



Federal Housing Finance Agency

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Cynthia Waldron
Director, Affordable Lending Analysis 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 2017 is 4 percent, thus the overall low-income areas home purchase goal for 2017 is 18 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 2014-16 period. This included 429 counties (or county-equivalents) in 21 states. No counties were included in the other 29 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 2013-15. This yielded the 4 percent disaster areas increment for 2017. The details underlying the calculation of the 2017 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 or county-equivalent area (such as an independent city) designated by the federal government as adversely affected by a declared major disaster by the Federal Emergency Management Agency (FEMA) 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. 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.

2017 Designated Disaster Areas

Disasters that occurred during 2014, 2015, and 2016 are applicable to the 2017 Low-Income Areas Home Purchase Goal. However, 44.6 percent of the census tracts in these 429 declared disaster counties are high-minority or low-income tracts, and thus some or all of the home purchase mortgages on properties in these tracts already qualify for the Low-Income Areas Goal. 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 2011 to 2015 period, and is shown in columns 1 and 2 in the table below. The distribution of census tracts which incorporate declared disasters applicable for 2016 (the 2013 to 2015 period) are shown in column 3, and the change in the distribution of estimated 2016 mortgage originations that resulted from the change in DDAs and area median

incomes from the previous 5-year averages are provided in column 4. The distribution of census tracts which incorporate declared disasters in the 2014 to 2016 period are shown in column 5. The estimated distribution of 2017 home purchase mortgage originations, given the change in the distribution of census tracts and estimated market conditions, is provided in column 6.¹

FHFA estimates that an additional 3.7 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 2014-16 Designated Disaster Areas. The Disaster Area Increment is rounded to the nearest whole percent when calculating the Low-Income Areas Home Purchase Goal benchmark—that is, for 2017 it is rounded to 4.0 percent. Under FHFA's final rule establishing housing goals for 2015-17, published on September 3, 2015, the Low-Income Areas Home Purchase Subgoal for 2017 is 14 percent. The Low-Income Areas Home Purchase Goal for 2017 is equal to the Low-Income Areas Home Purchase Subgoal plus this Disaster Areas Increment of 4.0 percent. Thus the Low-Income Areas Home Purchase Goal Benchmark for 2017 is 18 percent.

The enclosed map indicates the areas which were designated as Disaster Areas by FEMA in 2014, 2015, or 2016. This includes the low-income and high-minority tracts in these areas for which some or all or some of the home purchase mortgages on properties in these tract already count toward the Subgoal and thus toward the Goal.

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

¹ The change in the distribution of Census Tracts resulted from the changes in DDAs and area median incomes.

**Estimated Impact on the Low-Income Areas Housing Goal
from Designated Disaster Areas (DDAs) for 2017**

Low-Income Area Home Purchase Goal Categories¹				(1) ²	(2)	(3)	(4)	(5)	(6)
Percent of Area Median Income	Percent Minority Population in the Census Tract	Designated Disaster Area	Borrower Income as a Percentage of the Area Median	2011 - 2015		2016		2017	
				Average Census Tracts ³	Average Originations	Census Tracts	Estimated Originations	Census Tracts ⁴	Estimated Originations
<= 80%	n/a	n/a	<= 100%	22,066	6.4%	23,317	6.5%	23,133	6.4%
			> 100%		4.5%		4.6%		4.5%
			unknown		0.1%		0.1%		0.1%
> 80%, but < 100%	>= 30%	n/a	<= 100%	6,602	3.0%	6,526	2.9%	6,522	2.9%
			> 100%		3.2%		3.0%		3.0%
	< 30%	No	<= 100%	8,846	4.6%	9,459	5.0%	9,026	4.7%
			> 100%		4.3%		4.7%		4.5%
			unknown		0.1%		0.1%		0.1%
		Yes	<= 100%	3,259	1.6%	990	0.4%	1,371	0.6%
> 100%	1.4%	0.4%	0.6%						
>= 100%	n/a	No	<= 100%	22,678	14.9%	28,151	18.5%	27,401	18.1%
			> 100%		35.1%		43.6%		42.6%
			unknown		0.6%		0.7%		0.7%
		Yes	<= 100%	9,717	6.0%	4,490	2.6%	5,246	3.1%
			> 100%		13.7%		6.0%		7.1%
Unknown	n/a	No	<= 100%	596	0.0%	976	0.0%	1,093	0.0%
			> 100%		0.0%		0.0%		0.0%
			unknown		0.5%		0.8%		0.9%
		Yes	<= 100%	238	0.0%	94	0.0%	211	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)					14.1%		14.0%		14.0%
Additional from Designated Disaster Areas					8.0%		3.0%		3.7%
Low-Income Areas Goal Benchmark									17.7%

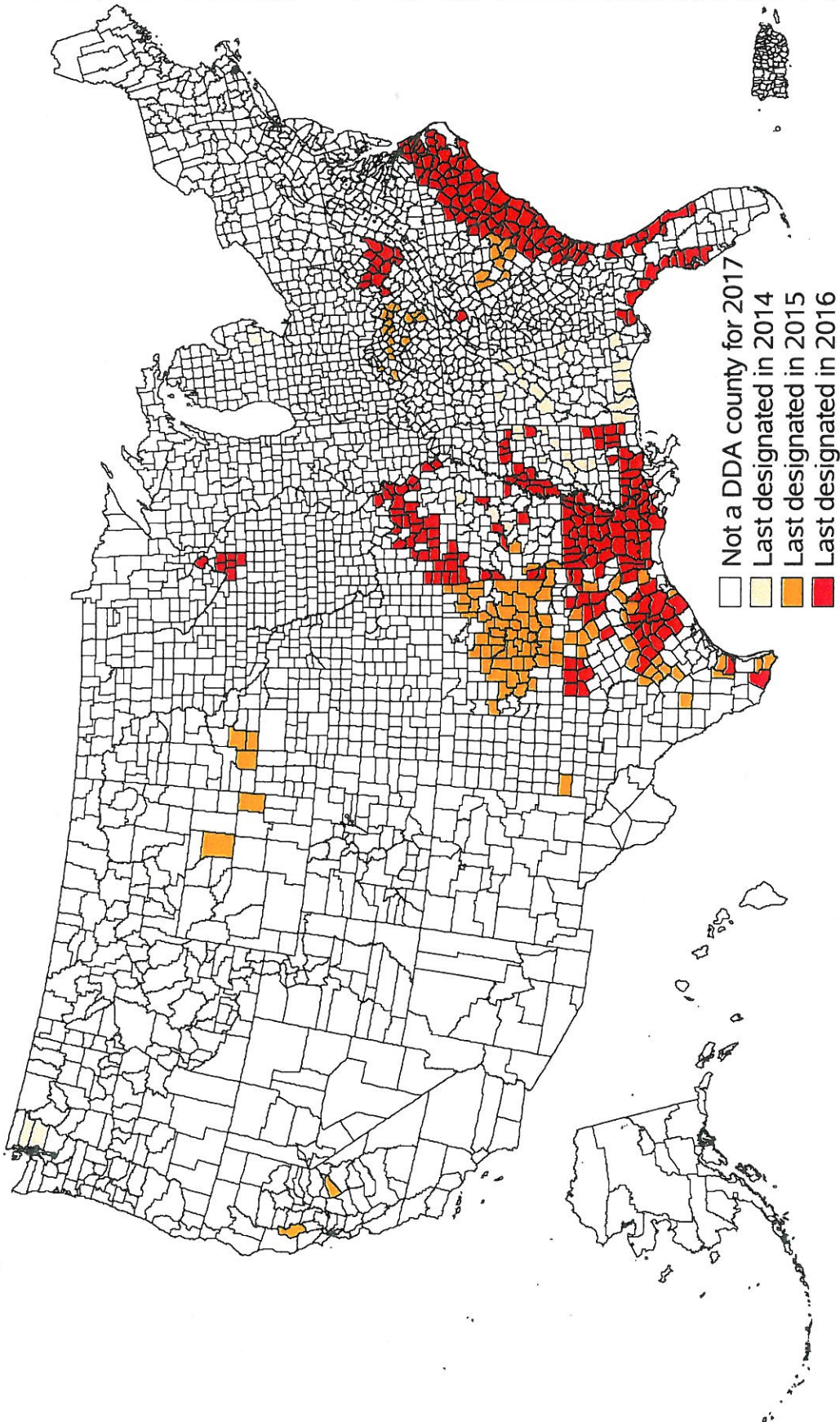
¹ Bold indicates operable categories that qualifies mortgages in the numerator of the goal.

² The 2011 through 2015 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 2017 includes disasters declared in 2014, 2015 and 2016.

**2017 Low-Income Areas Housing Goal Designated Disaster Areas (DDAs)
Counties Designated as Adversely Affected by a Declared Major Disaster: 2014-2016
Where Individual Assistance Payments were Authorized by FEMA**



Island Areas are not displayed