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April 12, 2016

Cynthia Waldron
Director, Affordable Lending Analytics and Research
Freddie Mac
1551 Park Run Drive
McLean, VA 22102-3110

Dear Ms. Waldron:

On September 3, 2015 the Federal Housing Finance Agency (FHFA) published a final rule in the *Federal Register* establishing housing goals for 2015-17 for Freddie Mac.

The final rule provides that the overall low-income areas benchmark goal shall include the 14 percent benchmark for the subgoal plus an increment for families in disaster areas with incomes no greater than area median income (AMI). This disaster areas increment for 2016 is 3 percent, thus the overall low-income areas home purchase goal for 2016 is 17 percent.

The disaster areas increment to the low-income areas home purchase subgoal was calculated by determining all counties that were designated as being eligible for individual disaster assistance during the 2013-15 period. This included 255 counties (or county-equivalents) in 16 states. No counties were included in the other 34 states, no municipios in Puerto Rico were included, and the District of Columbia also was not designated as being eligible for individual assistance during this period.

Home purchase mortgages to families in these areas with incomes no greater than 100 percent of area median income, but which were not already included in the low-income areas home purchase subgoal, were calculated as a share of all home purchase mortgages, based on FHFA analysis of Home Mortgage Disclosure Act (HMDA) data for 2012-14. This yielded the 3 percent disaster areas increment for 2016. The details underlying the calculation of the 2016 disaster areas increment are contained in the enclosed document, "Methodology for Establishing Designated Disaster Areas."

If you have any questions, please contact Ted Wartell, Manager, Housing & Community Investment, at Ted.Wartell@fhfa.gov or (202) 649-3157.

Sincerely yours,

Sandra Thompson
Deputy Director
Division of Housing Mission and Goals

METHODOLOGY FOR ESTABLISHING DESIGNATED DISASTER AREAS

For the purpose of establishing market size for the Low-Income Areas Home Purchase Goal, FHFA defines a Designated Disaster Area (DDA) as any county designated by the federal government as adversely affected by a declared major disaster under the Federal Emergency Management Agency's (FEMA) administration where individual assistance payments (*i.e.*, payments that can be made to homeowners for the purposes of repairing or replacing a home damaged during the disaster event) were authorized by FEMA. Such counties are included as DDAs for the period beginning on January 1 of the year following the FEMA designation and continuing through December 31 of the third full calendar year following the FEMA designation.

<u>2016 Designated Disaster Areas</u>

The disasters that are applicable to the 2016 housing goals are disasters that occurred during 2013, 2014, and 2015, of which 47 percent of the census tracts that are in declared disaster counties already qualify for the Low-Income Areas Goal, as they are either low-income or high minority tracts. The following table illustrates the process used to estimate the impact of designated disaster areas on the goal. The process begins with the average census tract and mortgage origination distributions for the 2010 to 2014 period as derived from Home Mortgage Disclosure Act (HMDA) data, shown in columns 1 and 2 in the Table below. The distribution of census tracts which incorporate declared disasters applicable for 2015 (the 2012 to 2014 period) is shown in column 3 and the change in the distribution of estimated 2015 mortgage originations that resulted from the change in DDAs and area median incomes from the previous 5-year averages is provided in column 4. The distribution of census tracts which incorporate declared disasters in the 2013 to 2015 period is shown in column 5. The estimated distribution of 2016 mortgage originations, given the change in the distribution of census tracts and estimated market conditions, is provided in column 6 (the change in the distribution of census tracts resulted from the changes in DDAs and area median incomes).

FHFA estimates that an additional 3.3 percent of the single-family owner-occupied home purchase mortgage market will qualify for the Low-Income Areas Home Purchase Goal due to loans originated in Designated Disaster Areas in 2016. The Disaster Area Increment is rounded to the nearest whole percent when calculating the Low-Income Areas Home Purchase Goal Benchmark. Under FHFA's final rule establishing housing goals for 2015-17, published on September 3, 2015, the Low-Income Areas House Purchase Subgoal for 2016 is 14 percent. The Low-Income Areas Home Purchase Goal for 2016 is equal to the Low-Income Areas Home Purchase Subgoal plus this Disaster Areas Increment of 3.0 percent. Thus the Low-Income Areas Home Purchase Goal Benchmark for 2016 is 17 percent.

For any questions regarding this matter, please contact Jay Schultz, Ph.D., at FHFA at 202-649-3117.

Estimated Impact on the Low-Income Areas Housing Goal from Designated Disaster Areas (DDAs) for 2016

Low-Income Area Home Purchase Goal Categories[1]

Percent of Area Median Income	Percent Minority Population in the Census Tract	Designated Disaster Area	Borrower Income as a Percentage of the Area Median	(1) 2010 - 2014[2] Average Census Tracts[3]	(2) 2010 - 2014[2] Average Originations	(3) 2015 Census Tracts[3]	(4) 2015 Estimated Originations	(5) 2016 Census Tracts[4]	(6) 2016 Estimated Originations
<= 80%	n/a	n/a	**<= 100%**	21,601	6.2%	23,153	6.6%	23,317	**6.6%**
			> 100%		4.2%		4.5%		**4.5%**
> 80%, but < 100%	**>= 30%**	n/a	**<= 100%**	6,574	3.0%	6,528	2.9%	6,526	**2.9%**
			> 100%		3.0%		2.9%		2.9%
	< 30%	No	<= 100%	8,947	4.5%	9,100	4.5%	9,459	4.7%
			> 100%		4.0%		4.1%		4.2%
			unknown		0.1%		0.1%		0.1%
		Yes	**<= 100%**	3,925	1.9%	1,388	0.7%	990	**0.5%**
			> 100%		1.7%		0.6%		0.4%
>= 100%	n/a	No	<= 100%	21,331	14.4%	26,030	17.4%	28,151	18.8%
			> 100%		32.7%		39.6%		42.8%
			unknown		0.6%		0.7%		0.7%
		Yes	**<= 100%**	10,909	7.1%	6,717	4.3%	4,490	**2.9%**
			> 100%		16.0%		9.7%		6.5%
Unknown	n/a	No	<= 100%	480	0.0%	870	0.0%	976	0.0%
			> 100%		0.0%		0.0%		0.0%
			unknown		0.7%		1.2%		1.4%
		Yes	**<= 100%**	236	0.0%	217	0.0%	94	**0.0%**
			> 100%		0.0%		0.0%		0.0%
			Totals	74,003	100.0%	74,003	100.0%	74,003	100.0%
Low-Income and High Minority Areas (Subgoal Benchmark)					13.4%		14.0%		**14.0%**
Additional from Designated Disaster Areas					9.0%		5.0%		**3.3%**
Low-Income Areas Goal Market Share									**17.3%**

[1] Bold indicates operable categories that qualifies mortgages in the numerator of the goal.

[2] The 2010 through 2014 disaster area designations and origination distributions are averaged together to obtain a "long-run" averages.

[3] A combined three year census tract distribution is calculated for each of the three years (e.g., the 2015 distribution includes disasters declared in 2012, 2013, and 2014).

[4] The combined three year census tract distribution for 2016 includes disasters declared in 2013, 2014, and 2015.

2016 Low-Income Areas Housing Goal Designated Disaster Areas (DDAs)
Counties Designated as Adversely Affected by a Declared Major Disaster: 2013-2015
Where Individual Assistance Payments were Authorized by FEMA