Federal Housing Finance Agency
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April 30, 2018

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

Dear Ms. Waldron:

On February 12, 2018 the Federal Housing Finance Agency (FHFA) published a final rule in the *Federal Register* establishing housing goals for 2018-20 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 2018 is 4 percent, thus the overall low-income areas home purchase goal for 2018 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 2015-17 period, but were not already included in the low-income areas home purchase subgoal.

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 2014-16. This yielded the 4 percent disaster areas increment for 2018. The details underlying the calculation of the 2018 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, Office of Housing & Community Investment, at Ted.Wartell@fhfa.gov or (202) 649-3157.

Sincerely,

Sandra Thompson
Deputy Director, Division of Housing Mission and Goals

Enclosure

## 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 Areas (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 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.

### 2018 Designated Disaster Areas

The disasters that are applicable to the 2018 housing goals are disasters that occurred during 2015, 2016, and 2017, of which 44.6 percent of the census tracts that are in declared disaster counties already qualify for the Low-Income Areas Goal, as they are 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 2012 to 2016 period, and is shown in columns 1 and 2 in the Table below. The distribution of Census Tracts which incorporate declared disasters applicable for 2017 (the 2014 to 2016 period) are shown in column 3 and the change in the distribution of estimated 2017 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 2015 to 2017 period are shown in column 5. The estimated distribution of 2018 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 4.3 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 2018. 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 2018-20, published on February 12, 2018, the Low-Income Areas House Purchase Subgoal for 2018 is 14 percent. The Low-Income Areas Home Purchase Goal for 2018 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 2018 is 18 percent.

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 2018

| Low-Income Area Home Purchase Goal Categories[1] | | | | (1)[2] | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 2012 - 2016 | | 2017 | | 2018 | |
| Percent of Area Median Income | Percent Minority Population in the Census Tract | Designated Disaster Area | Borrower Income as a Percentage of the Area Median | Average Census Tracts[3] | Average Originations | Census Tracts | Estimated Originations | Census Tracts[4] | Estimated Originations |
| **<= 80%** | n/a | n/a | **<= 100%** | 22,564 | 6.7% | 23,133 | 6.4% | 23,113 | **6.4%** |
| | | | **> 100%** | | 4.9% | | 4.7% | | **4.6%** |
| | | | **unknown** | | 0.1% | | 0.1% | | **0.1%** |
| **> 80%, but < 100%** | **>= 30%** | n/a | **<= 100%** | 6,630 | 3.1% | 6,522 | 2.8% | 6,637 | **2.9%** |
| | | | > 100% | | 3.4% | | 3.1% | | 3.1% |
| | < 30% | No | <= 100% | 8,755 | 4.8% | 9,026 | 5.1% | 8,935 | 5.1% |
| | | | > 100% | | 4.7% | | 5.0% | | 5.0% |
| | | | unknown | | 0.1% | | 0.1% | | 0.1% |
| | | **Yes** | **<= 100%** | 2,576 | 1.2% | 1,371 | 0.6% | 1,447 | **0.6%** |
| | | | > 100% | | 1.2% | | 0.6% | | 0.6% |
| >= 100% | n/a | No | <= 100% | 24,116 | 15.1% | 27,401 | 17.6% | 25,898 | 16.8% |
| | | | > 100% | | 36.8% | | 42.8% | | 41.0% |
| | | | unknown | | 0.6% | | 0.7% | | 0.7% |
| | | **Yes** | **<= 100%** | 8,413 | 5.0% | 5,246 | 2.9% | 6,671 | **3.7%** |
| | | | > 100% | | 11.9% | | 6.9% | | 8.7% |
| Unknown | n/a | No | <= 100% | 722 | 0.0% | 1,093 | 0.0% | 992 | 0.0% |
| | | | > 100% | | 0.0% | | 0.0% | | 0.0% |
| | | | unknown | | 0.4% | | 0.6% | | 0.6% |
| | | **Yes** | **<= 100%** | 228 | 0.0% | 211 | 0.0% | 310 | **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** | | | | | 14.8% | | 14.0% | | **14.0%** |
| **Additional from Designated Disaster Areas** | | | | | 6.0% | | 4.0% | | **4.3%** |
| **Low-Income Areas** | | | | | | | | | **18.3%** |

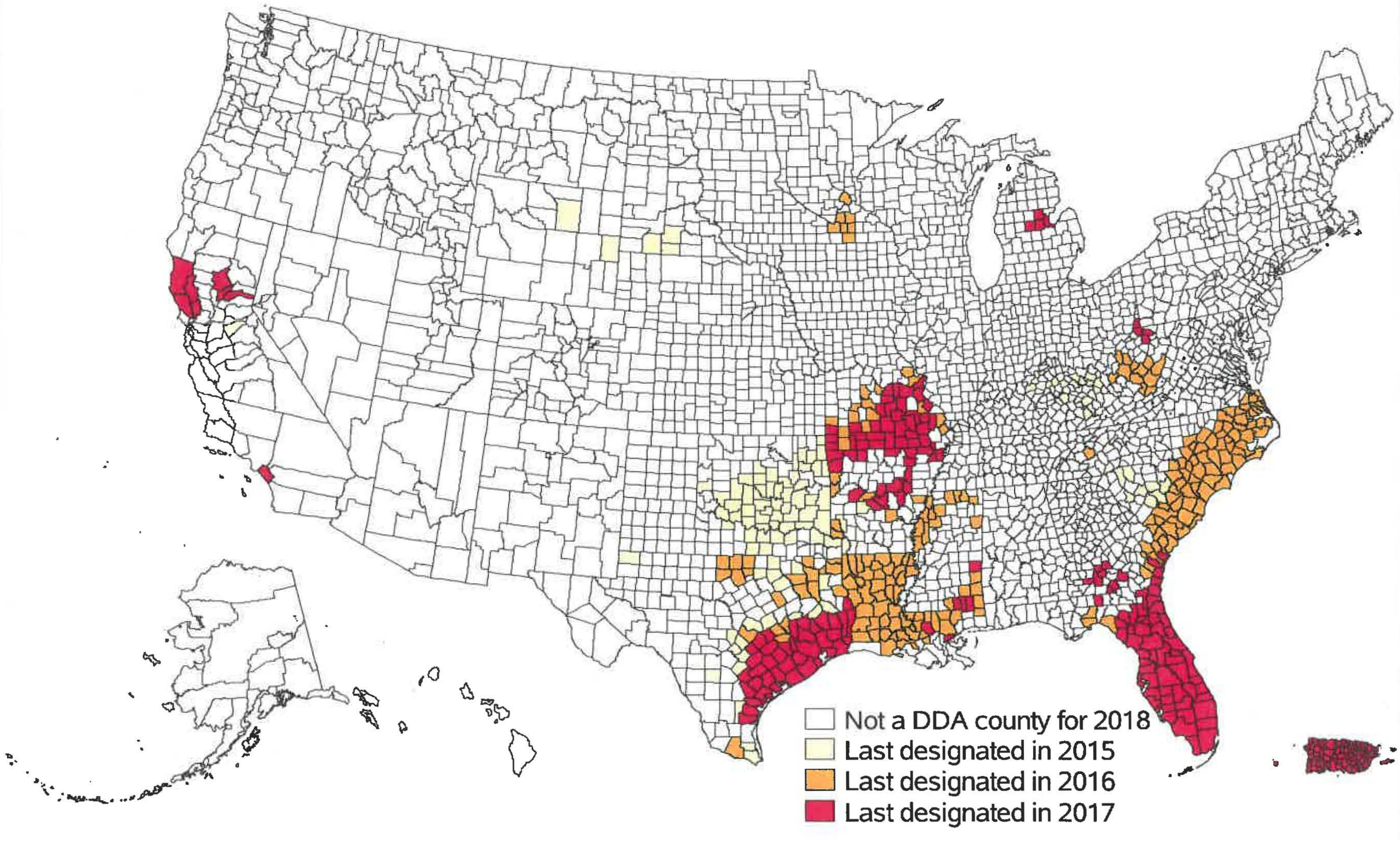
[1] Bold indicates operable categories that qualifies mortgages in the numerator of the goal.

[2] The 2012 through 2016 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 2016 distribution includes disasters declared in 2013, 2014, and 2015).

[4] The combined three year census tract distribution for 2018 includes disasters declared in 2015, 2016 and 2017.

**2018 Low-Income Areas Housing Goal Designated Disaster Areas (DDAs)**
**Counties Designated as Adversely Affected by a Declared Major Disaster: 2015-2017**
**Where Individual Assistance Payments were Authorized by FEMA**




Island Areas are not displayed