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April 8, 2014

Caroline Loomis
Director, Regulatory Affairs
Fannie Mae
3900 Wisconsin Avenue, NW
Washington, DC 20015

Dear Ms. Loomis:

On November 13, 2012 the Federal Housing Finance Agency (FHFA) published a final rule in the *Federal Register* establishing housing goals for 2012-14 for Fannie Mae.

The final rule provides that the overall low-income areas benchmark goal shall include the 11 percent benchmark for the subgoal plus an increment for families in disaster areas with incomes no greater than area median income (AMI). The disaster areas increment for 2014 is 7 percent. Thus, the overall low-income areas home purchase goal for 2014 is 18 percent.

The disaster areas increment to the low-income areas home purchase subgoal was calculated by determining all counties designated as being eligible for individual assistance during the 2011-13 period. This included 701 counties (or county-equivalents) in 32 states and 34 municipios in Puerto Rico. No counties were included in the other 18 states, and the District of Columbia was also 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 2010-12. This yielded the 7 percent disaster areas increment for 2014.

The Market Estimation Model published by FHFA with the 2010-11 final rule on September 14, 2010 provides additional detail on FHFA's method for calculating the disaster areas increment. This Market Estimation Model is available on FHFA's website (http://www.fhfa.gov). In particular, Table 9 of that document gave the details of these calculations for 2010. The methodology is the same for these calculations for 2014, but the specific numbers differ from those for 2010. I have attached a spreadsheet showing these calculations for 2014.

If you have any questions, please contact me or Paul Manchester, Principal Economist, at Paul.Manchester@fhfa.gov or (202) 649-3115.

Sincerely yours,

Sandra Thompson
Deputy Director
Housing Mission and Goals

Attachment

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 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.

2014 Designated Disaster Areas

The disasters that are applicable to the 2014 housing goals are disasters that occurred during 2011, 2012 and 2013. Nearly half 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 loan distributions for 2008 to 2012, columns 1 and 2 in the Table below. The distribution of Census Tracts which incorporate declared disasters in the 2010 to 2012 period are shown in column 3. After adjusting the 2008 to 2012 loan distribution for the conversion to 2010 Census Tracts, the change in the distribution of Census Tracts that resulted from the change in DDAs and in area median incomes from the previous 5-year averages, an estimate of the 2013 loan originations are provided in column 4. The distribution of Census Tracts which incorporate declared disasters in the 2011 to 2013 period are shown in column 5. The estimated distribution of 2014 loan originations, given the change in the distribution of Census Tracts, columns 3 and 5, and estimated market conditions is provided in column 6.[1] The estimate for 2014 is that an additional 6.5 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.

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 2014

Low-Income Area Home Purchase Goal Categories[1]				(1)	(2)	(3)	(4)	(5)	(6)
				2008 - 2012[2]		2013		2014	
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 Origin-ations	Census Tracts	Estimated Origin-ations	Census Tracts[4]	Estimated Origin-ations
<= 80%	n/a	n/a	**<= 100%**	18,615	5.9%	22,439	5.0%	23,086	**5.1%**
			> 100%		4.0%		3.4%		**3.4%**
			unknown		0.1%		0.1%		**0.1%**
> 80%, but < 100%	**>= 30%**	n/a	**<= 100%**	5,710	2.9%	6,967	2.5%	6,740	**2.4%**
			> 100%		2.8%		2.4%		2.3%
	< 30%	No	<= 100%	8,533	4.8%	7,662	4.4%	7,808	4.5%
			> 100%		4.0%		3.7%		3.8%
			unknown		0.1%		0.1%		0.1%
		Yes	**<= 100%**	4,268	2.6%	3,172	1.4%	2,752	**1.2%**
			> 100%		2.2%		1.1%		1.0%
>= 100%	n/a	No	<= 100%	17,413	13.9%	22,348	18.3%	22,778	18.7%
			> 100%		27.3%		35.9%		36.8%
			unknown		0.5%		0.6%		0.6%
		Yes	**<= 100%**	11,166	8.8%	10,349	5.7%	9,803	**5.3%**
			> 100%		19.0%		12.3%		11.5%
Unknown	n/a	No	<= 100%	267	0.0%	734	0.0%	738	0.0%
			> 100%		0.0%		0.1%		0.1%
			unknown		1.0%		3.0%		3.0%
		Yes	**<= 100%**	173	0.0%	332	0.0%	298	**0.0%**
			> 100%		0.0%		0.0%		0.0%
			Totals	66,145	100.0%	74,003	100.0%	74,003	100.0%
		Low-Income and High Minority Areas			13.0%		11.0%		**11.0%**
		Additional from Designated Disaster Areas			11.0%		7.0%		**7.0%**

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

[2] The 2008 through 2012 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 2008 distribution includes disasters declared in 2005, 2006 and 2007).

[4] The combined three year census tract distribution for 2014 includes disasters declared in 2011, 2012 and 2013.