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FEDERAL HOUSING FINANCE AGENCY

12 CFR Part 1282

RIN 2590–AA49

2012–2014 Enterprise Housing Goals

AGENCY: Federal Housing Finance Agency.

ACTION: Proposed rule.

SUMMARY: The Federal Housing Finance Agency (FHFA) is issuing and seeking comments on a proposed rule that would amend FHFA's existing housing goals regulation to establish housing goals for 2012, 2013 and 2014 for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, the Enterprises). The benchmark levels established by this regulation for 2013 would continue in effect for 2014, unless FHFA determines that the 2014 benchmark levels should be adjusted based on its market assessment for 2014. In addition, FHFA seeks comments on whether the housing goals regulation should be amended to address the possibility that an Enterprise would receive credit under the housing goals for the purchase of a multifamily mortgage that was intended to facilitate the conversion of the property securing the mortgage from affordable rents to market rate rents.

DATES: Written comments must be received on or before July 26, 2012.

ADDRESSES: You may submit your comments, identified by regulatory information number (RIN) 2590–AA49, by any of the following methods:

- *Email:* Comments to Alfred M. Pollard, General Counsel, may be sent by email to *RegComments@fhfa.gov.* Please include ''RIN 2590–AA49'' in the subject line of the message.
- *Federal eRulemaking Portal: http://www.regulations.gov.* Follow the instructions for submitting comments. If you submit your comment to the *Federal eRulemaking Portal,* please also send it by email to FHFA at *RegComments@fhfa.gov* to ensure timely receipt by the Agency. Please include ''RIN 2590–AA49'' in the subject line of the message.
- *Hand Delivered/Courier:* The hand delivery address is: Alfred M. Pollard, General Counsel, Attention: Comments/RIN 2590–AA49, Federal Housing Finance Agency, Eighth Floor, 400 Seventh Street SW., Washington, DC 20024. The package should be logged in at the Guard Desk, First Floor, on business days between 9 a.m. and 5 p.m.
- *U.S. Mail, United Parcel Service, Federal Express, or Other Mail Service:* The mailing address for comments is: Alfred M. Pollard, General Counsel, Attention: Comments/RIN 2590–AA49, Federal Housing Finance Agency, Eighth Floor, 400 Seventh Street SW., Washington, DC 20024.

FOR FURTHER INFORMATION CONTACT: Paul Manchester, Principal Economist, (202) 649–3115; Jay Schultz, Senior Economist, (202) 649–3117, Office of Housing and Regulatory Policy; Kevin Sheehan, Assistant General Counsel, (202) 649–3086; Lyn Abrams, Assistant General Counsel, (202) 649–3059; or Sharon Like, Managing Associate General Counsel, (202) 649–3057, Office of General Counsel. These are not toll-free numbers. The mailing address for each contact is: Office of General Counsel, Federal Housing Finance Agency, Eighth Floor, 400 Seventh Street SW., Washington, DC 20024. The telephone number for the Telecommunications Device for the Hearing Impaired is (800) 877–8339.

SUPPLEMENTARY INFORMATION:

I. Comments

FHFA invites comments on all aspects of the proposed rule, and will revise the language of the proposed rule as appropriate after taking all comments into consideration. Copies of all comments will be posted without change, including any personal information you provide, such as your name, address, and phone number, on the FHFA Internet Web site at *http://www.fhfa.gov.* In addition, copies of all comments received will be available for examination by the public on business days between the hours of 10 a.m. and 3 p.m., at the Federal Housing Finance Agency, Eighth Floor, 400 Seventh Street SW., Washington, DC 20024. To make an appointment to inspect comments, please call the Office of General Counsel at (202) 649–3804.

II. Background

A. Statutory and Regulatory Background

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 (HERA), requires FHFA to establish annual housing goals for mortgages purchased by Fannie Mae and Freddie Mac.[1] FHFA established housing goals for the Enterprises for 2010 and 2011 through a final rule published on September 14, 2010.[2]

The 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. The single-family housing goals target purchase money mortgages for low-income families, families that reside in low-income areas, and very low-income families, and refinancing mortgages for low-income families.[3] The multifamily special affordable housing goal targets multifamily housing affordable to low-income families, and the multifamily special affordable housing subgoal targets multifamily housing affordable to very low-income families.[4]

B. Conservatorship

On September 6, 2008, the Director of FHFA appointed FHFA as conservator of the Enterprises to maintain the Enterprises in a safe and sound financial condition and to help assure performance of their public mission. The Enterprises remain under conservatorship at this time.

Although the Enterprises' substantial market presence has been key to restoring market stability, neither company is capable of serving the mortgage market today without the ongoing financial support provided by the U.S. Department of the Treasury (Treasury) under their respective Senior Preferred Stock Purchase Agreements (Agreements). FHFA has projected a range of substantial cumulative draws in Treasury support under the Agreements through 2014. While reliance on the Treasury Department will continue until legislation produces a final resolution to

[1] *See* 12 U.S.C. 4561 *et seq.*

[2] *See* 75 FR 55892.

[3] *See* 12 CFR 1282.12.

[4] *See* 12 CFR 1282.13.

the Enterprises' future, FHFA is monitoring the activities of the Enterprises to: (a) Minimize losses on the mortgages already on their books; (b) ensure profitability in the new book of business without deterring market participation or hindering market recovery; and (c) limit their risk exposure by avoiding new products and lines of business.

While the Enterprises are in conservatorship, all Enterprise activities, including those in support of affordable housing, must be consistent with the requirements of conservatorship under the Safety and Soundness Act, as amended by HERA. If FHFA determines that the Enterprise housing goals cannot be achieved consistent with the goals and requirements of conservatorship or in light of market conditions, FHFA, as conservator for each Enterprise, may take additional action, including suspension of the Enterprise housing goals until they can be achieved and in a manner consistent with the conservatorships. In the meantime, FHFA is proposing to continue with the existing structure of the housing goals, including the market-based approach that was adopted for 2010 and 2011, with new benchmark levels in place through 2014.

C. Prospective and Market-Based Approach

The current housing goals regulation sets forth single-family housing goals for 2010–2011 that include: (1) An assessment of Enterprise performance, as compared to the actual share of the market that meets the criteria for each goal; and (2) a benchmark level to measure Enterprise performance. For the single-family housing goals, an Enterprise has met a goal if it achieves the benchmark level for that goal, even if the actual market size for the year is higher than the benchmark level. An Enterprise has failed to meet a goal if its annual performance falls below both the benchmark level and the actual share of the market that meets the criteria for a particular goal for that year. FHFA determined that this approach is appropriate in light of recent market turmoil, especially while the Enterprises are operating in conservatorship, and in light of the difficulty of making projections accurately even in more stable economic environments. For those reasons too, and because the correspondence between available market data and the Enterprises' actual goals-qualifying activity is not exact, FHFA reserves some flexibility in determining whether an Enterprise has substantially complied with one or more goals.

III. Summary of Proposed Rule

The proposed rule would establish new benchmarks for the single-family housing goals for 2012, 2013 and 2014. The proposed rule would also establish new levels for the multifamily housing goals for those years. FHFA also seeks comments on whether the housing goals regulation should be amended to address the possibility that an Enterprise would receive credit under the housing goals for the purchase of a multifamily mortgage that was intended to facilitate the conversion of the property securing the mortgage from affordable rents to market rate rents.

IV. Single-Family Housing Goals

A. Analysis of Factors for Single-Family Housing Goals

Section 1332(e)(2) of the Safety and Soundness Act, as amended by HERA, requires FHFA to consider the following seven factors in setting the single-family housing goals:

(1) National housing needs;

(2) Economic, housing, and demographic conditions, including expected market developments;

(3) The performance and effort of the Enterprises toward achieving the housing goals under this section in previous years;

(4) The ability of the Enterprise to lead the industry in making mortgage credit available;

(5) Such other reliable mortgage data as may be available;

(6) The size of the purchase money conventional mortgage market, or refinance conventional mortgage market, as applicable, serving each of the types of families described, relative to the size of the overall purchase money mortgage market or the overall refinance mortgage market, respectively; and

(7) The need to maintain the sound financial condition of the Enterprises.[5]

FHFA's consideration of the size of the market for each housing goal includes consideration of the percentage of goals-qualifying mortgages under each housing goal, as calculated based on Home Mortgage Disclosure Act (HMDA) data for the three most recent years for which data is available.[6]

FHFA's analysis of each statutory factor is set forth below.

1. National Housing Needs

The recent single-family housing market has been characterized by falling homeownership rates, high vacancy rates, weak sales, lower home prices, high foreclosure rates, and stricter underwriting. These trends are likely to continue in the near term. In many instances, they have had differing impacts for homeowners and home seekers of different ethnicities. Despite demand spurred by the ''First Time'' and ''Move Up Home Buyer'' tax credits in 2009 and 2010, the seasonally adjusted overall U.S. homeownership rate declined to 65.5 percent in the first quarter of 2012, after peaking at 69.1 percent in 2004. The homeownership rate for non-Hispanic whites declined from a peak of 76 percent in 2004 to 73.5 percent in the first quarter of 2012. For black households, the decline was more pronounced, going from a peak of 49.1 percent in 2004 to 43.1 percent in the first quarter of 2012. The homeownership rate for Hispanic households also had a noticeable decline, going from a peak of 49.7 percent in 2006 and 2007 to 46.3 percent in the first quarter of 2012.[7]

The homeowner vacancy rate—the proportion of housing inventory for homeowners that is vacant and for sale—dropped slightly to 2.2 percent in the first quarter of 2012, from a record high of 2.9 percent in 2008. But the vacancy rate may not fully capture the inventory of distressed and at-risk homes that have not yet completed the foreclosure process, but will add to the housing supply.[8] By one estimate, nearly 900,000 excess vacant homes are either for sale, for rent, or being held off the market.[9]

First-time homebuyers have experienced lower-priced housing. According to the 2011 National Association of Realtors (NAR) survey of homebuyers and sellers, the median age for first-time homebuyers was 31 years, and the median income was $62,400. The typical first-time homebuyer purchased a $155,000 home, up from $152,000 in the 2010 survey. Fifty-four percent of entry-level buyers financed their purchase with a Federal Housing Administration (FHA) loan, and 6

[5] 12 U.S.C. 4562(e)(2).

[6] *See* 12 U.S.C. 4562(e)(2)(A).

[7] *See* U.S. Census Bureau, ''Housing Vacancies and Homeownership (CPS/HVS)'' (Table 16), available at *http://www.census.gov/hhes/www/housing/hvs/historic/index.html.*

[8] *See generally,* Daniel Indiviglio, ''The 'Shadow' Foreclosure Inventory,'' The Atlantic (Sept. 23, 2009), available at *http://www.theatlantic.com/business/archive/2009/09/the-shadow-foreclosure-inventory/27093/.*

[9] *See* Mark Zandi, Moody's Analytics, ''To Shore Up the Recovery, Help Housing,'' p. 3 (May 25, 2011) (Special Report), available at *http://www.economy.com/mark-zandi/documents/To-Shore-Up-the-Recovery-Help-Housing.pdf.*

percent used the Veterans Administration (VA) loan program.[10]

For 2011, NAR reported that existing home sales were up by 1.7 percent from 2010. New home sales for 2011, as reported by the Census Bureau, were down by 6.2 percent from 2010. A composite index of housing affordability for November 2011 showed that families earning the median income had 194.5 percent of the income needed to purchase a median-priced existing single-family home, which is very high by historical standards.[11]

HMDA data for 2010, the most recent year for which such data are available, indicated that in comparison with 2009, applications for conventional home purchase loans from black borrowers fell by 31 percent, and for Hispanic borrowers by 34 percent. Applications from white borrowers fell by 23 percent.

Denial rates for black and Hispanic applicants, however, decreased from 2008 to 2010. For black applicants, the denial rate dropped from 36.1 percent in 2008 to 32.3 percent in 2009 and to 30.9 percent in 2010, while the denial rate for Hispanics dropped from 31.1 percent in 2008 to 25.6 percent in 2009 and to 22.9 percent in 2010.[12]

Low housing prices hurt existing homeowners as the number of foreclosures and underwater mortgages—where a homeowner owes more than the value of the home—remained at elevated levels. Although the number of homes with foreclosure filings fell 34 percent relative to 2010, 1.9 million homes were foreclosed on in 2011.[13] Foreclosure figures likely would have been higher in 2011 had it not been for processing slowdowns as a result of concerns about foreclosure practices and documentation. Some housing analysts project higher foreclosure rates in 2012, with a downward trend beginning in 2013. As of the fourth quarter of 2011, the share of underwater mortgages was at a near-record high of 22.8 percent, and roughly 5.0 percent of mortgaged homes had less than 5 percent equity.[14] The concentration of underwater borrowers is even higher for non-Enterprise loans. In a January 2012 FHFA letter to Congress, FHFA estimated that less than 10 percent of borrowers with Enterprise loans have negative equity in their homes (9.9 percent in June 2011), whereas loans backing private label securities were more than three times more likely to have negative equity (35.5 percent in June 2011).[15]

According to the Mortgage Bankers Association (MBA), single-family mortgage activity totaled $901 billion in the first three quarters of 2011, compared to $1,110 billion in the first three quarters of 2010. Total originations in 2010 were $1,572 billion, with 70 percent of the total being refinancings.[16]

One result of the mortgage crisis is that the mortgage market now has stricter and less flexible lending standards. According to the Board of Governors of the Federal Reserve System's Senior Loan Officer Opinion Survey, underwriting standards tightened beginning in late 2006 and have not significantly eased since that time.[17] In the near term, underwriting standards can be expected to continue to be rigorous. In addition, high vacancy rates, foreclosures and unemployment may continue to dampen the housing recovery.

FHFA has considered the above data in assessing national housing needs as required by the Safety and Soundness Act. FHFA has concluded that it is not necessary to adjust the benchmark levels based specifically on this factor.

2. Economic, Housing and Demographic Conditions

The current turmoil in the housing and mortgage markets affects the ability of the Enterprises to meet the housing goals. The market conditions include: (1) Tightened credit underwriting practices; (2) the financial condition of private mortgage insurance (MI) companies; (3) the increased role of FHA in the marketplace; (4) high unemployment; (5) the state of the refinance market; and (6) shifting demographic conditions. These developments have contributed to a decrease in the overall share of single-family loans likely to qualify for Enterprise housing goals credit.

Tightened credit underwriting practices. Continuing rigorous credit underwriting standards in the mortgage market have resulted in fewer goal-qualifying loans and a lower percentage of goal-qualifying loans in the market. Underwriting standards in the mortgage market generally, and at Fannie Mae and Freddie Mac in particular, have tightened considerably since 2008 in response to declining market conditions and early payment defaults, among other factors. Such standards can be expected to remain in place.[18]

Financial condition of private MI companies. Substantial ratings downgrades for MI companies followed the recent financial crisis. Most MI companies continue to face difficulties in returning to profitability. One consequence of these difficulties is more stringent MI underwriting standards, which result in fewer goal-qualifying loans and a lower percentage of goal-qualifying loans in the overall market. These standards include restrictions on borrowers having multiple risk factors such as a high loan-to-value (LTV) ratio, a lower credit score, and limited documentation. These developments limit the ability of mortgage insurers to write new business and may reduce the overall mortgage lending volume, particularly for higher-LTV mortgages, which are more likely to count for purposes of the housing goals. Post-conservatorship loan-level pricing adjustments by the Enterprises may also have a similar impact.

Increased role of FHA in the marketplace. The composition of the affordable conventional mortgage market is also influenced by FHA's market share. FHA loans generally are pooled into mortgage-backed securities (MBS) guaranteed by the Government National Mortgage Association (GNMA). Enterprise purchases of mortgages insured by FHA and mortgages guaranteed by VA generally do not receive housing goals credit. As a result, a higher FHA share of the market generally results in a smaller proportion of affordable loans among loans that can be counted for purposes of the housing goals. FHA's share of the market rose significantly during 2008 through 2010, reaching a share of the home purchase mortgage market in excess of 35 percent

[10] *See* National Association of Realtors, ''NAR Profile of Home Buyers and Sellers 2011'' (November 2011), available at *http://www.realtor.org/topics/homebuyers_sellers_profile/hbs_pdf_2011.*

[11] *See* National Association of Realtors, ''Housing Affordability Index,'' available at *http://www.realtor.org/research/research/housinginx.*

[12] *See* Board of Governors of the Federal Reserve, ''The 2009 HMDA Data: The Mortgage Market in a Time of Low Interest Rates and Economic Distress,'' Federal Reserve Bulletin, available at *http://www.federalreserve.gov/pubs/bulletin/2010/pdf/2009_HMDA_final.pdf* and ''The Mortgage Market in 2010: Highlights from the Data Reported under the Home Mortgage Disclosure Act,'' available at *http://www.federalreserve.gov/pubs/bulletin/2011/pdf/2010_HMDA_final.pdf.*

[13] *See* ''2011 Year-End Foreclosure Report: Foreclosures on the Retreat (January 9, 2012), available at *http://www.realtytrac.com/content/foreclosure-market-report/2011-year-end-foreclosure-market-report-6984.*

[14] *See* CoreLogic ''Q42011 Negative Equity Report,'' available at: *http://www.corelogic.com/about-us/researchtrends/asset_upload_file780_1.pdf.*

[15] *See http://www.fhfa.gov/webfiles/23056/PrincipalForgivenessltr12312.pdf.*

[16] *See http://www.mbaa.org/ResearchandForecasts/ForecastsandCommentary.*

[17] Board of Governors of the Federal Reserve System, *Senior Loan Officer Opinion Survey* (November 7, 2011).

[18] *See generally* The Joint Center for Housing Studies of Harvard University, ''The State of the Nation's Housing, 2010,'' available at *http://www.jchs.harvard.edu/research/publications/state-nations-housing-2010.*

in 2010, as measured by HMDA data. FHA announced last year an annual MI premium increase of 25 basis points, effective April 18, 2011.[19]

High unemployment. In addition to being an indicator of the health of the economy in general, labor market conditions affect the housing market more directly because buying a house is considered a large investment and a long-term commitment that requires stable employment. Nonfarm payroll employment increased by 115,000 in April 2012. The unemployment rate has steadily fallen from 9.1 percent in August 2011 to 8.1 percent in April 2012.[20] NeighborWorks, a national network of community-based organizations actively involved in foreclosure mitigation counseling, estimated that the two leading causes of mortgage default rates were a reduction in income (37 percent of defaults) and loss of income (21 percent of defaults).[21] To the extent that high unemployment rates impact lower-income wage earners more than higher-income wage earners, there could be fewer mortgage originations for goal-qualifying borrowers and, therefore, fewer such mortgages available for purchase by the Enterprises.

State of the refinance market. The size of the refinance mortgage market has an impact on the share of affordable refinance mortgages. Historically, refinance mortgage volume increases when the refinancing of mortgages is motivated by low interest rates, *i.e.,* ''rate and term refinances,'' and this increased volume is dominated by higher-income borrowers. As a result, in periods of low interest rates, the share of lower-income borrowers will decrease. Likewise, refinancings that occurred when interest rates were high tended to have a higher proportion of lower-income homeowners who were consolidating their debts or who were drawing equity out of their homes for other uses. While there are fewer mortgage refinancings for both lower-income and higher-income borrowers during high interest rate periods, the decrease is larger for higher-income borrowers.

While mortgage interest rates are expected to rise later in 2012 to 2014, there is reason to expect that the refinance patterns observed in the past may not occur. In the current economic environment, lower-income homeowners tend to have less equity—or negative equity—in their homes because the prices of lower-valued homes have fallen more than the prices of higher-valued homes.[22] At the same time, lenders have tightened underwriting requirements, requiring higher down payments and higher credit scores. As a result, fewer lower-income homeowners may be able to refinance in 2012 and 2013. In addition, programs established in the wake of the financial crisis have affected refinancings. The Home Affordable Refinance Program (HARP), which became effective in March 2009 and was expanded in 2011, is an effort to enhance the opportunity for owners to refinance. Homeowners whose mortgages are owned or guaranteed by Fannie Mae or Freddie Mae and who are current on their mortgages have the opportunity to reduce their monthly mortgage payments to take advantage of historically low mortgage interest rates. An essential element of this program is the permission to carry forward into the new loan any existing MI from prior mortgages or, if no MI existed, none would be required for the refinanced mortgage. Even under favorable interest rate conditions, however, refinancings may not mirror previous years.

Shifting demographic conditions. In establishing the 2012–2014 housing goals, FHFA analyzed demographic characteristics and trends for their possible effect on housing demand. In the long term, housing demand is likely to increase as a result of population growth, immigration, and formation of new households by the generation born between 1981 and 2000.[23] However, the impact of long-term demographic conditions on short-term goals performance would be minimal.

Homeownership rates for owner-occupied units vary depending on demographic characteristics of households such as income, age, race, and type of household, as well as on the location and type of home. Generally, families are more likely than individuals to be homeowners, and homeowners generally tend to have higher incomes than renters.

The financial crisis has had broad effects across demographic categories. Homeownership rates peaked in the first quarter of 2005 for families with incomes greater than or equal to the median family income and families with incomes below the median family income, and then started falling.[24] More specifically, the homeownership rate for families with incomes above the area median family income dropped from 84.5 percent in the first quarter of 2005 to 80.3 percent in the first quarter of 2012. The homeownership rate for families with incomes below the area median family income dropped from 53 percent to 50.4 percent over the corresponding period.

As discussed previously, the financial crisis took a significant toll on minority homeownership, with their homeownership rates trending sharply downwards. Recent times have also seen depressed immigration rates and headship rates among young as well as middle-aged households.[25] Moody's Analytics has observed that with many young people living with their parents for longer periods, there is pent-up new household formation that should occur in the next year or two.[26] Meanwhile, aging baby boomers have been projected to increase the number of households over the age of 65 by 35 percent from 2010 to 2020.[27]

FHFA has considered the above data in assessing economic, housing and demographic conditions as required by the Safety and Soundness Act. FHFA has concluded that it is not necessary to adjust the benchmark levels based specifically on this factor.

3. The Performance and Effort of the Enterprises Toward Achieving the Housing Goals in Previous Years

Section 1332(a) of the Safety and Soundness Act, as amended by section 1128(b) of HERA, requires FHFA to

[19] *See* U.S. Dept. of Housing and Urban Development, Mortgagee Letter 11–10 (Feb. 14, 2011), available at *http://portal.hud.gov/hudportal/documents/huddoc?id=11-10ml.pdf.*

[20] Bureau of Labor Statistics, *News Release: The Employment Situation—April* (May 4, 2012).

[21] *See* NeighborWorks, ''National Foreclosure Mitigation Counseling Program—Congressional Update—Activity Through January 31, 2010'' p. 41 (May 28, 2010), available at *http://www.nw.org/network/nfmcp/documents/CongressionalReportandAppendices.pdf.*

[22] *See* The Joint Center for Housing Studies of Harvard University, ''The State of the Nation's Housing, 2011,'' p. 40 (2011) (Table A–8), available at *http://www.jchs.harvard.edu/research/publications/state-nation%E2%80%99s-housing-2011.*

[23] *See generally* National Association of Hispanic Real Estate Professionals, ''State of Hispanic Homeownership'' (2011), available at *http://nahrep.org/downloads/state-of-homeownership.pdf.*

[24] *See* U.S. Census Bureau, Housing Vacancies and Homeownership (CPS/HVS) (Table 17. Homeownership Rates by Family Income: 1994 to Present), available at *http://www.census.gov/hhes/www/housing/hvs/historic/index.html.*

[25] *See* The Joint Center for Housing Studies of Harvard University, ''The State of the Nation's Housing, 2011,'' p. 5 (2011), available at *http://www.jchs.harvard.edu/research/publications/state-nation%E2%80%99s-housing-2011.*

[26] *See* Mark Zandi, Moody's Analytics, ''To Shore Up the Recovery, Help Housing'' 4 (May 25, 2011) (Special Report), available at *http://www.economy.com/mark-zandi/documents/To-Shore-Up-the-Recovery-Help-Housing.pdf.*

[27] *See* The Joint Center for Housing Studies of Harvard University, ''The State of the Nation's Housing, 2011,'' p. 3 (2011), available at *http://www.jchs.harvard.edu/research/publications/state-nation%E2%80%99s-housing-2011.*

establish three single-family owner-occupied home purchase mortgage goals for the Enterprises: A goal for low-income families; a goal for families that reside in low-income areas; and a goal for very low-income families. Section 1332(a) also requires FHFA to establish a goal for single-family refinancing mortgages for low-income families. The following section discusses performance on these single-family goals in 2010 and, to provide perspective, reviews what performance would have been on these four single-family goals had they been in effect from 2006 through 2009.

The figures shown in Tables 1–4 for 2010 are official performance results as determined by FHFA, based on loan-level information submitted by the Enterprises. The housing goals in the Safety and Soundness Act, as amended, apply to the Enterprises' acquisitions of ''conventional, conforming, single-family, purchase money mortgages financing owner-occupied housing'' for the targeted groups. The figures exclude units financed by Enterprise purchases of private label securities (PLS), since such units were not counted toward the goals in 2010.

Low-Income Families Housing Goal. The low-income families home purchase goal applies to mortgages made to ''low-income families,'' defined as families with incomes no greater than 80 percent of area median income (AMI).[28] As indicated in Table 1, Fannie Mae's performance in 2010 (25.1 percent) was comparable to what it would have been in 2009 (25.5 percent), somewhat higher than it would have been in 2008 (23.1 percent), and somewhat lower than it would have been in 2006 and 2007 (27.7 percent and 26.0 percent). Freddie Mac's performance in 2010 (26.8 percent) was higher than it would have been in any year from 2006–2009 (22.1 percent—25.4 percent).

Very Low-Income Families Housing Goal. The very low-income families home purchase goal applies to mortgages made to ''very low-income families,'' defined as families with incomes no greater than 50 percent of AMI. In essence, this operates as a subgoal of the low-income families housing goal, which applies to families with incomes no greater than 80 percent of AMI.

As indicated in Table 2, Fannie Mae's performance in 2010 (7.2 percent) was comparable to what it would have been in 2009 (7.3 percent), higher than it would have been in 2007 and 2008 (6.4 percent and 5.5 percent), and lower than it would have been in 2006 (7.7 percent). Freddie Mac's performance in 2010 (7.9 percent) was higher than it would have been in any year from 2006–2009 (5.3 percent—7.2 percent).

TABLE 1—GSE PAST PERFORMANCE ON THE LOW-INCOME HOME PURCHASE GOAL, 2006–10

[Goal benchmark for 2010 was 27 percent]

Year	Type of home purchase (HP) mortgages	Enterprise		Market share (HMDA)
		Fannie Mae	Freddie Mac	
2010	Low-Income HP Mortgages	120,430	82,443	
	Total HP Mortgages	479,200	307,555	
	Low-Inc. % of HP Mortgages	25.1%	26.8%	27.2%
2009	Low-Income HP Mortgages	148,423	105,719	
	Total HP Mortgages	582,673	415,897	
	Low-Inc. % of HP Mortgages	25.5%	25.4%	29.6%
2008	Low-Income HP Mortgages	226,290	158,896	
	Total HP Mortgages	977,852	655,156	
	Low-Inc. % of HP Mortgages	23.1%	24.3%	25.5%
2007	Low-Income HP Mortgages	383,129	284,434	
	Total HP Mortgages	1,471,242	1,008,064	
	Low-Inc. % of HP Mortgages	26.0%	24.6%	26.1%
2006	Low-Income HP Mortgages	359,609	197,900	
	Total HP Mortgages	1,295,956	895,049	
	Low-Inc. % of HP Mortgages	27.7%	22.1%	24.2%

Source: Official performance as determined by FHFA for 2010; performance if the goal had been in effect, as calculated by FHFA, for 2006–09. ''Low-income'' refers to borrowers with incomes no greater than 80 percent of Area Median Income (AMI).

Notes:

Freddie Mac's official performance for 2010 was initally reported as 27.8 percent, but it has since been revised as shown above.

To determine whether an Enterprise's performance exceeded or fell short of the goal, FHFA compares official performance figures with the benchmark level and the low-income share of conventional conforming home purchase mortgages originated in 2010, based on FHFA analysis of data submitted by primary mortgage market lenders to the Federal Financial Institutions Examination Council (FFIEC) in accordance with the Home Mortgage Disclosure Act (HMDA).

The low-income shares of the primary market are shown in the last column in the table.

TABLE 2—GSE PAST PERFORMANCE ON THE VERY LOW-INCOME HOME PURCHASE GOAL, 2006–10

[Goal benchmark for 2010 was 8 percent]

Year	Type of home purchase (HP) mortgages	Enterprise		Market share (HMDA)
		Fannie Mae	Freddie Mac	
2010	Low-Income HP Mortgages	34,673	24,276	
	Total HP Mortgages	479,200	307,555	
	Low-Inc. % of HP Mortgages	7.2%	7.9%	8.1%
2009	Low-Income HP Mortgages	42,571	29,870	
	Total HP Mortgages	582,673	415,897	
	Low-Inc. % of HP Mortgages	7.3%	7.2%	8.8%
2008	Low-Income HP Mortgages	54,263	40,009	

[28] *See* 12 U.S.C. 4502(14).

TABLE 2—GSE PAST PERFORMANCE ON THE VERY LOW-INCOME HOME PURCHASE GOAL, 2006–10—Continued

[Goal benchmark for 2010 was 8 percent]

Year	Type of home purchase (HP) mortgages	Enterprise		Market share (HMDA)
		Fannie Mae	Freddie Mac	
	Total HP Mortgages	977,852	655,156	
	Low-Inc. % of HP Mortgages	5.5%	6.1%	6.5%
2007	Low-Income HP Mortgages	93,543	60,549	
	Total HP Mortgages	1,471,242	1,008,064	
	Low-Inc. % of HP Mortgages	6.4%	6.0%	6.2%
2006	Low-Income HP Mortgages	100,148	47,008	
	Total HP Mortgages	1,295,986	895,049	
	Low-Inc. % of HP Mortgages	7.7%	5.3%	5.9%

Source: Official performance as determined by FHFA for 2010; performance if the goal had been in effect, as calculated by FHFA, for 2006–09. "Very Low-income" refers to borrowers with incomes no greater than 50 percent of Area Median Income (AMI).

Notes:

Freddie Mac's official performance for 2010 was initally reported as 8.4 percent, but it has since been revised as shown above.

To determine whether an Enterprise's performance exceeded or fell short of the goal, FHFA compares official performance figures with the benchmark level and the very low-income share of conventional conforming home purchase mortgages originated in 2010, based on FHFA analysis of data submitted by primary mortgage market lenders to the Federal Financial Institutions Examination Council (FFIEC) in accordance with the Home Mortgage Disclosure Act (HMDA).

The very low-income shares of the primary market are shown in the last column in the table.

Low-Income Areas Goal and Subgoal. Three categories of mortgages qualify for the low-income areas housing goal:

(1) Home purchase mortgages for families in low-income census tracts, defined as tracts with median family income no greater than 80 percent of AMI;

(2) Home purchase mortgages for families with incomes no greater than 100 percent of AMI who reside in minority census tracts, defined as tracts with minority population of at least 30 percent and a median family income less than 100 percent of AMI; and

(3) Home purchase mortgages for families with incomes no greater than 100 percent of AMI who reside in Federally-declared disaster areas (regardless of the minority share of the population in the tract or the ratio of tract median family income to AMI).

FHFA established an overall goal for this category of home purchase mortgages of 24 percent for 2010–2011. As indicated in Table 3, Fannie Mae's performance in 2010 (24.0 percent) was lower than it would have been in 2009 (26.9 percent) and in 2008 (25.5 percent). Freddie Mac's performance in 2010 (23.0 percent) was also lower than it would have been in 2009 (25.0 percent) and in 2008 (25.5 percent).

The 2010–2011 final rule also established a subgoal for the low-income and high-minority census tracts components of the goal. For 2010 and 2011, FHFA set the benchmark level for this subgoal at 13 percent.[29] As indicated in Table 3, Fannie Mae's performance on the subgoal in 2010 (12.4 percent) was lower than it would have been in 2009 (13.3 percent) and in 2008 (15.1 percent). Freddie Mac's performance on the subgoal in 2010 (10.4 percent) was lower than it would have been in 2009 (11.6 percent) and in 2008 (15.2 percent).

Refinancing Housing Goal. The refinancing housing goal is targeted to low-income families, *i.e.,* families with incomes no greater than 80 percent of AMI, and applies to mortgages that are given to pay off or prepay an existing loan secured by the same property. Thus, the goal does not apply to home equity or home purchase loans.

TABLE 3—GSE PAST PERFORMANCE ON THE LOW-INCOME AREAS HOME PURCHASE GOAL AND SUBGOAL, 2008–10

[Goal benchmark for 2010 was 24 percent; subgoal benchmark was 13 percent]

Year	Type of home purchase (HP) mortgages	Enterprise		Market share (HDMA)
		Fannie Mae	Freddie Mac	
2010	Low-Income Tract HP Mortgages	44,467	24,037	
	High-Minority Tract HP Mortgages	14,814	8,052	
	Subgoal Qualifying Mortgages	59,281	32,089	
	Total HP Mortgages	479,201	307,555	
	Subgoal Qualifying % of Mortgages	12.4%	10.4%	12.1%
	Disaster Area HP Mortgages	55,972	38,898	
	Goal-Qualifying Mortgages	115,253	70,876	
	Goal Qualifying % of Mortgages	24.1%	23.0%	24.0%
2009	Low-Income Tract HP Mortgages	59,150	37,138	
	High-Minority Tract HP Mortgages	18,349	11,259	
	Subgoal Qualifying Mortgages	77,499	48,397	
	Total HP Mortgages	582,673	415,897	
	Subgoal Qualifying % of Mortgages	13.3%	11.6%	13.2%
	Disaster Area HP Mortgages	79,255	55,565	
	Goal-Qualifying Mortgages	156,754	103,962	
	Goal Qualifying % of Mortgages	26.9%	25.0%	28.1%
2008	Low-Income Tract HP Mortgages	118,875	80,288	

[29] Affordability levels in low-income and high-minority areas, but not for disaster areas, can be adequately modeled using econometric time series forecast models.

TABLE 3—GSE PAST PERFORMANCE ON THE LOW-INCOME AREAS HOME PURCHASE GOAL AND SUBGOAL, 2008–10—Continued

[Goal benchmark for 2010 was 24 percent; subgoal benchmark was 13 percent]

Year	Type of home purchase (HP) mortgages	Enterprise		Market share (HDMA)
		Fannie Mae	Freddie Mac	
	High-Minority Tract HP Mortgages	29,245	19,160	
	Subgoal Qualifying Mortgages	148,120	99,448	
	Total HP Mortgages	977,852	655,156	
	Subgoal Qualifying % of Mortgages	15.1%	15.2%	14.3%
	Disaster Area HP Mortgages	100,822	67,776	
	Goal-Qualifying Mortgages	248,942	167,224	
	Goal Qualifying % of Mortgages	25.5%	25.5%	25.5%

Source: Official performance as determined by FHFA for 2010; performance if the goal had been in effect, as calculated by FHFA, for 2008–2009. See definition of "Low-income Area" in text.

Notes:

Freddie Mac's official performance for 2010 was initially reported as 10.8 percent on the subgoal and as 23.8 percent on the goal. Its official performance has since been revised as shown above.

To determine whether an Enterprise's performance exceeded or fell short of the 2010 goal and subgoal, FHFA compares official performance figures with the benchmark levels and the corresponding shares of conventional conforming home purchase mortgages originated in 2010, based on FHFA analysis of data submitted by primary mortgage market lenders to the Federal Financial Institutions Examination Council (FFIEC) in accordance with the Home Mortgage Disclosure Act (HMDA).

The subgoal and goal-qualifying shares of the primary market are shown in the last column of the table.

Qualifying permanent modifications of loans for low-income families under the Administration's Home Affordable Modification Program (HAMP) are counted toward the refinancing housing goal. The impact of such modifications on goal performance is shown in Table 4.

Table 4 shows the Enterprises' performance on this goal for 2010, as well as what performance would have been if the goal had been in effect for the preceding four years. Performance shown for all years excludes units financed by Enterprise purchases of PLS, because such units were not counted toward the goals in 2010.

As indicated in Table 4, Fannie Mae's performance in 2010 (20.9 percent) was lower that it would have been in 2006–2009 (23.0 percent–26.6 percent). Freddie Mac's performance in 2010 (22.0 percent) was slightly higher than it would have been in 2009 (21.7 percent), but lower than it would have been in 2006–2008 (23.2 percent–26.0 percent).

4. The Ability of the Enterprises To Lead the Industry in Making Mortgage Credit Available

Leading the industry in making mortgage credit available includes making mortgage credit available to primary market borrowers at differing income levels with varying credit profiles living in various markets. Leadership also relates to the Enterprises' loss mitigation efforts, implementation of loan modification and refinance programs and support for state and local housing finance agencies. The Enterprises, along with FHA and VA, now lead the market in making mortgage credit available. In 2011, the Enterprises remained the largest issuers of MBS, guaranteeing 72 percent of single-family MBS. This situation is widely viewed as undesirable for the long term. The Enterprises' losses have depleted their capital and resulted in their being sustained only by infusions of capital from the U.S. Treasury under the Senior Preferred Stock Purchase Agreements. FHFA as conservator exercises a statutory mandate to conserve and preserve the Enterprises' assets, and to place the Enterprises in a sound and stable condition. Consistent with those responsibilities, FHFA has announced a number of steps to reduce the role of the Enterprises in the mortgage market. FHFA has taken into account all of the foregoing considerations in assessing the Enterprises' ability to lead the industry.

TABLE 4—GSE PAST PERFORMANCE ON THE LOW-INCOME REFINANCE GOAL, 2006–10

[Goal benchmark for 2010 was 21 percent]

Year	Type of refinance mortgages	Enterprise		Market share (HMDA)
		Fannie Mae	Freddie Mac	
2010	Low-Income Refinance Mortgages	373,105	286,741	
	Total Refinance Mortgages	1,934,270	1,378,578	
	Low-Inc. % of Refinance Mortgages	19.3%	20.8%	20.2%
	Low-Income Refinance Loan Modifications	44,343	25,244	
	Total Refinance Loan Modifications	63,428	37,411	
	Low-Income % of Refinance Loan Modifications	69.9%	67.5%	NA
	Low-Income Refinance Total	417,448	311,985	
	Refinance Total	1,997,698	1,415,989	
	Low-Inc. % of Refinance Total	20.9%	22.0%	20.2%
2009	Low-Income Refinance Mortgages	479,631	326,912	
	Total Refinance Mortgages	2,415,169	1,708,676	
	Low-Inc. % of Refinance Mortgages	19.9%	19.1%	20.9%
	Low-Income Refinance Loan Modifications	114,390	63,708	
	Total Refinance Loan Modifications	168,437	94,062	
	Low-Inc. % of Refinance Loan Modifications	67.9%	67.7%	NA
	Low-Income Refinance Total	594,021	390,620	

TABLE 4—GSE PAST PERFORMANCE ON THE LOW-INCOME REFINANCE GOAL, 2006–10—Continued

[Goal benchmark for 2010 was 21 percent]

Year	Type of refinance mortgages	Enterprise		Market share (HMDA)
		Fannie Mae	Freddie Mac	
	Refinance Total	2,583,606	1,802,738	
	Low-Inc. % of Refinance Total	23.0%	21.7%	NA
2008	Low-Income Refinance Mortgages	335,864	215,016	
	Total Refinance Mortgages	1,455,287	927,816	
	Low-Inc. % of Refinance Mortgages	23.1%	23.2%	23.4%
2007	Low-Income Refinance Mortgages	351,739	252,889	
	Total Refinance Mortgages	1,421,342	1,005,519	
	Low-Inc. % of Refinance Mortgages	24.7%	25.2%	24.3%
2006	Low-Income Refinance Mortgages	301,995	217,882	
	Total Refinance Mortgages	1,133,684	838,104	
	Low-Inc. % of Refinance Mortgages	26.6%	26.0%	24.8%

Source: Official performance as determined by FHFA for 2010; performance if the goal had been in effect, as calculated by FHFA, for 2006–09. ''Low-income'' refers to borrowers with incomes no greater than 80 percent of Area Median Income (AMI).

Notes:

To determine whether an Enterprise's performance exceeded or fell short of the 2010 goal, FHFA compares official performance figures with the benchmark level and the low-income share of conventional conforming refinance mortgages originated in 2010, based on FHFA analysis of data submitted by primary mortgage market lenders to the Federal Financial Institutions Examination Council (FFIEC) in accordance with the Home Mortgage Disclosure Act (HMDA). The low-income shares of refinances in the primary market are shown in the last column in the table. There is no market data on loan modifications.

FHFA has considered the above data in assessing the ability of the Enterprises to lead the industry in making mortgage credit available as required by the Safety and Soundness Act. FHFA has concluded that it is not necessary to adjust the benchmark levels based specifically on this factor.

5. Other Reliable Mortgage Data

HMDA data reported by loan originators is the primary source of reliable mortgage data for establishing the single-family housing goals. In setting the housing goal benchmark levels, FHFA evaluates the Enterprises' performance with respect to leading or lagging the housing market under specific goals and compares HMDA data with mortgage purchase data provided by the Enterprises.

FHFA also uses other reliable data sources including: The American Housing Survey (AHS); U.S. Census Bureau demographics; commercial sources such as Moody's; and other industry and trade research sources, *e.g.,* MBA, Inside Mortgage Finance Publications, NAR, National Association of Home Builders (NAHB), and the Commercial Mortgage Securities Association. The FHFA Monthly Interest Rate Survey (MIRS) is used to complement forecast models for home purchase loan originations by making intra-annual adjustments prior to the public release of HMDA mortgage data.

In the development of economic forecasts, FHFA uses data and information from Wells Fargo, PNC, Fannie Mae, Freddie Mac, and The Wall Street Journal Survey. In addition, FHFA uses market and economic data from the Bureau of Labor Statistics, the Federal Reserve Board, the Department of Commerce Bureau of Economic Analysis, and FedStats.

6. Market Size

Expectations for the 2012 and 2013 single-family mortgage market are for zero or slow growth. Quantifiable factors influencing FHFA's outlook for the mortgage market include general growth in the economy, employment, inflation, and the interest rate environment. Industry observers expect subprime mortgage market activity to remain minimal through 2013. The FHA-insured mortgage market share is expected by industry observers to continue to be a major factor in the affordability levels in the conventional market as FHA loans will continue to be an attractive option for low-income homebuyers.[30] The effects of unemployment, FHA market share, and refinancing have been discussed previously (see Section 2). The effects of interest rates, house prices, the overall housing market, manufactured housing, and the market outlook are discussed below.

Market Outlook. Industry observers' economic and mortgage market forecasts are presented in Tables 5 and 6. On average, industry forecasters project the economy to continue to grow in 2012 and 2013, with real Gross Domestic Product (GDP) growing at rates of 2.3 and 2.7 percent, respectively. These industry observers also expect the unemployment rate to remain below 9.0 percent in 2012, and falling to 7.8 percent in the fourth quarter of 2013.

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[30] FHFA monitors the economic, housing and mortgage market forecasts of 12 industry and government entities. These entities are referred to as ''industry observers.'' For more information, and specifically which economic indicators each entity forecasts, see ''Market Estimation Model for the 2012–2014 Enterprise Single-Family Housing Goals'' published at FHFA's Web site, *www.fhfa.gov.*

Table 5

Economic and Mortgage Market Outlook

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Low-Income Borrower HP Share	27.2%	24.2%	24.0%	26.0%	25.3%	29.6%	27.2%	25.2%	22.4%	19.6%
Very Low-Income Borrower HP Share	6.6%	5.5%	5.9%	6.1%	6.5%	8.8%	8.1%	7.6%	7.5%	7.3%
Low-Income Area HP Share	16.7%	15.3%	15.8%	16.2%	14.1%	13.0%	12.1%	11.7%	11.9%	11.8%
Low-Income Borrower Refi. Share	28.0%	26.0%	24.7%	24.2%	23.4%	20.8%	21.5%	21.9%	21.2%	24.1%
Real GDP	3.5%	3.1%	2.7%	1.9%	-0.3%	-3.5%	3.0%	1.7%	2.3%	2.6%
Nominal GDP	6.4%	6.5%	6.0%	4.9%	1.9%	-2.5%	4.2%	3.9%	4.1%	4.4%
Real Personal Consumption	3.3%	3.4%	2.8%	2.3%	-0.6%	-1.9%	2.0%	2.2%	2.2%	2.2%
Real Residential Construction	9.8%	6.2%	-7.4%	-18.7%	-23.9%	-22.2%	-4.3%	-1.3%	9.9%	9.7%
Inflation Rate (CPI, Y/Y % Change)	3.3%	3.7%	1.9%	4.0%	1.6%	1.4%	1.3%	3.3%	3.2%	2.9%
Core Infl. Rate (CPI, Y/Y % Change)	2.1%	2.1%	2.6%	2.3%	2.0%	1.7%	0.7%	2.2%	2.9%	3.4%
Core Infl. Rate (PCE, Y/Y % Change)	2.2%	2.3%	2.3%	2.4%	2.0%	1.7%	1.0%	1.8%	1.9%	1.9%
Unemployment Rate	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.7%
10-Year Treasury Yield	4.3%	4.3%	4.8%	4.6%	3.7%	3.3%	3.2%	2.8%	2.2%	2.8%
1-Year Treasury Yield	1.9%	3.6%	4.9%	4.5%	1.8%	0.5%	0.3%	0.2%	0.2%	0.4%
Prime Rate	4.3%	6.2%	8.0%	8.1%	5.1%	3.3%	3.3%	3.3%	3.2%	3.2%
Federal Funds Target Rate	1.35%	3.22%	4.97%	5.02%	1.93%	0.16%	0.18%	0.10%	0.13%	0.20%
Consumer Confidence	96.1	100.3	105.9	103.3	57.9	45.4	53.4	58.0	n.a.	n.a.

Note: Shaded area indicates forecasted values. Forecasts are an average forecast of Mortgage Bankers Association (MBA), Fannie Mae, Freddie Mac, National Association of Realtors, Wells Fargo, PNC Financial, the National Association of Home Builders, Standard and Poor's, the Wall Street Journal Survey, the Conference Board and the Federal Open Market Committee.

n.a. Not available at this time.

Table 6

Economic and Mortgage Market Outlook

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Housing Starts [1]	1,951	2,071	1,810	1,341	899	554	585	611	729	879
Housing Starts, 1-Unit [1]	1,605	1,718	1,472	1,035	616	443	470	433	499	605
Total Home Sales [2]	7,929	8,356	7,563	5,805	4,588	4,710	4,506	4,590	4,872	5,102
New Home Sales [1]	1,201	1,279	1,049	768	482	374	321	307	351	439
Existing Home Sales [1]	6,727	7,077	6,514	5,037	4,106	4,336	4,185	4,283	4,604	4,727
Single-Family Originations [3]	$2,919	$3,120	$2,979	$2,430	$1,500	$1,815	$1,572	$1,262	$1,175	$1,066
Refinance Mortgage Share [4]	54%	49%	48%	51%	51%	66%	65%	68%	62%	48%
FHA Home Purchase Market Share [5]	7%	4%	4%	6%	25%	36%	35%	31%	25%	24%
ARM Market Share	34%	30%	21%	11%	7%	4%	5%	5%	8%	9%
Investor Share	11%	13%	13%	12%	12%	8%	9%	8%	8%	8%
30-Year Mortgage Fixed Rate [6]	5.8%	5.9%	6.4%	6.3%	6.0%	5.0%	4.7%	4.5%	4.0%	4.6%
1-Year ARM Rate [6]	3.9%	4.5%	5.5%	5.6%	5.2%	4.7%	3.8%	3.0%	2.9%	3.2%
Change in Housing Prices (FHFA ALL) [7]	10.3%	11.2%	4.7%	-0.8%	-6.3%	-4.5%	-1.5%	-3.0%	0.3%	3.7%
Change in Housing Prices (FHFA PO) [8]	11.2%	10.1%	3.1%	-2.3%	-9.6%	-1.7%	-3.9%	-2.4%	-1.0%	1.1%
Change in Housing Prices (CS HPI) [9]	19.1%	16.1%	1.4%	-8.3%	-19.2%	-4.5%	-0.6%	-3.8%	-0.5%	0.8%
Housing Affordability Index [10]	126	114	108	117	139	172	174	186	196	190
Median Sales Price - New Homes [11]	$218	$234	$243	$244	$230	$215	$221	$224	$223	$223
Median Sales Price - Existing Homes [11]	$193	$218	$222	$217	$197	$173	$172	$165	$165	$168

Note: Shaded area indicates forecasted values. Forecasts are an average forecast of Mortgage Bankers Association (MBA), Fannie Mae, Freddie Mac, National Association of Realtors, Wells Fargo, PNC Financial, the National Association of Home Builders, Standard and Poor's, the Wall Street Journal Survey, the Conference Board and the Federal Open Market Committee.

[1] Thousands of units

[2] Thousands of units, forecasted amount does not equal the sum of the existing plus new home sales because differences in forecasts.

[3] MBA, Billions of dollars

[4] The refinance shares for 2004-2009 are calculated from Home Mortgage Disclosure Act (HMDA) data. Estimates for 2010 include refinance rates reported by MBA.

[5] The FHA market shares for 2008 are calculated from HMDA data. Preliminary estimates for 2009 are the FHA endorsements (FHA Outlook) share of home sales (Census Bureau), scaled to match the mortgage market FHA market share.

[6] Freddie Mac, Primary Mortgage Market Survey

[7] FHFA House Price Index, all transactions (Q4/Q4 % Change)

[8] FHFA House Price Index, purchase transactions only (Q4/Q4 % Change)

[9] Standard & Poor's Case-Shiller 10 City Index (Q4/Q4 % Change)

[*] Freddie Mac's Conventional Mortgage Home Price Index (Y/Y % Change)

[10] National Association of Realtors

[11] Thousands of dollars

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Interest Rates. Affordability in the mortgage market relies in part on the interest rate environment. Mortgage interest rates are impacted by many factors. Interest rates on longer term financial instruments such as mortgages typically follow the fluctuations of the 10-Year Treasury Note yield, with approximately an 180 basis point spread reflecting the differences in liquidity and credit risk. With uncertainty in the financial markets of the Eurpoean Union, the U.S. financial markets have seen increased demand as financial instruments here are seen as a ''safe haven.'' Overall, interest rates in the United States are heavily influenced by the monetary policies of the Federal Reserve Board's Federal Open Market Committee (FOMC). During the current economic environment, since mid-2008, the FOMC has maintained an accommodative monetary policy in support of its dual mandate, of fostering maximimum employment and price stability. In its April 24–25, 2012 meeting, the FOMC stated that it is committed to a low federal funds rate policy (at 0 to 0.25 percent) as it ''anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014.'' [31] This accommodative monetary policy, combined with the international demand for U.S. financial instruments, has lead to historically low interest rates in the mortgage market. The longer term 30-year fixed-rate mortgage interest rate fell to 4.2 percent in October 2010, before increasing to 4.9 percent by February 2011 and was reported at 3.83 percent in Freddie Mac's May 10, 2012 Primary Mortgage Market Survey. Shorter term fixed- and adjustable-rate mortgage interest rates remain at their 2011 lows, for example of 2.75 percent for 1-year ARMs. As a major contributor to the cost of mortgage financing, lower interest rates directly affect the affordability of buying a home or refinancing a mortgage. As the economic recovery strengthens in the near future and if the European situation stabilizes it is expected that interest rates, particularly longer term interest rates, will rise. For the 2012–2013 period, as shown in Table 6, forecasts show that all interest rates are expected to rise, including the interest rate on a 30-year fixed-rate mortgage, which is expected to reach 4.2 percent by the fourth quarter of 2012 and to average 4.7 percent in 2013.

House Prices. Trends in house prices influence the housing and mortgage markets. In periods of house price appreciation, home sales and mortgage originations increase as the expected return on investment rises. In periods of price depreciation or price uncertainty, home sales and mortgage originations decrease as risk-averse homebuyers are reluctant to enter the market. House prices generally fell during 2009 through 2011, and are expected to fall slightly in 2012 before rebounding in 2013. Industry forecasts show a decrease in the S&P/Case Shiller Home Price Index of −0.5 percent in 2012 and an increase of 0.8 percent in 2013 (see Table 6).

Housing Market. An active housing market is generally good for the affordable home market. When there are more homes for sale, potential home buyers have more options, prices tend to be more competitive and the search costs to find affordable housing decrease. Historical volumes for sales of both new and existing houses are shown in Table 6, along with forecasts for 2012–2013. Total home sales reached a 10-year annual low in 2010 at 4.5 million units. Home sales increased slightly in 2011 to 4.6 million units and industry observers expect that home sales will increase to 4.9 million units in 2012 and to 5.1 million units in 2013—well below 2004–2006 levels.

During 2009 and early 2010, special homebuyers tax credits were available for first-time and repeat homebuyers. Mortgages to first-time homebuyers tend to be more likely to qualify for housing goals than those for repeat homebuyers, who tend to be older and have higher incomes. Many first-time homebuyers whose mortgages might otherwise have been available to receive goal-qualifying loans for home purchases in 2012–2014, instead bought their homes in 2009 or 2010 to take advantage of the first-time homebuyers tax credit.

Manufactured Housing Loans. Between 2008 and 2010, 58 percent of manufactured housing loans were higher priced, according to HMDA data. Because chattel-financed loans do not count towards achievement of the housing goals, it was necessary to adjust the HMDA figures with respect to market estimates to account for this part of the manufactured housing market. Accordingly, FHFA down-weighted the average 2008 to 2010 manufactured housing contribution to the goals market estimates by 80 percent for the home purchase mortgage goals and 50 percent for the refinance mortgage goal. This resulted in the market estimate for the low-income home purchase housing goal being reduced by 1.4 percent, the very low-income home purchase housing goal by 0.5 percent, the low-income areas home purchase housing goal by 0.6 percent, and the low-income borrower refinance housing goal by 0.2 percent. The projected market estimates in Table 5 reflect these adjustments.

Housing Goal Outlook. FHFA's estimates of the market performance for the two single-family owner-occupied home purchase housing goals and one subgoal, and the refinancing mortgage housing goal, are provided in Table 5. For 2012 and 2013, FHFA estimates that the low-income borrower shares of the home purchase mortgage market will be 22.4 percent and 19.6 percent, respectively. FHFA estimates that the very low-income borrower share of the home purchase mortgage market will be 7.5 percent for 2012 and 7.3 percent for 2013. FHFA estimates that the share of goal-qualifying mortgages in low-income areas in the home purchase mortgage market, excluding designated disaster areas, will be 11.9 percent in 2012 and 11.8 percent in 2013.

The refinance share of the market, as measured by the MBA, averaged 68 percent in 2011. With interest rates projected to rise during 2012–2013, industry observers expect the refinance share of total originations to decrease. Generally speaking, decreasing refinance share leads to a higher percentage of refinance originations made up of lower-income borrowers. Accordingly, with a projected refinance share of 62 percent in 2012 and 48 percent in 2013 (down from 68 percent in 2011), FHFA's market model estimates that 21.2 percent of refinance mortgages will be made to low-income borrowers in 2012 and 24.1 percent in 2013. These estimates are reflective of historical lending patterns and trends. However, as evidenced by the Federal Reserve Bank of Philadelphia's *Community Outlook Survey,* the tightening of underwriting standards will impact the access to credit of lower-income borrowers. In this survey of organizations servicing low- and moderate-income populations (those with incomes less than 80 percent of AMI), only 3 percent of the respondents saw an increase in the access to credit in the fourth quarter of 2011, and only 1.6 percent of the respondents saw an increase in the access to credit in the third quarter of 2011. When asked about what they expect for the first three months of 2012, 9 percent of the respondents stated that they expected an increase in access to credit.[32]

To arrive at the market estimates, FHFA used an econometric state space methodology to extend the trends of the market performance for each goal, based on a monthly time series database provided by the Federal Financial Institutions Examination Council (FFIEC) and the Federal Reserve Board. For the low-income areas goal, this model produced the market estimates for only the subgoal. The remainder of the market estimates for this goal relates to the designated disaster areas. FHFA will provide the 2012 and 2013 estimates of the share of home purchase mortgages that will qualify for the designated disaster areas portion of the low-income areas goal to the Enterprises in January of each year.

FHFA used all relevant information when determining the benchmark levels for the 2012 and 2013 housing goals. While the tightening of underwriting standards is not included in the market estimates calculation, it was considered in the determination of the benchmark levels. FHFA attempts to use the most current data possible when estimating market size, including information from FHFA's MIRS and combined Fannie Mae and Freddie Mac refinance goal performance data to extend HMDA

[31] Federal Open Market Committee, *Press Release,* April 25, 2012.

[32] Federal Reserve Bank of Philadelphia, *Fourth Quarter 2011 Community Outlook Survey,* February, 2012.

performance data. FHFA used estimated market series of goal-qualifying shares provided by Freddie Mac that are based on MIRS data from January 2004 to September 2011. In addition, FHFA used the combined Enterprise performance data from January 2001 to December 2011 to inform the market estimates for the refinance goal. Guidance for calculating market size using historical HMDA data is provided in the ''Market Estimation Model for the 2012–2014 Enterprise Single-Family Housing Goals'' published by FHFA on its Web site.[33]

7. Need To Maintain the Sound Financial Condition of the Enterprises

The financial performance of both Enterprises is dominated by credit-related expenses and losses stemming principally from purchases and guarantees of mortgages originated in 2006 and 2007 and from purchases of PLS. As discussed above, FHFA's duties as conservator require the conservation and preservation of the Enterprises' assets. While reliance on the Treasury's backing will continue until legislation produces a final resolution to the Enterprises' future, FHFA is monitoring the activities of the Enterprises to: (a) Limit their risk exposure by avoiding new lines of business; (b) ensure profitability in the new book of business without deterring market participation or hindering market recovery; and (c) minimize losses on the mortgages already on their books. Given the importance of the Enterprises to the housing market, any goal-setting must be closely linked to putting the Enterprises in sound and solvent condition.

B. Single-Family Housing Goal Benchmark Levels

Based on the factors described above, proposed § 1282.12 would establish the benchmark levels for the single-family housing goals for 2012, 2013 and 2014 as set forth below:

Housing goal for low-income families. The proposed benchmark level of the annual goal for each Enterprise's purchases of purchase money mortgages on owner-occupied single-family housing for low-income families is 20 percent of the total number of such mortgages purchased by that Enterprise.

Housing goal for very low-income families. The proposed benchmark level of the annual goal for each Enterprise's purchases of purchase money mortgages on owner-occupied single-family housing for very low-income families is 7 percent of the total number of such mortgages purchased by that Enterprise.

Housing goal and subgoal for families in low-income areas. The benchmark level of the annual goal for each Enterprise's purchases of purchase money mortgages on owner-occupied single-family housing for families in low-income areas is set annually by notice from FHFA. The benchmark level is based on the benchmark level for the low-income areas subgoal, plus an adjustment factor that reflects the incremental percentage share that mortgages for low- and moderate-income families in designated disaster areas had in the most recent year for which data is available. The proposed benchmark level of the annual subgoal for each Enterprise's purchases of purchase money mortgages on owner-occupied single-family housing for families in low-income census tracts and for low- and moderate-income families in minority census tracts is 11 percent of the total number of such mortgages purchased by that Enterprise.

Housing goal for refinancing mortgages. As discussed in the Economic, Housing and Demographic Conditions Section, the historic secular patterns in the refinance market show that when interest rates increase, more higher income homeowners drop out of the refinance market relative to lower income homeowners. This is attributed to the differing motivations for refinancing between the groups, where lower income borrowers are more likely to be seeking a cash-out refinance, which is less dependent on interest rates, than a rate-and-term refinance. The market model, which is based on historical patterns in the refinance market, projects that the low-income borrower share of the refinance market will increase from 21 percent in 2012 to 24 percent in 2013 (see Table 5). FHFA is taking into consideration the current economic environment, including the tightening of underwriting standards and the decrease in equity in the housing stock, in the setting of the refinance goal benchmark. Therefore, the proposed benchmark level of the annual goal for each Enterprise's purchases of refinancing mortgages on owner-occupied single-family housing for low-income families is 21 percent of the total number of such mortgages purchased by that Enterprise, the low end of the projected range.

V. Multifamily Housing Goals

A. Analysis of Factors for Multifamily Housing Goals

Section 1333(a)(4) of the Safety and Soundness Act, as amended by HERA, requires FHFA to consider the following six factors in setting multifamily special affordable housing goals:

(1) National multifamily mortgage credit needs and the ability of the Enterprise to provide additional liquidity and stability for the multifamily mortgage market;

(2) The performance and effort of the Enterprise in making mortgage credit available for multifamily housing in previous years;

(3) The size of the multifamily mortgage market for housing affordable to low-income and very low-income families, including the size of the multifamily markets for housing of a smaller or limited size;

(4) The ability of the Enterprise to lead the market in making multifamily mortgage credit available, especially for multifamily housing affordable to low-income and very low-income families;

(5) The availability of public subsidies; and

(6) The need to maintain the sound financial condition of the Enterprise.

FHFA's analysis of each of the six factors is set forth below.

1. National Multifamily Mortgage Credit Needs

In 2011, traditional participants in multifamily mortgage financing continued to increase their presence. Life insurance companies, and to a limited extent, commercial mortgage-backed securities (CMBS) issuers, increased their lending volumes in 2011 compared to 2010. Nevertheless, the Enterprises remain by far the largest sources of multifamily capital, comprising over 60 percent of originations in dollar terms.[34]

The difficulties encountered by CMBS issuers in 2011 will likely continue into 2012 as rating agencies remain hesitant to grade commercial mortgages bundled into CMBS. FHFA expects that in 2012 the Enterprises will have a lower market share than what they had in 2011, a little less than 60 percent in terms of dollars.[35] As investors become more confident in the stability of the multifamily mortgage market, the CMBS market should slowly make a return, and the Enterprises' market share should decline over the 2012–2014 period, although the overall multifamily mortgage market should slowly grow as the economy recovers. In arriving at this

[33] *See http://www.fhfa.gov/Default.aspx?Page=72.*

[34] ''GSEs Capture More Than 60 Percent of Market in 2011'', Multifamily Executive, January 19, 2012, *http://multifamilyexecutive.com/debt/gses-capture-more-than-60-percent-of-market-in-2011.aspx.*

[35] ''GSEs Capture More Than 60 Percent of Market in 2011'', Multifamily Executive, January 19, 2012. *http://multifamilyexecutive.com/debt/gses-capture-more-than-60-percent-of-market-in-2011.aspx.*

conclusion, FHFA considered, among other factors, vacancy rates, origination rates, and property prices.

Vacancy Rates and Origination Rates. Falling vacancy rates are usually associated with increased rents and investor interest in multifamily properties. According to the U.S. Census Bureau, rental vacancy rates fell from 9.7 percent in the first quarter of 2011 to 8.8 percent in the first quarter of 2012. ''Effective rents,'' which are the rents that tenants actually pay, increased by over four percent in 2011 according to Axiometrics, a provider of commercial real estate data.[36] Although vacancy rates decreased and property values and rents increased, multifamily permits were issued at an annualized rate of 217,000 units in April 2012, which is still well below historical levels, according to the U.S. Census Bureau. Low interest rates and increased demand for multifamily housing should spur an increase in new multifamily construction. Likewise, the lack of new units coming onto the market and the prevailing low interest rates should continue to encourage multifamily property owners to refinance.

Property Prices. As of the end of September 2011, multifamily property prices were up over 15 percent from their low point in the third quarter of 2009.[37] However, multifamily property prices are still well below peak levels reached in 2007. FHFA anticipates a continued rise in multifamily property prices in most markets for the 2012–2014 period. Rising multifamily property prices usually spur increased refinances, property sales, and new construction activity; these factors are reflected in the progressively higher proposed goals for 2012–2013.

2. The Performance and Effort of the Enterprises in Making Mortgage Credit Available for Multifamily Housing in Previous Years

Multifamily Low-Income Housing Goal. The multifamily low-income housing goal includes units affordable to low-income families (those with incomes no greater than 80 percent of AMI). Both Enterprises played major roles in funding multifamily units for low-income families between 2006 and 2009, as shown in Table 7. Fannie Mae financed an average of 346,000 such units over this period, peaking at 447,000 units in 2008, while Freddie Mac financed an average of 226,000 units over this period, peaking at 298,000 units in 2007. The Enterprises followed different approaches to the multifamily mortgage market, with Freddie Mac relying to a significant extent on the purchase of CMBS, while Fannie Mae depended to a greater extent on the direct purchase of multifamily loans originated by its Delegated Underwriting and Servicing (DUS) lenders.

In the final rule establishing the housing goals for 2010–2011, FHFA set the minimum goal for Fannie Mae at 177,750 low-income multifamily units, and the minimum goal for Freddie Mac at 161,250 such units, which was below the Enterprises' average levels of purchases in 2006–2009. FHFA determined that Fannie Mae financed 214,997 low-income multifamily units in 2010, 121 percent of its goal, while Freddie Mac financed 161,500 such units in 2010, 100.2 percent of its goal.

[36] ''Axiometrics' Research Indicates Strongest Monthly Sequential Rent and Occupancy Growth in Last 4 Years'', April 30, 2012. *http://www.axiometrics.com/PressRelease/.*

[37] Moody's Investor Services, Moody's/Real Commercial Property Price Indices, November 7, 2011, available at *http://web.mit.edu/cre/research/credl/rca.html.*

Table 7

GSE Past Performance on the Low-Income Multifamily Goal, 2006-10

(Goals for 2010: 177,750 units for Fannie Mae; 161,250 units for Freddie Mac)

	Enterprise	
Year	Fannie Mae	Freddie Mac
2010	214,997	161,500
2009	234,492	166,680
2008	446,797	265,699
2007	391,768	297,711
2006	311,088	173,331

Source: Official performance as determined by FHFA for 2010; performance if the goal performance if the goal had been in effect, as calculated by FHFA, for 2006-09. "Low-income" refers to units affordable to renters with incomes no greater than 80 percent of Area Median Income (AMI), based on a rental proxy.

Note: Figures do not include units financed by the purchase of commercial mortgage-backed securities (CMBS). Data on units financed including and excluding CMBS for 2001-09 are contained in the final rule establishing the housing goals for 2011, as published in the *Federal Register*, Table 7, 9/14/10, p. 55918.

Multifamily Very Low-Income Subgoal. The multifamily very low-income housing subgoal includes units affordable to very low-income families (those with incomes no greater than 50 percent of AMI). Enterprise financing of rental units for very low-income families over the 2006–2010 period is reported in Table 8. On average, from 2006 to 2009, Fannie Mae financed 83,000 such units each year, peaking at 95,000 units in 2008, and Freddie Mac financed 39,000 such units each year, peaking at 59,000 units in 2007. The 2010–2011 housing goals regulation set the minimum subgoal for Fannie Mae at 42,750 very low-income multifamily units, and for Freddie Mac at 21,000 such units, which was below the Enterprises' average levels of purchases in 2006–2009. FHFA determined that Fannie Mae financed 53,908 very low-income multifamily units in 2010, 126 percent of its subgoal, while Freddie Mac financed 29,650 such units in 2010, 141 percent of its subgoal.

Table 8

GSE Past Performance on the Very Low-Income Multifamily Subgoal, 2006-10

(Subgoals for 2010: 42,750 units for Fannie Mae; 21,000 units for Freddie Mac)

	Enterprise	
Year	Fannie Mae	Freddie Mac
2010	53,908	29,656
2009	60,466	20,302
2008	95,308	42,835
2007	88,369	59,490
2006	86,894	34,256

Source: Official performance as determined by FHFA for 2010; performance if the goal had been in effect, as calculated by FHFA, for 2006-09. "Very low-income" refers to units affordable to renters with incomes no greater than 50 percent of Area Median Income (AMI), based on a rental proxy.

Note: Figures do not include units financed by the purchase of commercial mortgage-backed securities (CMBS). Data on units financed including and excluding CMBS for 2001-09 are contained in the final rule establishing the housing goals for 2011, as published in the *Federal Register*, Table 8, 9/14/10, p. 55919.

Financing of Low-Income Units in Small Multifamily Properties. Section 1333(a)(3) of the Safety and Soundness Act, as revised by HERA, provides that the Director shall require each Enterprise to report on its purchases of mortgages on multifamily housing ''of a smaller or limited size that is affordable to low-income families.'' [38] FHFA defined such small multifamily properties as those containing 5 to 50 units, which is consistent with industry practice.

Small multifamily housing plays an important role as a source of affordable rental housing. According to the 2007 American Housing Survey, multifamily properties containing 5 to 49 units constituted 77 percent of all multifamily units and 74 percent of multifamily units constructed in the previous 4 years. Table 9 reports information on low-income units in small multifamily properties (defined as those containing 5 to 50 units) that were financed by the Enterprises in 2006–2010.

[38] 12 U.S.C. 4563(a)(3).

Table 9

GSE Funding of Low-Income Units in Small Multifamily Properties, 2006-10

("Small mulitfamily properties" are those with 5-50 units)

	Enterprise	
Year	Fannie Mae	Freddie Mac
2010	12,460	459
2009	13,417	528
2008	42,668	1,682
2007	58,931	2,147
2006	40,587	773

Source: Funding as calculated by FHFA for 2006-10.
"Low-income" refers to units affordable to renters with incomes no greater than 80 percent of Area Median Income (AMI), based on a rental proxy.

Note: Figures do not include units financed by the purchase of commercial mortgage-backed securities (CMBS). Data on units financed including and excluding CMBS for 2001-09 are contained in the final rule establishing the housing goals for 2011, as published in the *Federal Register*, Table 9, 9/14/10, p. 55920.

Both Enterprises have decreased the volume of their purchases of small multifamily mortgages in the past few years due to a lack of CMBS issuances available for sale and a decline in the overall volume of small multifamily loans available for purchase. Fannie Mae financed 58,931 low-income units in small multifamily properties in 2007, and an average of 38,901 such units per year over the 2007–2009 period, but only 12,460 such units in 2010, or about a third of its 2006–2009 average. Freddie Mac has played a much smaller role in the small multifamily market, financing 2,147 low-income units in small multifamily properties in 2007, and an average of 1,283 such units per year in 2007–2009, but only 459 such units in 2010, also about a third of its 2007–2009 average. These figures do not include any units in small multifamily properties financed by the acquisition of CMBS, which are not eligible for housing goals credit in the 2010–2011 housing goals regulation.

3. Multifamily Mortgage Market Size

With demand for multifamily housing increasing, the multifamily mortgage market should continue to grow. The number of multifamily units completed in 2011 was 130,000, according to the U.S. Census Bureau.[39] The MBA estimates that multifamily mortgage originations totaled $48.9 billion in 2010. Most of those originations occurred in the second half of 2010. As a result of the improvement in multifamily housing performance in many areas of the country, FHFA anticipates an increase in multifamily originations for the period covered in this proposed rule. For purposes of this rulemaking, the proposed multifamily goals for both 2012 and 2013 reflect the performance of the overall multifamily market in 2011. The improvement in multifamily mortgage market fundamentals indicates that the 2011 market size was around $65 billion. The proposed new multifamily goals anticipate an increase in the overall multifamily market to approximately $75 billion in 2012 and $80 billion in 2013 and 2014.

As in prior years, multifamily housing goals are set separately for each Enterprise, and are measured in units rather than dollar volume. Several factors support continuing to establish different goal levels for each Enterprise. First, loan maturities will be increasing for both Fannie Mae and Freddie Mac from 2012 to 2014, but the increase for Fannie Mae will be much greater than for Freddie Mac, thus allowing Fannie Mae more opportunity to refinance maturing loans back into its portfolio. Second, consistent with the 2010–2011 housing goals regulation, multifamily units financed through CMBS purchases will not be goals-eligible. Historically, Freddie Mac has relied more heavily on purchasing CMBS to obtain goals-eligible units than Fannie Mae, so the exclusion of CMBS purchases has a greater impact on Freddie Mac's performance.

4. Ability of the Enterprise To Lead the Market in Making Multifamily Mortgage Credit Available

The multifamily housing market began to improve in many geographic areas in 2011 (*e.g.,* decreasing vacancy rates, increasing rents and rising property values). As discussed above, FHFA expects this improvement to continue through 2014. Fannie Mae and Freddie Mac have recently composed a larger than usual portion of the multifamily mortgage market. For example, the Enterprises estimate their average share of the multifamily mortgage market, excluding FHA-insured loans, was 37 percent in the period from 2004 to 2007, which peaked at 87 percent in 2009.

39 ''New Privately-Owned Housing Units Completed'', U.S. Census Bureau, May 16, 2012. *http://www.census.gov/construction/nrc/.*

By 2011, however, the Enterprises' multifamily mortgage market share declined to a little over 60 percent as traditional competitors such as life insurance companies, conduits and banks re-entered multifamily lending. The decline in Enterprise multifamily mortgage market share should continue through 2012–2014 as these traditional competitors increase their presence in the multifamily mortgage market.

5. Availability of Public Subsidies

Public subsidies for multifamily housing have been affected by the mortgage credit crisis. The value of low-income housing tax credits (LIHTCs), an important source of equity for new low-income housing, fell in 2009 but has recovered to a point where the LIHTC market is substantially healthier. Total equity raised through LIHTCs is forecasted to average $7.8 billion per year from 2013 to 2017 period, according to an Office of Management and Budget estimate.[40] This amount would be well above the estimated equity of $4.5 billion raised in 2009.[41] In 2007, before the mortgage crisis, around $9 billion in equity was raised through LIHTCs. Demand for LIHTCs should continue in strong rental markets. As LIHTC investments return to pre-2008 volumes, opportunities for the Enterprises to finance LIHTC properties and, therefore, goals-eligible units should increase.

6. Need To Maintain the Sound Financial Condition of the Enterprises

The financial condition of both Enterprises is discussed in more detail above. FHFA has considered the multifamily housing goals in light of the importance of the Enterprises to the housing market and in light of FHFA's duties as conservator to conserve and preserve the assets of the Enterprises. The proposed multifamily housing goal levels for 2012–2014 are aligned with safe and sound practices and market reality.

B. Multifamily Housing Goal Levels

The proposed rule would set different multifamily goals for each of the Enterprises, as was done in previous years. Reflecting a more robust multifamily market in the years 2012 through 2014, as well as an anticipated decline in market share of the Enterprises, the proposed rule would establish the multifamily special affordable housing goals and subgoals as follows:

Multifamily Low-Income Housing Goals. The proposed annual goal for Fannie Mae's purchases of mortgages on multifamily residential housing affordable to low-income families is at least 251,000 dwelling units for 2012, at least 245,000 dwelling units for 2013, and at least 223,000 dwelling units for 2014. The proposed annual goal for Freddie Mac's purchases of mortgages on multifamily residential housing affordable to low-income families is at least 191,000 dwelling units for 2012, at least 203,000 dwelling units for 2013, and at least 181,000 dwelling units in 2014.

Multifamily Very Low-Income Housing Subgoals. The proposed annual subgoal for Fannie Mae's purchases of mortgages on multifamily residential housing affordable to very low-income families is at least 60,000 dwelling units for 2012, at least 59,000 dwelling units for 2013, and at least 53,000 dwelling units for 2014. The proposed annual subgoal for Freddie Mac's purchases of mortgages on multifamily residential housing affordable to very low-income families is at least 32,000 dwelling units in 2012, at least 31,000 dwelling units in 2013, and at least 27,000 dwelling units in 2014.

The proposed low-income goal and very low-income subgoal for the 2012–2014 period reflect the unusually high volume and market share the Enterprises experienced in 2011. FHFA believes this level of market share will gradually decrease in 2012 and beyond. In 2011, multifamily units financed by Fannie Mae increased by 35 percent over 2010 levels, while multifamily units financed by Freddie Mac increased by almost 25 percent. This was primarily due to a 50 percent increase in multifamily originations in terms of dollars in 2011 compared to 2010. Competition from CMBS issuers and banks and thrifts should increase in 2012. We anticipate that as competition increases, the Enterprises' market share will decline, as will the number of units they finance during the 2012–2014 period. FHFA has taken a conservative approach to setting the multifamily goals for 2012 to 2014 because of the difficulty of predicting changes in the market. FHFA may adjust the levels of the multifamily goals at a later date if market conditions so require.

VI. Special Counting Requirements

A. Multifamily Subordinate Liens

Section 1282.16(b)(10) of the current housing goals regulation excludes both single-family and multifamily subordinate lien mortgages from counting towards the housing goals, although it does not prohibit the purchase of Charter-compliant subordinate lien mortgages. The **SUPPLEMENTARY INFORMATION** to the 2010–2011 housing goals final rule indicated that FHFA might solicit further public comment on whether multifamily subordinate lien mortgages should be counted for purposes of the housing goals.[42] However, FHFA has determined that it will not solicit such comments at this time. The current housing goals regulation that excludes both single-family and multifamily subordinate lien mortgages from counting towards the housing goals will remain in effect during the period covered by this proposed rule.

Multifamily subordinate liens are only available to borrowers who have an existing first lien mortgage from the Enterprises, therefore the property securing the first lien mortgage will have already been counted for housing goals purposes. Subordinate liens are available either to supplement the purchase proceeds in connection with the sale of an Enterprise funded property and assumption of the existing first lien mortgage by a buyer, or as an equity take out by an existing borrower who will either retain the proceeds or use them to fund property improvements. Equity take outs used for property improvements and upgrades may have the effect of repositioning a formerly affordable property so it can charge higher rents and be removed from the affordable stock. Because the purpose of the multifamily housing goals is to gauge the Enterprises' efforts to support the affordable housing needs of renters, FHFA has decided not to propose changes to the current housing goals regulation regarding counting of subordinate lien mortgages towards housing goals.

B. Multifamily Property Conversion

Section 1282.15(d) currently requires the Enterprises to use tenant income to determine the affordability of rental units where such information is available, and to use rent where income information is not available. Some commenters on the proposed 2010–2011 housing goals rule raised concerns that using current rental information could lead to counting a multifamily mortgage as ''affordable'' in cases where the property is expected to convert from affordable rents to market rate rents. FHFA indicated in the **SUPPLEMENTARY INFORMATION** to that rule that it expected

[40] ''2012 Q & A on the Housing Credit Program'', National Council of Sate Housing Agencies, April 18, 2012. *http://www.ncsha.org/resource/2012-qa-housing-credit-program.*

[41] LIHTC Market Gets its Mojo Back'', Tax Credit Advisor, housingonline.com, February 2011.

[42] *See* 75 FR 55892, 55924 (Sept. 14, 2010).

to address this issue in a subsequent rulemaking.[43]

For a variety of reasons, mortgages that result in the conversion of multifamily properties from affordable rents to market rate rents are not likely to receive housing goals credit. The Enterprise underwriting standards for multifamily properties use actual rents, as provided on the property rent roll at the time of underwriting, rather than post-conversion projected rents. This limits the likelihood that an Enterprise will purchase a multifamily mortgage where the financing depends on increases in the current rents. The Enterprises may still purchase such loans indirectly through purchases of CMBS. For example, in one well-publicized case in New York City, rent-regulated properties were purchased by investors intent on raising rents to market levels. Both Enterprises invested in a total of $3 billion in private label CMBS that financed the purchases and received housing goals credit for these transactions under the housing goals regulation then in effect. However, FHFA's current regulation specifies that purchases of PLS, including CMBS, are ineligible for housing goals credit. Accordingly, these transactions would not have received housing goals credit under the current regulation.[44]

Because it is unlikely that an Enterprise would receive housing goals credit for a mortgage that finances the conversion of a multifamily property from affordable rents to market rate rents, FHFA is not proposing any change to the rules for determining affordability for multifamily mortgages. However, in view of public and congressional concerns in this area, FHFA requests comment on whether the housing goals regulation should be amended to address the possibility that a multifamily mortgage financing the conversion of a property from affordable rents to market rate rents could be treated as affordable under the Enterprise housing goals. In particular, FHFA requests comment on whether § 1282.15(d) should be revised to require the Enterprises to use projected rents to determine affordability if such projected rents are available. Such a change would require the Enterprises to determine, to the best of their knowledge, that a specific property owner does not anticipate the purchase of affordable units in properties with the goal of converting those rents to market rents.

[43] *See* 75 FR 55926.

[44] It is also worth noting that subsequent litigation resulted in restrictions on the owners' ability to convert to market rents.

VII. Paperwork Reduction Act

The proposed rule does not contain any information collection requirement that requires the approval of the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*).

VIII. Regulatory Flexibility Act

The Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) requires that a regulation that has a significant economic impact on a substantial number of small entities, small businesses, or small organizations must include an initial regulatory flexibility analysis describing the regulation's impact on small entities. Such an analysis need not be undertaken if the agency has certified that the regulation will not have a significant economic impact on a substantial number of small entities. 5 U.S.C. 605(b). FHFA has considered the impact of the proposed rule under the Regulatory Flexibility Act.

The General Counsel of FHFA certifies that the proposed rule, if adopted as a final rule, is not likely to have a significant economic impact on a substantial number of small entities because the regulation is applicable only to the Enterprises, which are not small entities for purposes of the Regulatory Flexibility Act.

List of Subjects in 12 CFR Part 1282

Mortgages, Reporting and recordkeeping requirements.

Authority and Issuance

For the reasons stated in the Supplementary Information, under the authority of 12 U.S.C. 4511, 4513, and 4526, FHFA proposes to amend part 1282 of title 12 of the Code of Federal Regulations as follows:

PART 1282—ENTERPRISE HOUSING GOALS AND MISSION

1. The authority citation for part 1282 is amended to read as follows:

Authority: 12 U.S.C. 4501, 4502, 4511, 4513, 4526, 4561–4566.

2. Amend § 1282.12 by revising paragraphs (c)(2), (d)(2), (f)(2) and (g)(2) to read as follows:

§ 1282.12 Single-family housing goals.

* * * * *

(c) * * *

(2) The benchmark level, which for 2012, 2013 and 2014 shall be 20 percent of the total number of purchase money mortgages purchased by that Enterprise in each year that finance owner-occupied single-family properties.

(d) * * *

(2) The benchmark level, which for 2012, 2013 and 2014 shall be 7 percent of the total number of purchase money mortgages purchased by that Enterprise in each year that finance owner-occupied single-family properties.

* * * * *

(f) * * *

(2) The benchmark level, which for 2012, 2013 and 2014 shall be 11 percent of the total number of purchase money mortgages purchased by that Enterprise in each year that finance owner-occupied single-family properties.

(g) * * *

(2) The benchmark level, which for 2012, 2013 and 2014 shall be 21 percent of the total number of refinancing mortgages purchased by that Enterprise in each year that finance owner-occupied single-family properties.

3. Amend § 1282.13 by revising paragraphs (b) and (c) to read as follows:

§ 1282.13 Multifamily special affordable housing goal and subgoal.

* * * * *

(b) *Multifamily low-income housing goal.*—(1) For the year 2012, the goal for each Enterprise's purchases of mortgages on multifamily residential housing affordable to low-income families shall be, for Fannie Mae, at least 251,000 dwelling units affordable to low-income families in multifamily residential housing financed by mortgages purchased by that Enterprise, and for Freddie Mac, at least 191,000 such dwelling units.

(2) For the year 2013, the goal for each Enterprise's purchases of mortgages on multifamily residential housing affordable to low-income families shall be, for Fannie Mae, at least 245,000 dwelling units affordable to low-income families in multifamily residential housing financed by mortgages purchased by that Enterprise, and for Freddie Mac, at least 203,000 such dwelling units.

(3) For the year 2014, the goal for each Enterprise's purchases of mortgages on multifamily residential housing affordable to low-income families shall be, for Fannie Mae, at least 223,000 dwelling units affordable to low-income families in multifamily residential housing financed by mortgages purchased by that Enterprise, and for Freddie Mac, at least 181,000 such dwelling units.

(c) *Multifamily very low-income housing subgoal.*—(1) For the year 2012, the subgoal for each Enterprise's purchases of mortgages on multifamily residential housing affordable to very low-income families shall be, for Fannie Mae, at least 60,000 dwelling units affordable to very low-income families in multifamily residential housing financed by mortgages purchased by that Enterprise, and for Freddie Mac, at least 32,000 such dwelling units.

(2) For the year 2013, the subgoal for each Enterprise's purchases of mortgages on multifamily residential housing affordable to very low-income families shall be, for Fannie Mae, at least 59,000 dwelling units affordable to very low-income families in multifamily residential housing financed by mortgages purchased by that Enterprise, and for Freddie Mac, at least 31,000 such dwelling units.

(3) For the year 2014, the subgoal for each Enterprise's purchases of mortgages on multifamily residential housing affordable to very low-income families shall be, for Fannie Mae, at least 53,000 dwelling units affordable to very low-income families in multifamily residential housing financed by mortgages purchased by that Enterprise, and for Freddie Mac, at least 27,000 such dwelling units.

Dated: June 5, 2012.

Edward J. DeMarco,

Acting Director, Federal Housing Finance Agency.

[FR Doc. 2012–14105 Filed 6–8–12; 8:45 am]

BILLING CODE 8070–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2012–0602; Directorate Identifier 2009–SW–061–AD]

RIN 2120–AA64

Airworthiness Directives; Schweizer Aircraft Corporation

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes to adopt a new airworthiness directive (AD) for Schweizer Aircraft Corporation (Schweizer) Model 269D and Model 269D Configuration A helicopters. The type certificate for these models is currently held by Sikorsky Aircraft Corporation (Sikorsky). This proposal is prompted by reports of loose horizontal stabilizers and cracks in the stabilizer-support structure for the extruded tailboom. The AD would require inspecting the aft fuselage assembly in the area around the attachment point of the horizontal stabilizer, including the paint, for a crack. This AD also would require inspecting the tailboom interior support structure, and if necessary, installing an inspection panel kit in the aft fuselage assembly, and installing doublers in the stabilizer support brackets. The actions specified by the proposed AD are intended to prevent separation of the horizontal stabilizer from the helicopter and subsequent loss of control of the helicopter.

DATES: We must receive comments on this proposed AD by August 10, 2012.

ADDRESSES: You may send comments by any of the following methods:

- *Federal eRulemaking Docket:* Go to *http://www.regulations.gov.* Follow the online instructions for sending your comments electronically.
- *Fax:* 202–493–2251.
- *Mail:* Send comments to the U.S. Department of Transportation, Docket Operations, M–30, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue SE., Washington, DC 20590–0001.
- *Hand Delivery:* Deliver to the ''Mail'' address between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

Examining the AD Docket

You may examine the AD docket on the Internet at *http://www.regulations.gov* or in person at the Docket Operations Office between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this proposed AD, the economic evaluation, any comments received, and other information. The street address for the Docket Operations Office (telephone 800–647–5527) is in the **ADDRESSES** section. Comments will be available in the AD docket shortly after receipt.

For service information identified in this proposed AD, contact Sikorsky Aircraft Corporation, Attn: Manager, Commercial Technical Support, mailstop s581a, 6900 Main Street, Stratford, CT 06614; telephone (800) 562–4409; email *tsslibrary@sikorsky.com;* or at *http://www.sikorsky.com.* You may review copies of the referenced service information at the FAA, Office of the Regional Counsel, Southwest Region, 2601 Meacham Blvd., Room 663, Fort Worth, Texas 76137.

FOR FURTHER INFORMATION CONTACT: Stephen Kowalski, Aviation Safety Engineer, New York Aircraft Certification Office, Engine & Propeller Directorate, 1600 Stewart Ave. suite 410, Westbury, NY 11590; telephone (516) 228–7327; email *stephen.kowalski@faa.gov.*

SUPPLEMENTARY INFORMATION:

Comments Invited

We invite you to participate in this rulemaking by submitting written comments, data, or views. We also invite comments relating to the economic, environmental, energy, or federalism impacts that might result from adopting the proposals in this document. The most helpful comments reference a specific portion of the proposal, explain the reason for any recommended change, and include supporting data. To ensure the docket does not contain duplicate comments, commenters should send only one copy of written comments, or if comments are filed electronically, commenters should submit only one time.

We will file in the docket all comments that we receive, as well as a report summarizing each substantive public contact with FAA personnel concerning this proposed rulemaking. Before acting on this proposal, we will consider all comments we receive on or before the closing date for comments. We will consider comments filed after the comment period has closed if it is possible to do so without incurring expense or delay. We may change this proposal in light of the comments we receive.

Discussion

This document proposes adopting a new AD for the Schweizer Model 269D and Model 269D Configuration A helicopters, serial numbers 0001 to 0062A, with aft fuselage assembly part number (P/N) 269D3300–1 installed. This proposal is prompted by reports of loose horizontal stabilizers and cracks in the support structure for the extruded tailboom. The actions specified by the proposed AD are intended to prevent separation of the horizontal stabilizer from the helicopter and subsequent loss of control of the helicopter.

FAA's Determination

We are proposing this AD because we evaluated all known relevant information and determined that an unsafe condition exists and is likely to exist or develop on other products of the same type design.

Related Service Information

We have reviewed Schweizer Service Bulletin DB–018.3, dated December 13, 2007 (SB), which specifies inspecting for cracks in the fuselage assemblies and installing an inspection panel kit and stabilizer mount doublers. The Type Certificate for these helicopters transferred from Schweizer to Sikorsky on September 26, 2011.