%	24.4%	24.4%	25.3%
>=20% to <30%	15.5%	15.9%	15.1%	15.3%	15.8%	15.5%
>=30% to <50%	16.9%	17.7%	16.4%	17.3%	18.4%	17.1%
>=50% to <80%	10.3%	11.0%	10.2%	11.4%	12.3%	10.9%
>=80%	4.1%	4.8%	4.2%	5.1%	5.9%	4.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FHFA analysis of 2012 and 2013 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

Table 8 shows the distribution of primary market originations and the Enterprises' acquisitions by the minority share of population in the census tract in 2013. Beginning with 2012, the Enterprises' data, as are the HMDA data, are geocoded to the 2010 Census tract definitions.

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 Primary Mortgage Market

Home Purchase						
	2012			2013		
Census Tract Income Ratio*	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=60%	2.9%	2.7%	2.1%	3.2%	3.1%	2.6%
>60% to <=80%	7.4%	7.2%	6.6%	7.8%	7.5%	6.9%
>80% to <=100%**	17.5%	17.5%	17.9%	18.0%	17.3%	16.9%
>100% to <=120%	22.7%	22.5%	23.5%	23.0%	22.4%	22.7%
>120%	49.6%	50.2%	49.9%	48.0%	49.7%	51.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Refinance						
	2012			2013		
Census Tract Income Ratio*	Primary Market	Fannie Mae	Freddie Mac	Primary Market	Fannie Mae	Freddie Mac
<=60%	2.3%	2.4%	2.3%	3.2%	3.3%	2.9%
>60% to <=80%	7.1%	7.0%	7.1%	8.7%	8.5%	8.1%
>80% to <=100%	18.3%	17.9%	19.0%	20.1%	19.2%	19.3%
>100% to <=120%	23.7%	23.2%	24.1%	23.8%	23.0%	23.6%
>120%	48.5%	49.5%	47.5%	44.3%	46.0%	46.0%
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).

**A subset of these mortgages are eligible for the Low-Income Areas subgoal provided the tract's median income is less than AMI and minority population is at least 30 percent, and the borrower's income is at or below AMI.

Source: FHFA analysis of 2012 and 2013 Enterprise and Home Mortgage Disclosure Act (HMDA) data.

Table 9 shows the distribution of primary market originations and the Enterprises' acquisitions by the median income level of the population in the census tract in 2013.

ENTERPRISE PURCHASES OF SUBPRIME AND NONTRADITIONAL LOANS

This section provides a breakdown of the mortgage product-types purchased by the Enterprises in 2013, as well as information on mortgage payment type, loan-to-value ratios, and credit scores. This provides a variety of information in response to the statutory requirements to "identify the extent to which each [E]nterprise is involved in mortgage purchases and secondary market activities involving subprime and nontraditional loans"[18] 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."[19] See **Appendix B** for this information.

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, effective January 10, 2014. As a result, although the Enterprises purchased a small percentage of interest-only mortgages in 2013 (as is described in Appendix B), the Enterprises no longer purchase loans if the loan is not fully amortizing, has a term of longer than 30 years, or has points and fees exceeding the thresholds established by the Qualified Mortgage rule.

HIGHER-PRICED MORTGAGE LOANS

This section provides information about the higher-priced mortgage loans – defined as those loans with a HMDA rate spread of 150 or more basis points above the Average Prime Offer Rate (APOR) – purchased by the Enterprises in 2013.

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

[18] *See* 12 U.S.C. § 4544(b)(4).
[19] *See* 12 U.S.C. § 4544(b)(5).

Director."[20] In addition, the Safety and Soundness Act requires that the high-cost loan characteristics data generally be released by FHFA to the public.[21]

The Safety and Soundness Act does not define the term "high-cost loan,"[22] nor does any legislative history state the intent of this provision. After considering various options, FHFA determined, in its September 28, 2011 Notice of Order, that for purposes of 12 U.S.C. §§ 4544(b)(6) and 4546(d)(2), a "high-cost loan" should be defined by whether its HMDA "rate spread" is 150 basis points or more above the APOR.[23] In other contexts, loans exceeding this rate-spread threshold are referred to as "higher-priced mortgage loans."[24] In 2013, 1.6 percent of all single family loans purchased by the Enterprises were higher-priced mortgage loans, and this report uses the "higher-priced" terminology.

For 2013 mortgage acquisitions, 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.[25] 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. These loan characteristics are further described in FHFA's September 28, 2011 Notice of Order.[26]

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[20] *See* 12 U.S.C. § 4544(b)(6).
[21] *See* 12 U.S.C. § 4546(d)(2).
[22] In amending the Truth in Lending Act, the Home Ownership and Equity Protection Act (HOEPA), 15 U.S.C. § 1602(bb), established a 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.
[23] 76 Fed. Reg. 60031 (September 28, 2011)
[24] 73 Fed. Reg. 44532 (July 30, 2008)
[25] 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. The Enterprises guarantee the timely payment of principal and interest to investors.
[26] 76 Fed. Reg. 60031 (September 28, 2011)

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.[27] The Safety and Soundness Act also requires FHFA to publish a regulation that establishes a method for evaluating and rating how the Enterprises have complied with their duty to serve these three underserved markets.[28]

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.[29] However, FHFA did not issue a final duty to serve regulation following the publication of these notices. In order to fulfill this requirement under the Safety and Soundness Act, FHFA is reviewing the NPR issued in 2010, meeting with stakeholders and conducting research, and developing a new proposed rule to address the Enterprises' duty to serve provisions.

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.[30] Each Enterprise is required to allocate or transfer 65 percent of this amount to the Secretary of the Department of Housing and Urban Development to fund the Housing Trust Fund established under 12 U.S.C. § 4568 and 35 percent to the Secretary of the Treasury to fund the Capital Magnet Fund, a special account within the Community Development Financial Institutions Fund established under 12 U.S.C. § 4568.[31]

During 2013, the Enterprises did not set aside these amounts pursuant to direction from FHFA to suspend their affordable housing allocations. Under the Safety and Soundness Act, the Director shall temporarily suspend these allocations upon a finding that the allocations: (1) are contributing, or would contribute, to the financial instability of the Enterprise; (2) are causing, or

[27] *See* 12 U.S.C. § 4565.
[28] *Id.*
[29] 74 Fed. Reg. 38572 (August 4, 2009), 75 Fed. Reg. 32099 (June 7, 2010)
[30] *See* 12 U.S.C. § 4567(a).
[31] *Id*.

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.[32] On November 13, 2008, FHFA suspended the Enterprises' affordable housing allocations until further notice, and the suspension has remained in effect since that date.[33] The suspension is currently under review by FHFA.

Monthly Mortgage Survey

The Safety and Soundness Act requires FHFA to conduct a monthly mortgage market survey that collects information on the characteristics of individual mortgages both eligible and ineligible for Enterprise purchase.[34] For each loan, the information must include the price of the house securing the mortgage, 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 these items does not exist, and FHFA initiated development of the National Mortgage Database (NMDB) in order to fulfill this requirement. FHFA first announced its partnership with the Consumer Financial Protection Bureau (CFPB) to develop the NMDB in November 2012, and it will require several additional years of work to complete the NMDB. As a result, FHFA has not published monthly mortgage surveys during 2010 through 2013.

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 contain only de-identified data and will not identify particular borrowers. As FHFA continues the process of developing the NMDB, the agency will engage in an ongoing process to determine what data fields are necessary for the NMDB and to exclude those that are not. FHFA has established strong information security

[32] *See* 12 U.S.C. § 4567(b).
[33] As reported in FHFA's *2008 Annual Report to Congress*, May 18, 2009, p. 81.
[34] *See* 12 U.S.C. § 4544(c).

systems and protocols and will maintain an ongoing review and evaluation of every aspect of these systems and protocols.

Public Access to Mortgage Information

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, except for certain proprietary information and personally identifiable information.[35] FHFA is required to make publicly available data elements required to be reported under HMDA at the census tract level. The Safety and Soundness Act also requires FHFA to make public certain high-cost securitized loan data it collects to compare the characteristics of high-cost loans the Enterprises purchase and securitize.[36] (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. In other contexts, such loans are referred to as "higher-priced mortgage loans.") 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 2013 through its Public Use Database (PUDB), found on the agency's website.[37]

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[35] *See* 12 U.S.C. §§ 4543, 4546.
[36] *See* 12 U.S.C. §§ 4544(b)(6), 4546(d). See Appendix C for the analysis of the higher-priced securitized loan data for 2013.
[37] http://www.fhfa.gov/DataTools/Downloads/Pages/Public-Use-Databases.aspx

Appendix A: Letters Regarding Enterprise Housing Goals Performance for 2013

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 3, 2014

Mr. Timothy J. Mayopoulos
President and Chief Executive Officer
Fannie Mae
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

RE: Fannie Mae's Housing Goals Performance for 2013

Dear Mr. Mayopoulos:

The Federal Housing Finance Agency (FHFA) has reviewed Fannie Mae's performance under the Enterprise housing goals for 2013 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.

Fannie Mae's single-family housing goals are specified in 12 C.F.R. 1282.12. FHFA evaluated Fannie Mae's performance on the single-family housing goals for 2013 based on the following numbers:

Single-Family Housing Goals	Benchmark level – 2013	Market level – 2013	Fannie Mae Official Performance Results – 2013
Low-Income Home Purchase Goal	23%	24.0%	23.8%
Very Low-Income Home Purchase Goal	7%	6.3%	6.0%
Low-Income Areas Home Purchase Goal	21%	22.1%	21.6%
Low-Income Areas Home Purchase Subgoal	11%	14.2%	14.0%
Low-Income Refinance Goal	20%	24.3%	24.3%

For each housing goal, the percentages shown above reflect the proportion of mortgages that met the criteria for that goal. A mortgage may count towards more than one goal or subgoal in the performance year. 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 loan modifications, where applicable.

Based on the above information, FHFA has determined that Fannie Mae achieved the low-income home purchase goal, the low-income areas home purchase goal and subgoal, and the low-income refinance goal for 2013. FHFA has preliminarily determined that Fannie Mae failed to meet the very low-income home purchase goal for 2013.

The multifamily housing goals are specified in 12 C.F.R. 1282.13. For 2013, those levels and Fannie Mae's official performance were as follows:

Multifamily Housing Goals	**Benchmark level – 2013**	**Fannie Mae Official Performance Results – 2013**
Low-Income Multifamily Goal	265,000	326,597
Very Low-Income Multifamily Subgoal	70,000	78,071

Based on this information. FHFA has determined that Fannie Mae achieved each of the multifamily housing goals for 2013.

Under section 1336(b)(2) of 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 single-family housing goals for 2013.

If you have any questions, please contact Nayantara Hensel, Associate Director for Policy and Research, or Paul Manchester, Principal Economist, Office of Policy Analysis and Research, Division of Housing Mission and Goals, at 202-649-3122 or 202-649-3115.

Sincerely,

Melvin L. Watt

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 3, 2014

Mr. Donald H. Layton
Chief Executive Officer
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22103-3107

RE: Freddie Mac's Housing Goals Performance for 2013

Dear Mr. Layton:

The Federal Housing Finance Agency (FHFA) has reviewed Freddie Mac's performance under the Enterprise housing goals for 2013 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.

Freddie Mac's single-family housing goals are specified in 12 C.F.R. 1282.12. FHFA evaluated Freddie Mac's performance on the single-family housing goals for 2013 based on the following numbers:

Single-Family Housing Goals	Benchmark level – 2013	Market level – 2013	Freddie Mac Official Performance Results – 2013
Low-Income Home Purchase Goal	23%	24.0%	21.8%
Very Low-Income Home Purchase Goal	7%	6.3%	5.5%
Low-Income Areas Home Purchase Goal	21%	22.1%	20.0%
Low-Income Areas Home Purchase Subgoal	11%	14.2%	12.3%
Low-Income Refinance Goal	20%	24.3%	24.1%

400 7th Street, S.W., Washington, D.C. 20024 • 202-649-3801 • 202-649-1071 (fax)

For each housing goal, the percentages shown above reflect the proportion of mortgages that met the criteria for that goal. A mortgage may count towards more than one goal or subgoal in the performance year. 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 loan modifications, where applicable.

Based on the above information, FHFA has determined that Freddie Mac achieved the low-income areas home purchase subgoal and the low-income refinance goal for 2013. FHFA has preliminarily determined that Freddie Mac failed to meet the low-income home purchase goal, the very low-income home purchase goal, and the low-income areas home purchase goal for 2013.

The multifamily housing goals are specified in 12 C.F.R. 1282.13. For 2013, those levels and Freddie Mac's official performance were as follows:

Multifamily Housing Goals	Benchmark level – 2013	Freddie Mac Official Performance Results – 2013
Low-Income Multifamily Goal	215,000	254,628
Very Low-Income Multifamily Subgoal	50,000	56,752

Based on this information, FHFA has determined that Freddie Mac achieved each of the multifamily housing goals for 2013.

Under section 1336(b)(2) of 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 single-family housing goals for 2013.

If you have any questions, please contact Nayantara Hensel, Associate Director for Policy and Research, or Paul Manchester, Principal Economist, Office of Policy Analysis and Research, Division of Housing Mission and Goals, at 202-649-3122 or 202-649-3115.

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 $1.132 trillion of single-family loans in 2013 (See **Tables B1a** and **B1b**), a decrease of 8.6 percent from the $1.239 trillion the Enterprises acquired in 2012. These totals include loans that collateralized mortgage-backed securities guaranteed by either Enterprise and loans purchased for cash.

Fully amortizing mortgages comprised 99.88 percent of the single-family loans acquired by the Enterprises in 2013. Fully amortizing fixed-rate mortgages accounted for 97.02 percent of combined acquisitions, up from 96.35 percent in 2012 (See **Tables B1a** and **B1b**). Fully amortizing hybrid adjustable-rate mortgages accounted for 2.86 percent of 2013 acquisitions, down from 3.42 percent in 2012. Interest-only mortgages accounted for 0.10 percent of combined acquisitions, down from 0.21 percent in 2012.

Table B1a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2012 and 2013 by Payment and Product Type ($ in millions)[1]

	2012				2013			
Product Type	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
Fixed-Rate Mortgages	$1,194,314.7	$13.8	$0.0	$1,194,328.5	$1,098,701.4	$8.8	$0.0	$1,098,710.2
ARMS - Traditional	$235.6	$0.0	$0.0	$235.6	$0.0	$0.0	$0.0	$209.1
ARMS-Hybrid	$42,402.9	$2,537.8	$0.0	$44,940.7	$ 32,386.9	$1,169.7	$0.0	$33,556.6
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	$0.0	$0.0	$0.0	$0.0
Total	$1,236,953.2	$2,551.5	$0.0	$1,239,504.8	$1,131,088.3	$1,178.6	$0.0	$1,132,476.0

Table B1b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2012 and 2013 by Payment and Product Type (Percent)[3]

	2012				2013			
Product Type	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
Fixed-Rate Mortgages	96.35%	0.00%	0.00%	96.36%	97.02%	0.00%	0.00%	97.02%
ARMS-Traditional	0.02%	0.00%	0.00%	0.02%	0.00%	0.00%	0.00%	0.02%
ARMS-Hybrid	3.42%	0.20%	0.00%	3.63%	2.86%	0.10%	0.00%	2.96%
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%	0.00%	0.00%	0.00%	0.00%
Total	99.79%	0.21%	0.00%	100.00%	99.88%	0.10%	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.

[3] Percentages may be zero due to rounding.

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

There was some change in the distribution of the loan-to-value ratios of single-family mortgages acquired by Fannie Mae and Freddie Mac in 2013 (See **Tables B2a** and **B2b**). The combined share of loans with loan-to-value ratios above 95 percent rose from 2.41 percent in 2012 to 2.78 percent in 2013. Mortgages with loan-to-value ratios of 80 percent or below decreased from 80.47 percent of loans acquired in 2012 to 76.52 percent in 2013. Under the Enterprises' Charter Acts, mortgages purchased with loan-to-value ratios greater than 80 percent must have some form of credit enhancement, such as mortgage insurance, to protect against losses from defaults.

Table B2a. Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2012 and 2013 by Payment Type and Loan-to-Value Ratio Group ($ in millions)[1]

	2012				2013			
Loan-to-Value Ratio Group	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**
0-70 %	$483,773.7	$2,516.1	$0.0	$486,289.7	$406,677.1	$1,161.7	$0.0	$407,838.8
70.1-80 %	$414,884.6	$9.9	$0.0	$414,894.6	$394,198.9	$2.7	$0.0	$394,201.7
80.1-90 %	$113,011.2	$10.0	$0.0	$113,021.2	$118,587.7	$4.7	$0.0	$118,592.4
90.1-95 %	$78,766.9	$3.8	$0.0	$78,770.6	$98,256.3	$2.3	$0.0	$98,258.6
95.1-100 %	$26,940.5	$11.7	$0.0	$26,952.2	$29,166.0	$7.1	$0.0	$29,173.1
Total	$1,117,376.8	$2,551.5	$0.0	$1,119,928.4	$1,046,886.1	$1,178.6	$0.0	$1,048,064.6

Table B2b. Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2012 and 2013 by Payment Type and Loan-to-Value Ratio Group (Percent)[2]

	2012				2013			
Loan-to-Value Ratio Group	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**	**Fully Amortizing**	**Interest Only**	**Negatively Amortizing**	**Total**
0-70 %	43.20%	0.22%	0.00%	43.42%	38.80%	0.11%	0.00%	38.91%
70.1-80 %	37.05%	0.00%	0.00%	37.05%	37.61%	0.00%	0.00%	37.61%
80.1-90 %	10.09%	0.00%	0.00%	10.09%	11.31%	0.00%	0.00%	11.32%
90.1-95 %	7.03%	0.00%	0.00%	7.03%	9.38%	0.00%	0.00%	9.38%
95.1-100 %	2.41%	0.00%	0.00%	2.41%	2.78%	0.00%	0.00%	2.78%
Total	99.77%	0.23%	0.00%	100.00%	99.89%	0.11%	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 $8.8 million in interest-only fixed-rate mortgages in 2013, down from $13.8 million in 2012. Acquisitions of interest-only hybrid adjustable-rate mortgages totaled $1.170 billion, down from $2.538 billion in the previous year. The last year in which either Enterprise acquired negative amortization mortgages was 2008 when they acquired less than $500,000 in these mortgages.

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 2013 (See **Tables B3a** and **B3b**). The share of loans with credit scores below 620 rose slightly from 0.98 percent in 2012 to 1.53 percent in 2013. Mortgages with credit scores between 620 and 659 also rose slightly, from 2.32 percent of loans acquired in 2012 to 3.50 percent in 2013.

Table B3a: Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2012 and 2013 by Payment Type and FICO Score Group ($ in millions)[1]

	2012				2013			
FICO Score Group	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
0-619	$12,103.1	$0.0	$0.0	$12,103.1	$17,293.1	$0.0	$0.0	$17,293.1
620-659	$28,774.4	$0.0	$0.0	$28,774.4	$39,593.0	$0.0	$0.0	$39,593.0
660-700	$172,064.3	$0.0	$0.0	$172,064.3	$201,239.4	$0.0	$0.0	$201,239.4
720-749	$172,975.0	$226.4	$0.0	$173,201.4	$177,642.7	$120.8	$0.0	$177,763.5
750+	$850,664.5	$2,325.1		$852,989.6	$695,095.8	$1,057.8	$0.0	$696,153.5
Total	$1,236,581.2	$2,551.5	$0.0	$1,239,132.7	$1,130,864.0	$1,178.6	$0.0	$1,132,042.5

Table B3b: Shares of Single-Family Mortgages Acquired by Fannie Mae and Freddie Mac in 2012 and 2013 by Payment Type and FICO Score Group (Percent)[2]

	2012				2013			
FICO Score Group	Fully Amortizing	Interest Only	Negatively Amortizing	Total	Fully Amortizing	Interest Only	Negatively Amortizing	Total
0-619	0.98%	0.00%	0.00%	0.98%	1.53%	0.00%	0.00%	1.53%
620-659	2.32%	0.00%	0.00%	2.32%	3.50%	0.00%	0.00%	3.50%
660-719	13.89%	0.00%	0.00%	13.89%	17.78%	0.00%	0.00%	17.78%
720-749	13.96%	0.02%	0.00%	13.98%	15.69%	0.01%	0.00%	15.70%
750+	68.65%	0.19%	0.00%	68.84%	61.40%	0.09%	0.00%	61.50%
Total	99.79%	0.21%	0.00%	100.00%	99.90%	0.10%	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 C1a 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 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. In other contexts, such loans are referred to as "higher-priced mortgage loans." These tables 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.

As mentioned earlier in this report, 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. 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 federal guarantee.

I. PURCHASE PRICE

Table C1 shows the comparison of the higher-priced securitized loans based on purchase price. Because so few loans were retained, the data indicate that the purchase price of a property backing a higher-priced securitized loan appears to have had little bearing on whether the securitized loan was retained in portfolio.

Table C1: Purchase Price

	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
<= $417,000	58,376	85.7	2,165	87.8	60,541	85.8	14,642	95.6	2,866	97.8	17,508	96.0
> $417,000, <= $625,500	6,248	9.2	191	7.7	6,439	9.1	451	2.9	46	1.6	497	2.7
> $625,500, <= $729,750	1,353	2.0	40	1.6	1,393	2.0	87	0.6	9	0.3	96	0.5
> $729,750	2,109	3.1	71	2.9	2,180	3.1	137	0.9	8	0.3	145	0.8
Missing	1	0.0	0	0.0	1	0.0	0	0.0	0	0.0	0	0.0
Totals	68,087	100.0	2,467	100.0	70,554	100.0	15,317	100.0	2,929	100.0	18,246	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.

Table C2: Combined LTV (or LTV if missing)

	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% - 60%	10,944	16.1	324	13.1	11,268	16.0	1,645	10.7	295	10.1	1,940	10.6
61% - 80%	25,886	38.0	927	37.6	26,813	38.0	3,755	24.5	796	27.2	4,551	24.9
81% - 90%	6,655	9.8	269	10.9	6,924	9.8	1,154	7.5	356	12.2	1,510	8.3
91% -95%	7,529	11.1	315	12.8	7,844	11.1	1,838	12.0	574	19.6	2,412	13.2
95% and above	17,073	25.1	632	25.6	17,705	25.1	6,918	45.2	906	30.9	7,824	42.9
Missing	0	0.0	0	0.0	0	0.0	7	0.0	2	0.1	9	0.0
Totals	68,087	100.0	2,467	100.0	70,554	100.0	15,317	100.0	2,929	100.0	18,246	100.0

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

	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% - 60%	10,898	16.0	324	13.2	11,222	15.9	1,643	10.7	295	10.1	1,938	10.6
61% - 80%	25,805	38.0	923	37.5	26,728	38.0	3,739	24.4	795	27.2	4,534	24.9
81% - 90%	6,639	9.8	269	10.9	6,908	9.8	1,150	7.5	355	12.1	1,505	8.3
90% -95%	7,525	11.1	315	12.8	7,840	11.1	1,837	12.0	574	19.6	2,411	13.2
95% and above	17,063	25.1	632	25.7	17,695	25.1	6,918	45.2	906	31.0	7,824	42.9
Missing	0	0.0	0	0.0	0	0.0	7	0.0	2	0.1	9	0.0
Totals	67,930	100.0	2,463	100.0	70,393	100.0	15,294	100.0	2,927	100.0	18,221	100.0

III. Product Type

Table C3 shows the comparison of the higher-priced securitized loans based on product type. Data indicate a *de minimis* number of higher-priced securitized adjustable-rate mortgages were retained in portfolio by Fannie Mae and Freddie Mac.

Table C3: 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	67,930	99.8	2,463	99.8	70,393	99.8	15,294	99.8	2,927	99.9	18,221	99.9
ARM	157	0.2	4	0.2	161	0.2	23	0.2	2	0.1	25	0.1
Totals	68,087	100.0	2,467	100.0	70,554	100.0	15,317	100.0	2,929	100.0	18,246	100.0

IV. Term at Origination

Table C4 shows the comparison of higher-priced securitized loans based on term at origination. Data indicate a greater percentage of securitized loans with a 30-year term at origination were not held in portfolio compared to those not retained.

Table C4: 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	36,616	53.8	1,405	57.0	38,021	53.9	7,343	47.9	1,670	57.0	9,013	49.4
15 Years	16,082	23.6	288	11.7	16,370	23.2	3,569	23.3	358	12.2	3,927	21.5
All Others	15,389	22.6	774	31.4	16,163	22.9	4,405	28.8	901	30.8	5,306	29.1
Totals	68,087	100.0	2,467	100.0	70,554	100.0	15,317	100.0	2,929	100.0	18,246	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. Loans with lower original mortgage interest rates tended to not be held in portfolio by Fannie Mae at year-end. For Freddie Mac there is little difference in the distribution between securitized loans retained in portfolio and those not held in portfolio.

Table C5: 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	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
< 4.0%	27,080	39.8	432	17.5	27,512	39.0	3,105	20.3	587	20.0	3,692	20.2
>= 4.0%, < 4.5%	22,342	32.8	664	26.9	23,006	32.6	7,432	48.5	1,425	48.7	8,857	48.5
>= 4.5%, < 5.0%	10,454	15.4	738	29.9	11,192	15.9	2,819	18.4	599	20.5	3,418	18.7
>= 5.0%, < 5.5%	6,778	10.0	575	23.3	7,353	10.4	1,597	10.4	300	10.2	1,897	10.4
>= 5.5%, < 6.0%	1,392	2.0	53	2.1	1,445	2.0	342	2.2	18	0.6	360	2.0
>= 6.0%, < 6.5%	40	0.1	5	0.2	45	0.1	8	0.1	0	0.0	8	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	3	0.0	0	0.0	3	0.0
>= 7.5%, < 8.0%	0	0.0	0	0.0	0	0.0	3	0.0	0	0.0	3	0.0
>= 8.0%	0	0.0	0	0.0	0	0.0	7	0.0	0	0.0	7	0.0
Totals	68,087	100.0	2,467	100.0	70,554	100.0	15,317	100.0	2,929	100.0	18,246	100.0

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

	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
< 4.0%	26,940	39.7	428	17.4	27,368	38.9	3,083	20.2	585	20.0	3,668	20.1
>= 4.0%, < 4.5%	22,325	32.9	664	27.0	22,989	32.7	7,431	48.6	1,425	48.7	8,856	48.6
>= 4.5%, < 5.0%	10,454	15.4	738	30.0	11,192	15.9	2,819	18.4	599	20.5	3,418	18.8
>= 5.0%, < 5.5%	6,778	10.0	575	23.3	7,353	10.4	1,597	10.4	300	10.2	1,897	10.4
>= 5.5%, < 6.0%	1,392	2.0	53	2.2	1,445	2.1	342	2.2	18	0.6	360	2.0
>= 6.0%, < 6.5%	40	0.1	5	0.2	45	0.1	8	0.1	0	0.0	8	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	3	0.0	0	0.0	3	0.0
>= 7.5%, < 8.0%	0	0.0	0	0.0	0	0.0	3	0.0	0	0.0	3	0.0
>= 8.0%	0	0.0	0	0.0	0	0.0	7	0.0	0	0.0	7	0.0
Totals	67,930	100.0	2,463	100.0	70,393	100.0	15,294	100.0	2,927	100.0	18,221	100.0

VI. Credit Score

Tables C6 and **C6a** show the comparison of higher-priced securitized loans based on credit score. During 2013 higher-priced securitized loans with credit scores above 760 were less likely to be retained in portfolio than those with lower credit scores.

Table C6: 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	1,132	1.7	34	1.4	1,166	1.7	919	6.0	184	6.3	1,103	6.0
620 - 659	4,378	6.4	234	9.5	4,612	6.5	1,628	10.6	342	11.7	1,970	10.8
660 - 699	10,522	15.5	466	18.9	10,988	15.6	3,161	20.6	667	22.8	3,828	21.0
700 - 759	19,913	29.2	785	31.8	20,698	29.3	5,122	33.4	942	32.2	6,064	33.2
760 or Greater	32,136	47.2	948	38.4	33,084	46.9	4,474	29.2	792	27.0	5,266	28.9
Missing/Bad	6	0.0	0	0.0	6	0.0	13	0.1	2	0.1	15	0.1
Totals	68,087	100.0	2,467	100.0	70,554	100.0	15,317	100.0	2,929	100.0	18,246	100.0

Table C6a: Credit Score of Fixed-Rate Mortgages

	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	1,130	1.7	34	1.4	1,164	1.7	919	6.0	184	6.3	1,103	6.1
620 - 659	4,375	6.4	234	9.5	4,609	6.5	1,627	10.6	342	11.7	1,969	10.8
660 - 699	10,514	15.5	466	18.9	10,980	15.6	3,158	20.6	667	22.8	3,825	21.0
700 - 759	19,879	29.3	785	31.9	20,664	29.4	5,110	33.4	942	32.2	6,052	33.2
760 or Greater	32,026	47.1	944	38.3	32,970	46.8	4,467	29.2	790	27.0	5,257	28.9
Missing/Bad	6	0.0	0	0.0	6	0.0	13	0.1	2	0.1	15	0.1
Totals	67,930	100.0	2,463	100.0	70,393	100.0	15,294	100.0	2,927	100.0	18,221	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. The data indicate that securitized loans to borrowers with incomes greater than 80 percent of area median income (AMI) were more likely to be retained in portfolio than securitized loans to borrowers with incomes at 80 percent or less of AMI.

Table C7: Borrower Income Ratio

	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%, <= 50%	6,218	9.1	200	8.1	6,418	9.1	1,878	12.3	305	10.4	2,183	12.0
> 50%, <= 80%	19,688	28.9	634	25.7	20,322	28.8	5,462	35.7	954	32.6	6,416	35.2
> 80%	41,931	61.6	1,631	66.1	43,562	61.7	7,655	50.0	1,555	53.1	9,210	50.5
Not Applicable	250	0.4	2	0.1	252	0.4	322	2.1	115	3.9	437	2.4
Totals	68,087	100.0	2,467	100.0	70,554	100.0	15,317	100.0	2,929	100.0	18,246	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. The data indicate that securitized loans secured by properties located in census tracts with higher relative income areas were no more likely to be retained in portfolio.

Table C8: Tract Income Ratio

	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
<= 80%	14,967	22.0	535	21.7	15,502	22.0	4,161	27.2	713	24.3	4,874	26.7
> 80%, <= 120%	28,869	42.4	1,127	45.7	29,996	42.5	7,212	47.1	1,505	51.4	8,717	47.8
> 120%	24,197	35.5	804	32.6	25,001	35.4	3,927	25.6	708	24.2	4,635	25.4
Missing	54	0.1	1	0.0	55	0.1	17	0.1	3	0.1	20	0.1
Totals	68,087	100.0	2,467	100.0	70,554	100.0	15,317	100.0	2,929	100.0	18,246	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

	Fannie Mae						Freddie Mac					
	In Portfolio at Year-End?				Totals		In Portfolio at Year-End?				Totals	
	Not Held		Retained				Not Held		Retained			
	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%	Loans	%
0% - < 10%	11,297	16.6	455	18.4	11,752	16.7	2,761	18.0	651	22.2	3,412	18.7
10% - < 30%	24,063	35.3	856	34.7	24,919	35.3	5,312	34.7	923	31.5	6,235	34.2
30% - 100%	32,681	48.0	1,156	46.9	33,837	48.0	7,240	47.3	1,353	46.2	8,593	47.1
Missing	46	0.1	0	0.0	46	0.1	4	0.0	2	0.1	6	0.0
Totals	68,087	100.0	2,467	100.0	70,554	100.0	15,317	100.0	2,929	100.0	18,246	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

	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	15,516	22.8	799	32.4	16,315	23.1	1,957	12.8	541	18.5	2,498	13.7
Refinance/Other	52,571	77.2	1,668	67.6	54,239	76.9	13,360	87.2	2,388	81.5	15,748	86.3
Totals	68,087	100.0	2,467	100.0	70,554	100.0	15,317	100.0	2,929	100.0	18,246	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?

	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	67,979	99.8	2,467	100.0	70,446	99.8	15,216	99.3	2,873	98.1	18,089	99.1
Yes	108	0.2	0	0.0	108	0.2	101	0.7	56	1.9	157	0.9
Totals	68,087	100.0	2,467	100.0	70,554	100.0	15,317	100.0	2,929	100.0	18,246	100.0