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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: Final rule.

SUMMARY: The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act) requires the Federal Housing Finance Agency (FHFA) to establish annual housing goals for mortgages purchased by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, the Enterprises). FHFA previously established housing goals for the Enterprises through 2011. This final rule establishes new levels for the housing goals for 2012 through 2014, consistent with the requirements of the Safety and Soundness Act.

DATES: This rule is effective December 13, 2012.

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SUPPLEMENTARY INFORMATION:

I. Background

A. Statutory and Regulatory Background

The Safety and Soundness Act, as amended by the Housing and Economic Recovery Act of 2008 (HERA), provides for the establishment, monitoring and enforcement of housing goals for Fannie Mae and Freddie Mac.[1] FHFA previously established housing goals for the Enterprises for 2010 and 2011 through a final rule published on September 14, 2010.[2]

Section 1332(a) of the Safety and Soundness Act requires FHFA to establish three single-family owner-occupied purchase money mortgage goals, one subgoal, and one single-family refinancing mortgage goal. The single-family housing goals target:

- Home purchase mortgages for
  - Low-income families,
  - Families that reside in low-income areas (goal and subgoal), and
  - Very low-income families; and
- Refinancing mortgages for low-income families.[3]

Section 1333(a) of the Safety and Soundness Act requires FHFA to establish one multifamily special affordable housing goal, as well as providing for a multifamily special affordable housing subgoal. These target multifamily housing affordable to:

- Low-income families, and
- 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 retaining 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 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 continuing 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

[1] *See* 12 U.S.C. 4561–4566.

[2] *See* 75 FR 55892 (September 14, 2010).

[3] *See* 12 CFR 1282.12.

[4] *See* 12 CFR 1282.13.

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.

II. Proposed Rule

On June 11, 2012, FHFA published in the **Federal Register** a proposed rule to establish new levels for the Enterprise housing goals for 2012 through 2014. The 45-day comment period closed July 26, 2012.[5]

A. Summary of Comments

FHFA received a total of 23 comments on the proposed rule; all are available on FHFA's Web site, *http://www.fhfa.gov.* Comments were received from six trade associations, ten housing or other advocacy organizations, five individuals, and both Enterprises. A number of the comments addressed issues specific to this rulemaking, including comments on the proposed benchmark levels for the single-family housing goals, comments on the proposed levels for the multifamily housing goals, and comments on the treatment of certain multifamily properties under the housing goals. These comments are discussed in more detail in the sections below pertaining to each of these issues.

FHFA also received comments on issues that were outside the scope of this rulemaking. For example, FHFA received comments recommending, among other things: (1) That chattel (personal property) mortgages on manufactured housing should count toward the housing goals; (2) that FHFA should award goals credit to the Enterprises for ''prioritizing their relationship'' with housing finance agencies; (3) that FHFA should establish a subgoal to the low-income refinance goal for low-income loan modifications; and (4) that FHFA should take into account forthcoming regulations with regard to ''qualified mortgages'' and ''qualified residential mortgages.'' In addition, FHFA received comments addressing issues not related to the Enterprise housing goals. FHFA has reviewed all comments received in response to the proposed rule, but comments that raised issues beyond the scope of the proposed rule are not addressed in this final rule.

B. Use of Term ''Minority''

FHFA received one comment letter from an advocacy organization questioning the use of the term ''minority'' in the proposed rule. FHFA has determined that the consideration of race in establishing the housing goals is appropriate and necessary to address specific provisions in the Safety and Soundness Act.

Specifically, section 1332(a) of the Safety and Soundness Act requires the Director to establish a single-family housing goal for families that reside in low-income areas, which are defined in section 1303 of the Safety and Soundness Act to include low- and moderate-income families in census tracts where at least 30 percent of the population consists of minorities. In order for FHFA to establish the housing goal for families that reside in low-income areas, it is necessary for FHFA to consider the distribution of minorities among different census tracts.

III. Summary of Final Rule

The final rule establishes new benchmark levels for the single-family housing goals for 2012, 2013 and 2014.[6] The final rule lowers the benchmark levels for these goals from those in effect for 2010 and 2011, but raises the low-income home purchase goal level above the level in the proposed rule, and lowers the low-income refinance goal level from that in the proposed rule. The final rule also establishes new levels for the multifamily housing goals for 2012–2014. Both Enterprises exceeded the multifamily housing goal levels for 2011, and the final rule increases those goal levels above the 2010–2011 levels. However, in light of uncertainty about the multifamily market, and the Enterprises' role in that market, the goal levels for 2013 are set below the 2012 level, and are further decreased for 2014. The final rule does not make any other changes to the housing goals that have been in effect since 2010.

Specifically, the proposed and final goals are:

	2012	2013	2014
Low-income home purchase goal:			
Proposed rule	....	20%	....
Final rule	....	23%	....
Very-low income home purchase goal:			
Proposed rule	....	7%	....
Final rule	....	7%	....
Low-income areas home purchase subgoal:			
Proposed rule	....	11%	....
Final rule	....	11%	....
Low-income areas home purchase goal:			
Proposed rule	20%	NA	NA
Final rule	20%	NA	NA
Low-income refinance goal:			
Proposed rule	....	21%	....
Final rule	....	20%	....

Multifamily special affordable goals (low-income units):

[5] *See* 77 FR 34263 (June 11, 2012).

[6] The low-income areas goal in a given year includes Federally-declared disaster areas from the previous three years, thus this goal will not be determined for 2013 until January 2013 and for 2014 until January 2014.

	2012	2013	2014
Fannie Mae:			
Proposed rule	251,000	245,000	223,000
Final rule	285,000	265,000	250,000
Freddie Mac:			
Proposed rule	191,000	203,000	181,000
Final rule	225,000	215,000	200,000

Multifamily special affordable subgoals (very low-income units):

	2012	2013	2014
Fannie Mae:			
Proposed rule	60,000	59,000	53,000
Final rule	80,000	70,000	60,000
Freddie Mac:			
Proposed rule	32,000	31,000	27,000
Final rule	59,000	50,000	40,000

IV. Single-Family Housing Goals

A. Analysis of Factors for Single-Family Housing Goals

Section 1332(e)(2) of the Safety and Soundness Act 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.[7]

FHFA's consideration of the size of the market for each housing goal includes consideration of the percentage of goal-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.[8] FHFA's analysis of each of the factors, which has been updated since the proposed rulemaking, is set forth below.

[7] 12 U.S.C. 4562(e)(2).

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

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 was 65.6 percent in the second 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 second quarter of 2012. For black households, the decline was more pronounced, going from a peak of 49.1 percent in 2004 to 43.8 percent in the second 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 46.5 percent in the second quarter of 2012.

The homeowner vacancy rate—the proportion of housing inventory for homeowners that is vacant and for sale—dropped slightly to 2.1 percent in the second 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.[9]

[9] *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/.*

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 percent used the Veterans Administration (VA) loan program.

For 2011, NAR reported that existing home sales were up by 1.7 percent from 2010, and sales through August 2012 are running an additional 7.4 percent above the 2011 level. New home sales for 2011, as reported by the Census Bureau, were down by 5.3 percent from 2010, but sales through August 2012 are running at a rate of 18.1 percent above the 2011 level. A composite index of housing affordability for July 2012 showed that families earning the median income had 182.0 percent of the income needed to purchase a median-priced existing single-family home, which is very high by historical standards.

HMDA data for 2011, the most recent year for which such data are available, indicated that in comparison with 2010, applications for conventional home purchase loans from black borrowers fell by 1 percent, following a 31 percent decrease in 2010. Applications by Hispanic borrowers increased by 2 percent in 2011, following a 34 percent decrease in 2010. Applications from white borrowers were unchanged in 2011, following a 23 percent decrease in 2010.

Denial rates for black and Hispanic applicants, however, decreased from 2009 to 2011. For black applicants, the denial rate dropped from 32.3 percent in 2009 to 30.9 percent in 2010 and 2011, while the denial rate for Hispanics dropped from 25.6 percent in 2009 to 22.9 percent in 2010 and 21.7 percent in 2011.[10]

Low housing prices impacted 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.[11] 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, including some state foreclosure rules that significantly lengthen foreclosure times. Some housing analysts project higher foreclosure rates in 2012, with a downward trend beginning in 2013. As of the second quarter of 2012, the share of underwater mortgages was at a near-record high of 22.3 percent, and 4.7 percent of mortgaged homes had less than 5 percent equity.[12] The concentration of underwater borrowers is even higher for non-Enterprise loans. FHFA has estimated that less than 10 percent of borrowers with Enterprise loans had 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).[13]

According to the Mortgage Bankers Association (MBA), single-family mortgage activity totaled $363 billion in the first quarter of 2012, compared to $302 billion in the first quarter of 2011. Total originations in 2011 were $1,262 billion, with 68 percent of the total being refinancings.[14]

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.[15] In the near term, underwriting standards can be expected to continue to be conservative. 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

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 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 of nearly 40 percent in 2010 before falling to 30 percent in 2011, as measured by HMDA data. FHA announced last year an annual mortgage insurance (MI) premium increase of 25 basis points, effective April 18, 2011.[16]

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 114,000 in September 2012, following increases of 181,000 in July and 142,000 in August. The unemployment rate has steadily fallen from 9.1 percent in August 2011 to 7.8 percent in September 2012. NeighborWorks, a national network of community-based organizations actively involved in foreclosure mitigation counseling, has 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).[17] 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.

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.[18] 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,

[10] *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;* ''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;* and ''The Mortgage Market in 2011: Highlights from the Data Reported under the Home Mortgage Disclosure Act,'' available at *http://www.federalreserve.gov/pubs/bulletin/2012/pdf/2011_HMDA.pdf.*

[11] *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.*

[12] *See* CoreLogic ''Q22012 Negative Equity Report,'' available at: *http://www.corelogic.com/about-us/researchtrends/asset_upload_file486_16724.pdf.*

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

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

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

[16] *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.*

[17] *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.*

[18] *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.*

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 Mac 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, thus FHFA is reducing the low-income refinance goal from 21 percent in the proposed rule to 20 percent in this final rule.

3. The Performance and Effort of the Enterprises Toward Achieving the Single-Family 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 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 the Enterprises' performance on these single-family goals in 2010–2011 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 and 2011 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 or 2011.

Low-Income Families Home Purchase 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).[19] As indicated in Table 1, Fannie Mae's performance in 2011 (25.8 percent) was comparable to its performance in 2010 (25.1 percent) and 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 2011 (23.3 percent) was below its performance in 2010 (26.8 percent) but comparable with what it would have been in any year from 2006–2009 (22.1 percent–25.4 percent).

Very Low-Income Families Home Purchase 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 2011 (7.6 percent) was comparable to its performance in 2010 (7.2 percent) and 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 2011 (6.6 percent was below its performance in 2010 (7.9 percent), but comparable with what it would have been in the 2006–2009 period (5.3 percent–7.2 percent).

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

Table 1
GSE Past Performance on the Low-Income Home Purchase Goal, 2006-11

Year	Type of Home Purchase (HP) Mortgages	Benchmark	Enterprise: Fannie Mae	Enterprise: Freddie Mac	Market Share (HMDA)
2011	Low-Income HP Mortgages		120,597	60,682	
	Total HP Mortgages		467,066	260,796	
	Low-Inc. % of HP Mortgages	27%	25.8%	23.3%	26.5%
2010	Low-Income HP Mortgages		120,430	82,443	
	Total HP Mortgages		479,200	307,555	
	Low-Inc. % of HP Mortgages	27%	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	NA	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	NA	23.1%	24.3%	25.5%
2007	Low-Income HP Mortgages		383,129	248,434	
	Total HP Mortgages		1,471,242	1,008,064	
	Low-Inc. % of HP Mortgages	NA	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	NA	27.7%	22.1%	24.2%

Source: Official performance as determined by FHFA for 2010-11; 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).

Note--As indicated, both Enterprises' official performance for 2011 fell short of the benchmark level of 27 percent. To determine whether an Enterprise's performance exceeded or fell short of the goal, FHFA has also compared official performance figures with the low-income share of conventional conforming home purchase mortgages originated in the primary mortgage market in 2011, based on FHFA analysis of data submitted by lenders to the Federal Financial Institutions Examination Council (FFIEC), in accordance with the Home Mortgage Disclosure Act (HMDA).
These results are shown in the last column.

Table 2
GSE Past Performance on the Very Low-Income Home Purchase Goal, 2006-11

Year	Type of Home Purchase (HP) Mortgages	Benchmark	Enterprise Fannie Mae	Enterprise Freddie Mac	Market Share (HMDA)
2011	Very Low-Income HP Mortgages		35,443	17,303	
	Total HP Mortgages		467,066	260,796	
	Very Low-Inc. % of HP Mortgages	8%	7.6%	6.6%	8.0%
2010	Very Low-Income HP Mortgages		34,673	24,276	
	Total HP Mortgages		479,200	307,555	
	Very Low-Inc. % of HP Mortgages	8%	7.2%	7.9%	8.1%
2009	Very Low-Income HP Mortgages		42,571	29,870	
	Total HP Mortgages		582,673	415,897	
	Very Low-Inc. % of HP Mortgages	NA	7.3%	7.2%	8.8%
2008	Very Low-Income HP Mortgages		54,263	40,009	
	Total HP Mortgages		977,852	655,156	
	Very Low-Inc. % of HP Mortgages	NA	5.5%	6.1%	6.5%
2007	Very Low-Income HP Mortgages		93,543	60,549	
	Total HP Mortgages		1,471,242	1,008,064	
	Very Low-Inc. % of HP Mortgages	NA	6.4%	6.0%	6.2%
2006	Very Low-Income HP Mortgages		100,148	47,008	
	Total HP Mortgages		1,295,986	895,049	
	Very Low-Inc. % of HP Mortgages	NA	7.7%	5.3%	5.9%

Source: Official performance as determined by FHFA for 2010-11; 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).

Note: As indicated, both Enterprises' official performance for 2011 fell short of the benchmark level of 8 percent. To determine whether an Enterprise's performance exceeded or fell short of the goal, FHFA has also compared official performance figures with the very low-income share of conventional conforming home purchase mortgages originated in the primary mortgage market in 2011, based on FHFA analysis of data submitted by lenders to the Federal Financial Institutions Examination Council (FFIEC), in accordance with the Home Mortgage Disclosure Act (HMDA).
These results are shown in the last column.

Low-Income Areas Home Purchase 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 2011 (22.4 percent) was below its performance in 2010 (24.0 percent) and also lower than it would have been in 2009 (26.9 percent) and in 2008 (25.5 percent). Freddie Mac's performance in 2011 (19.2 percent) was much lower than in 2010 (23.0 percent) and also much 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.[20] As indicated in Table 3, Fannie Mae's performance on the subgoal in 2011 (11.6 percent) was somewhat lower than in 2010 (12.4 percent) and also 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 2011 (9.2 percent) was lower than in 2010 (10.4 percent) and also lower than it would have been in 2009 (11.6 percent) and in 2008 (15.2 percent).

[20] 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, 2009-11, Based on 2000 Census Tracts

Year	Type of Home Purchase (HP) Mortgages	Benchmark	Enterprise Fannie Mae	Enterprise Freddie Mac	Market Share (HMDA)
2011	Low-Income Tract HP Mortgages		40,736	18,270	
	High-Minority Tract HP Mortgages		13,549	5,632	
	Subgoal Qualifying Mortgages		54,285	23,902	
	Total HP Mortgages		467,070	260,796	
	Subgoal Qualifying % of Mortgages	13%	11.6%	9.2%	11.4%
	Disaster Area HP Mortgages		50,209	26,232	
	Goal-Qualifying Mortgages		104,494	50,134	
	Goal Qualifying % of Mortgages	24%	22.4%	19.2%	22.0%
2010	Low-Income Tract HP Mortgages		44,467	23,928	
	High-Minority Tract HP Mortgages		14,814	8,161	
	Subgoal Qualifying Mortgages		59,281	32,089	
	Total HP Mortgages		479,201	307,556	
	Subgoal Qualifying % of Mortgages	13%	12.4%	10.4%	12.1%
	Disaster Area HP Mortgages		56,076	38,898	
	Goal-Qualifying Mortgages		115,357	70,876	
	Goal Qualifying % of Mortgages	24%	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	NA	13.3%	11.6%	13.0%
	Disaster Area HP Mortgages		79,255	55,565	
	Goal-Qualifying Mortgages		156,754	103,962	
	Goal Qualifying % of Mortgages	NA	26.9%	25.0%	28.1%

Source: Official performance as determined by FHFA for 2010-11; performance if the goal had been in effect, as calculated by FHFA, for 2009. See definition of "Low-income Area" in text. The goal and subgoal were set for 2010-11 based on low-income and high-minority tracts from the 2000 census, and official performance was also calculated on this basis. The goal and subgoal for 2012-14 are based on low-income and high-minority tracts from the 2010 census.

Note: As indicated, both Enterprises' official performance on the goal for 2011 fell short of the benchmark of 24 percent, and their official performance on the 2011 subgoal also fell short of the benchmark of 13 percent.
To determine whether an Enterprise's performance exceeded or fell short of the 2011 goal and subgoal, FHFA has also compared official performance figures with the corresponding shares of conventional conforming home purchase mortgages originated in the primary mortgage market in 2011, based on FHFA analysis of data submitted by lenders to the Federal Financial Institutions Examination Council (FFIEC), in accordance with the Home Mortgage Disclosure Act (HMDA).
These results are shown in the last column.

Low-Income Families 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.

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 2010–11, 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 or 2011.

As indicated in Table 4, Fannie Mae's performance in 2011 (23.1 percent) was higher than in 2010 (20.9 percent) and comparable with what it would have been in 2006–2009 (23.0 percent–26.6 percent). Freddie Mac's performance in 2011 (23.4 percent) was higher than in 2010 (22.0 percent) and in 2009 (21.7 percent), but comparable with what it would have been in 2006–2008 (23.2 percent–26.0 percent).

Table 4
GSE Past Performance on the Low-Income Refinance Goal, 2006-11

Year	Type of Mortgage or Modification	Benchmark	Enterprise: Fannie Mae	Enterprise: Freddie Mac	Market Share (HMDA)
2011	Low-Income Refinance Mortgages		384,598	231,948	
	Total Refinance Mortgages		1,802,131	1,092,894	
	Low-Inc. % of Refinance Mortgages	NA	21.3%	21.2%	21.5%
	Low-Income Loan Modifications		45,656	35,625	
	Total Loan Modifications		64,124	52,910	
	Low-Inc. % of Loan Modifications	NA	71.2%	67.3%	NA
	Low-Income Total		430,254	267,573	
	Refinance plus Modification Total		1,866,255	1,145,804	
	Low-Inc. % of Refi. plus Loan Mod Total	21%	23.1%	23.4%	NA
2010	Low-Income Refinance Mortgages		373,105	286,741	
	Total Refinance Mortgages		1,934,270	1,378,578	
	Low-Inc. % of Refinance Mortgages	NA	19.3%	20.8%	20.2%
	Low-Income Refinance Loan Modifications		44,343	25,244	
	Total Refinance Loan Modifications		63,428	37,411	
	Low-Inc. % of Refinance Loan Modificati	NA	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	21%	20.9%	22.0%	NA
2009	Low-Income Refinance Mortgages		479,631	326,912	
	Total Refinance Mortgages		2,415,169	1,708,676	
	Low-Inc. % of Refinance Mortgages	NA	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 Modificati	NA	67.9%	67.7%	NA
	Low-Income Refinance Total		594,021	390,620	
	Refinance Total		2,583,606	1,802,738	
	Low-Inc. % of Refinance Total	NA	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	NA	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	NA	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	NA	26.6%	26.0%	24.8%

Source: Official performance as determined by FHFA for 2010-11; 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).

Note: As indicated, both Enterprises' official performance, including loan modifications, for 2011 exceeded the goal benchmark of 21 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. Policymakers have expressed concern with the extent of government support for housing. 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 statutory authority 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 encourage more private participation in the mortgage market. FHFA has taken into account all of the foregoing considerations in assessing the Enterprises' ability 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 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 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.[21] 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 just over 2.0 percent over the period. These industry observers also expect the unemployment rate to remain just above 8.0 percent during the remainder of 2012, and falling to 7.8 percent in the fourth quarter of 2013.

[21] 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%	26.5%	27.0%	26.3%
Very Low-Income Borrower HP Share	6.6%	5.5%	5.9%	6.1%	6.5%	8.8%	8.1%	8.0%	8.3%	8.2%
Low-Income Area HP Share	16.7%	15.3%	15.8%	16.2%	14.1%	13.0%	12.1%	11.4%	11.8%	11.9%
Low-Income Borrower Refi. Share	28.0%	26.0%	24.7%	24.2%	23.4%	20.8%	21.5%	21.5%	19.9%	22.6%
Real GDP	3.5%	3.1%	2.7%	1.9%	-0.3%	-3.1%	2.4%	1.8%	2.2%	2.1%
Nominal GDP	6.4%	6.5%	6.0%	4.9%	1.9%	-2.2%	3.8%	4.0%	4.0%	4.0%
Real Personal Consumption	3.3%	3.4%	2.8%	2.3%	-0.6%	-1.9%	1.8%	2.5%	1.9%	2.0%
Real Residential Construction	9.8%	6.2%	-7.4%	-18.7%	-23.9%	-22.4%	-3.7%	-1.4%	11.3%	9.8%
Inflation Rate (CPI, Y/Y % Change)	3.3%	3.7%	1.9%	4.0%	1.6%	1.4%	1.3%	3.3%	2.5%	2.1%
Core Infl. Rate (CPI, Y/Y % Change)	2.1%	2.1%	2.6%	2.3%	2.0%	1.7%	0.7%	2.2%	2.1%	1.9%
Core Infl. Rate (PCE, Y/Y % Change)	2.2%	2.3%	2.3%	2.4%	2.0%	1.7%	1.0%	1.8%	1.8%	1.9%
Unemployment Rate	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.2%	7.9%
10-Year Treasury Yield	4.3%	4.3%	4.8%	4.6%	3.7%	3.3%	3.2%	2.8%	1.8%	2.0%
1-Year Treasury Yield	1.9%	3.6%	4.9%	4.5%	1.8%	0.5%	0.3%	0.2%	0.2%	0.3%
Prime Rate	4.3%	6.2%	8.0%	8.1%	5.1%	3.3%	3.3%	3.3%	3.2%	3.3%
Federal Funds Target Rate	1.35%	3.22%	4.97%	5.02%	1.93%	0.16%	0.18%	0.10%	0.16%	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	613	748	906
Housing Starts, 1-Unit [1]	1,605	1,718	1,472	1,035	616	443	471	435	517	616
Total Home Sales [2]	7,929	8,356	7,563	5,805	4,588	4,710	4,506	4,590	4,938	5,285
New Home Sales [1]	1,201	1,279	1,049	768	482	374	321	307	370	464
Existing Home Sales [1]	6,727	7,077	6,514	5,037	4,106	4,336	4,185	4,283	4,590	4,824
Single-Family Originations [3]	$2,919	$3,120	$2,979	$2,430	$1,500	$1,815	$1,572	$1,262	$1,533	$1,187
Refinance Mortgage Share [4]	54%	49%	48%	51%	51%	66%	65%	68%	72%	52%
FHA Home Purchase Market Share [5]	7%	4%	4%	6%	25%	36%	35%	30%	29%	23%
ARM Market Share	34%	30%	21%	11%	7%	4%	5%	5%	6%	9%
Investor Share	11%	13%	13%	12%	12%	8%	9%	11%	10%	10%
30-Year Mortgage Fixed Rate [6]	5.8%	5.9%	6.4%	6.3%	6.0%	5.0%	4.7%	4.5%	3.7%	3.8%
1-Year ARM Rate [6]	3.9%	4.5%	5.5%	5.6%	5.2%	4.7%	3.8%	3.0%	2.8%	2.9%
Change in Housing Prices (FHFA ALL) [7]	10.2%	11.2%	4.7%	-0.8%	-6.4%	-4.7%	-1.6%	-2.9%	0.2%	3.2%
Change in Housing Prices (FHFA PO) [8]	11.6%	10.1%	3.1%	-2.3%	-9.6%	-1.6%	-4.0%	-2.3%	1.2%	1.4%
Change in Housing Prices (CS HPI) [9]	19.1%	16.1%	1.4%	-8.3%	-19.2%	-4.5%	-0.6%	-3.8%	1.5%	1.6%
Housing Affordability Index [10]	126	114	108	117	139	172	174	186	198	196
Median Sales Price - New Homes [11]	$218	$234	$243	$244	$230	$215	$221	$224	$230	$234
Median Sales Price - Existing Homes [11]	$193	$218	$222	$217	$197	$173	$172	$165	$174	$176

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)

[10] National Association of Realtors

[11] Thousands of dollars

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Interest rates. Affordability in the mortgage market depends 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 a 190 basis point spread reflecting the differences in liquidity and credit risk in 2012 and 180 basis point spread expected in 2013. With uncertainty in the financial markets of the European 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 maximum employment and price stability. In its September 12–13, 2012 meeting, the FOMC stated that it is committed to a low federal funds rate policy (at 0 to 0.25 percent) through mid-2015: ''[t]o support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the economic recovery strengthens.'' [22] This monetary policy, combined with the international demand for U.S. financial instruments, has led to historically low interest rates in the mortgage market. The longer term 30-year fixed-rate mortgage interest rate has fallen from 4.9 percent at the beginning of 2011 to 3.49 percent in Freddie Mac's September 20, 2012 Primary Mortgage Market Survey. Shorter term fixed- and adjustable-rate mortgage interest rates remain at historical lows, for example, on September 20, 2012, Freddie Mac reported that the average one-year adjustable-rate mortgage rate was 2.61 percent. 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 remain at historical lows, including the interest rate on a 30-year fixed-rate mortgage, which is expected to remain near 3.6 percent in the fourth quarter of 2012 and to only reach 3.9 percent by the fourth quarter of 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 fell during 2009 through 2011, but are expected to end 2012 up slightly from the fourth quarter 2011. House prices are expected to continue with modest increases through 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 5.3 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 2009 and 2011, 63 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 2009 to 2011 manufactured housing contribution to the goals market estimates by 80 percent for the home purchase mortgage goals and 40 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 and 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 27.0 percent and 26.3 percent, respectively. FHFA estimates that the very low-income borrower share of the home purchase mortgage market will be 8.3 percent for 2012 and 8.2 percent for 2013. FHFA estimates that the share of subgoal-qualifying mortgages in low-income areas in the home purchase mortgage market, excluding designated disaster areas, will be 11.8 percent in 2012 and 11.9 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 72 percent in 2012 and 52 percent in 2013, FHFA's market model estimates that 19.9 percent of refinance mortgages will be made to low-income borrowers in 2012 and 22.6 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 2 percent of the respondents saw an increase in the access to credit in the second quarter of 2012, and only 4 percent of the respondents saw an increase in the access to credit in the first quarter of 2012.[23]

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 2012–14 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.

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

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

[22] Federal Open Market Committee, *Press Release,* September 13, 2012.

[23] Federal Reserve Bank of Philadelphia, *Second Quarter 2012 Community Outlook Survey,* August 2012.

putting the Enterprises in sound and solvent condition.

B. Single-Family Housing Goal Benchmark Levels

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 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 May 2012. In addition, FHFA used the combined Enterprise performance data from January 2001 to July 2012 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.[24]

Summary of comments. FHFA received a number of comments on the benchmark levels of the single-family housing goals that were in the proposed rule. Three housing advocacy groups and one trade association stated that the proposed level for the low-income home purchase goal benchmark (20 percent) was too low. They pointed out that it was considerably below actual performance by both Enterprises in 2010 and 2011, which ranged from 23.3 percent to 26.8 percent. One of the advocacy groups said that a low level of this benchmark could become a ''self-fulfilling prophecy.''

One advocacy organization argued that FHFA should not use the lower end of the projected range of market estimates in setting this goal, and that it should ''supplement its econometric state space model with other forecasting techniques.'' A trade association stated that its forecast of the housing market is more positive than that projected by FHFA at the time of the proposed rule. An advocacy group noted that FHA's market share had declined between 2009 and 2011, and felt that this could lead to more goal-qualifying mortgages in the conventional market. Also, a trade association stated that the proposed low-income refinance goal (21 percent) was low relative to FHFA's market forecast for 2013.

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

FHFA determination. FHFA has updated its forecasts of the goal-qualifying shares of conventional conforming mortgages in 2012–2014, as explained elsewhere in this final rule. Based on new housing data, more recent forecasts from outside experts, and the factors described above, § 1282.12 of the final rule establishes the benchmark levels for the single-family housing goals for 2012, 2013, and 2014 as follows:

Housing goal for low-income families. The 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 23 percent of the total number of such mortgages purchased by that Enterprise, an increase from the 20 percent level in the proposed rule. This increase is supported by the fact that one of the statutory factors to be used in setting goals is past performance, which, as shown in Table 1, significantly exceeded the proposed goal level of 20 percent in 2010–2011.

Housing goal for very low-income families. The 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 7 percent of the total number of such mortgages purchased by that Enterprise, as in the proposed rule.

Housing subgoal for families in low-income areas. The 2012–2014 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, as in the proposed rule.

Housing goal 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. For 2012, this adjustment factor is 9 percentage points.

Impact of 2010 Census. This subgoal and goal were established for 2010–2011 based on data from the 2000 census. FHFA has also used 2000 census data in its modeling for forecasting the benchmark levels for the single-family housing goals. However, the Enterprises are in the process of transitioning from 2000 census data to 2010 census data as the basis for reporting performance on this goal and subgoal. Due to inadequate data, FHFA has not formulated this goal and subgoal in terms of 2010 census data, but FHFA notes that there was an increase in the number of low-income tracts and, especially, high-minority tracts between 2000 and 2010. Thus, FHFA anticipates that this transition will increase performance on this goal and subgoal.

Housing goal for refinancing mortgages. The 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 20 percent of the total number of such mortgages purchased by that Enterprise, a slight reduction from the 21 percent level in the proposed rule.

V. Multifamily Housing Goals

A. Analysis of Factors for Multifamily Housing Goals

Section 1333(a)(4) of the Safety and Soundness Act requires FHFA to consider the following six factors in setting the 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.[25]

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

1. National Multifamily Mortgage Credit Needs

In 2011, total multifamily mortgage originations increased by 60 percent as

[25] 12 U.S.C. 4563(a)(4).

commercial banks and thrifts significantly increased their multifamily lending, according to MBA survey data.[26] This trend has continued in the first half of 2012. Life insurance companies, and to a limited extent, commercial mortgage-backed securities (CMBS) issuers, increased their lending volumes in the first half of 2012 compared to the first half of 2011. As a result of traditional multifamily lenders re-entering the market, the Enterprises' market share in terms of dollars returned to pre-2008 levels.[27]

Record low interest rates and robust performance by the multifamily market have attracted banks and thrifts back to multifamily lending. Banks and thrifts have helped to fill in the void left by the exit of conduit lenders from multifamily lending in 2008. FHFA expects that in 2012 the Enterprises will likely see a decrease in their market share of originations, based on second quarter 2012 loan origination data provided by the MBA.[28] Freddie Mac's first half 2012 multifamily production was about $12 billion in financing, which is about 67 percent higher than in the first half of 2011. Likewise, Fannie Mae has seen a sharp increase in first half 2012 multifamily production volume. Through June 30, 2012, Fannie Mae had purchased around $14 billion in multifamily loans, compared to $10.5 billion in the first half of 2011. The Enterprises' market share should continue to decline over the 2013–2014 period, although the overall multifamily mortgage market should slowly grow as the economy recovers. In arriving at this conclusion, FHFA considered, among other factors, vacancy rates, demand for multifamily housing, interest rates, property values, and new multifamily starts.

Vacancy rates and demand for multifamily housing. Declining vacancy rates are usually associated with increased rents and greater investor interest in multifamily properties. According to the U.S. Census Bureau, rental vacancy rates fell from 9.2 percent in the second quarter of 2011 to 8.6 percent in the second quarter of 2012. ''Effective rents,'' which are the rents that tenants actually pay, increased at an annual rate of over 4 percent in markets tracked by Axiometrics, a provider of commercial real estate data.[29] Although vacancy rates decreased and property values and rents increased, multifamily construction permits were issued at an annualized rate of 274,000 in July 2012, which is still well below historical levels. Continued low interest rates and increased demand for multifamily housing should spur further increases 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. However, a rise in interest rates would likely temper any increase in multifamily mortgage activity in 2013–2014.

Property values. As of the end of June 2012, multifamily property values were up over 24 percent from their low point in the third quarter of 2009.[30] However, multifamily property values are still below peak levels reached in 2007. FHFA anticipates a continued rise in multifamily property values in most markets for the rest of 2012 and for the subsequent two years. Rising multifamily property values usually spur increased refinancings, property sales, and new construction activity.

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, as defined in HERA). 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 such units over this period, peaking at 298,000 units in 2007. The Enterprises followed different approaches to providing financing for affordable multifamily properties, with Freddie Mac relying to a significant extent on the purchase of CMBS or the issuance of Tax-Exempt Bond Securitizations, 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 per year, and the minimum goal for Freddie Mac at 161,250 such units per year, which were below the Enterprises' average levels of purchases in 2006–2009. FHFA determined that in 2010 Fannie Mae financed 214,997 low-income multifamily units, or 121 percent of its goal, while Freddie Mac financed 161,500 such units, or 100.2 percent of its goal. In 2011, Fannie Mae financed 301,244 low-income multifamily units, or 169 percent of its goal, while Freddie Mac financed 229,001 such units, or 142 percent of its goal.

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[26] MBA Analysis Pegs 2011 Multifamily Lending at $110.1 Billion, Up 60% from 2010, MBA October 4, 2012, *http://www.mortgagebankers.org/NewsandMedia/PressCenter/82273.htm.*

[27] Mortgage Bankers' Commercial/Multifamily Originations up 55 Percent to $184.3 Billion in 2011, MBA April 11, 2012, *http://www.mortgagebankers.org/NewsandMedia/PressCenter/80430.htm.*

[28] Second Quarter Commercial/Multifamily Mortgage Originations Up 25 Percent from Q2 2011, MBA July 31, 2012, *http://www.mortgagebankers.org/NewsandMedia/PressCenter/81459.htm.*

[29] ''Axiometrics: National Effective Rents Up Slightly In July,'' *MortgageOrb.com* (August 28, 2012), available at *http://www.mortgageorb.com/e107_plugins/content/content.php?content.12282.*

[30] ''June Swoon: CRE Pricing Recovery Hits Soft Patch,'' CoStar (August 2012), available at *http://www.costar.com/News/Article/June-Swoon-CRE-Pricing-Recovery-Hits-Soft-Patch/140696.*

Table 7

GSE Past Performance on the Low-Income Multifamily Goal, 2006-11

	Fannie Mae		Freddie Mac	
Year	Goal	Performance	Goal	Performance
2011	177,750	301,224	161,250	229,001
2010	177,750	214,997	161,250	161,500
2009	NA	234,492	NA	166,680
2008	NA	446,797	NA	265,699
2007	NA	391,768	NA	297,711
2006	NA	311,088	NA	173,331

Source: Official performance as determined by FHFA for 2010-11; 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, as defined in HERA). Enterprise financing of rental units for very low-income families over the 2006–2011 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 were below the Enterprises' average levels of loan purchases in 2006–2009. FHFA determined that, in 2010, Fannie Mae financed 53,908 very low-income multifamily units, or 126 percent of its subgoal, while Freddie Mac financed 29,650 such units, or 141 percent of its subgoal. In 2011, Fannie Mae financed 84,244 very low-income multifamily units, or 197 percent of its subgoal, while Freddie Mac financed 35,471 such units, or 169 percent of its subgoal.

Table 8

GSE Past Performance on the Very Low-Income Multifamily Subgoal, 2006-11

	Fannie Mae		Freddie Mac	
Year	Goal	Performance	Goal	Performance
2011	42,750	84,244	21,000	35,471
2010	42,750	53,908	21,000	29,656
2009	NA	60,466	NA	20,302
2008	NA	95,308	NA	42,835
2007	NA	88,369	NA	59,490
2006	NA	86,894	NA	34,256

Source: Official performance as determined by FHFA for 2010-11; 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 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.'' [31] Consistent with industry practice, FHFA has defined small multifamily properties as those containing 5 to 50 units.

Small multifamily properties play an important role as a source of affordable rental housing. According to the 2007 American Housing Survey, multifamily properties containing 5–50 units constituted 77 percent of all multifamily units and 74 percent of the multifamily units constructed in the previous 4 years. Table 9 reports information on low-income units in small multifamily properties that were financed by the Enterprises in 2006–2011.

[31] 12 U.S.C. 4563(a)(3).

Table 9

GSE Funding of Low-Income Units in Small Multifamily Properties, 2006-11

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

Year	Enterprise	
	Fannie Mae	Freddie Mac
2011	13,480	691
2010	12,552	365
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 all years.

"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 the final rule establishing the housing goals for 2010-11, as published in the *Federal Register*, Table 9, 9/14/10, p. 55920.

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Both Enterprises have decreased 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. This number declined to only 12,460 units in 2010 but rebounded to 22,382 units in 2011. Freddie Mac has played a smaller role in the small multifamily market, financing 2,147 low-income units in small multifamily properties in 2007, an average of 1,283 units per year in 2007–2009, but only 459 units in 2010. Freddie Mac increased its small multifamily purchases to 2,172 in 2011. 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 accordance with the 2010–2011 housing goals regulation. One trade association criticized the Enterprises for their lack of support for mortgages on small multifamily properties, and recommended reinstituting Department of Housing and Urban Development's 2001–2003 ''bonus points'' for purchase of such mortgages. It also stated that the Enterprises could do more work with state housing finance agencies in this area.

FHFA does not believe expansion of small multifamily lending would be appropriate during conservatorship given the increased risks, resources and origination costs required to serve this market and given that FHFA is striving to gradually shrink the Enterprises' footprint in the market and shift credit risk to private capital. FHFA will continue to require the Enterprises to report on their financing of low-income unit in such properties, but this final rule does not establish explicit goals for such mortgage purchases.

3. Multifamily Mortgage Market Size

With demand for multifamily housing increasing, the multifamily mortgage market should continue to grow, both in terms of total financing activity provided and total new multifamily units constructed. The number of new multifamily units completed in 2011 was 129,000, according to the U.S. Census Bureau. The Census Bureau estimates that, as of August 2012, the annualized number of new multifamily completions was 209,000, a significant increase over 2011.[32] As stated previously, MBA estimates that multifamily mortgage originations totaled about $110 billion in 2011. Based on part year 2012 survey data from the MBA, FHFA anticipates there will be about a 25 percent increase in total multifamily originations in 2012, which would put the market size at almost $137 billion. Thereafter, multifamily originations should decline to near levels seen from 2000 to 2008.

As in prior years, multifamily housing goals are set separately for each Enterprise and are measured in units rather than in 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 opportunities to refinance maturing loans currently in its portfolio which can be counted towards future housing goals. Second, consistent with the 2010–2011 housing goals regulation, multifamily units financed through CMBS purchases are not goals-eligible. Historically, Freddie Mac has relied more heavily on purchasing CMBS to obtain goals-eligible units than has Fannie Mae, so the exclusion of CMBS purchases has a greater impact on Freddie Mac's goals performance.

[32] ''New Residential Construction in August 2012,'' U.S. Census Bureau, (Sept. 19, 2012), *http://www.census.gov/construction/nrc/pdf/newresconst_201208.pdf.*

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

The multifamily housing market has continued to improve in many geographic areas during 2012 (*e.g.,* decreasing vacancy rates, increasing rents, rising property net operating income and rising property values). As discussed above, FHFA expects this improvement to continue through 2014. Fannie Mae and Freddie Mac have recently represented 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, before it jumped to 87 percent in 2009.

By 2011, however, the Enterprises' multifamily mortgage market share declined to about 57 percent as traditional competitors such as life insurance companies, pension funds and banks re-entered multifamily lending. The decline in Enterprise multifamily mortgage market share should continue through 2013–2014, 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), the most important source of equity for new low-income housing development, fell in 2009 but has since recovered to a point where the LIHTC market is substantially healthier. Total equity raised through the sale of LIHTCs in 2011 was estimated to be about $8 billion as compared to approximately $4.5 billion in 2009.[33] In 2007, before the mortgage crisis, about $9 billion in equity was raised through LIHTCs. Demand for LIHTCs should continue in strong rental markets and in markets where bank investors seek to meet Community Reinvestment Act (CRA) goals. As LIHTC investments return to pre-2008 volumes, opportunities for the Enterprises to finance LIHTC properties with 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 multifamily housing goal levels for 2012–2014 in the final rule are aligned with safe and sound practices, and market realities.

B. Multifamily Housing Goal Levels

Summary of comments. FHFA received a number of comments on the levels of the multifamily housing goals in the proposed rule. While most commenters thought the proposed goals were appropriate, several commenters said the goals should be increased, especially for very low-income units.

Three housing advocacy groups and one trade association supported the proposed levels of the low-income multifamily goals. One of these commenters and another housing advocacy group recommended that these goal levels be reexamined and possibly adjusted at a later date. However, one trade association doubted that FHFA would raise these goals at a later date.

One trade association and two housing advocacy groups stated that the proposed levels of both the low-income and very low-income multifamily housing goals were too low. One commenter specifically stated that the goals for 2014 should be increased. Fannie Mae stated that the proposed very low-income multifamily goal for Freddie Mac was very low, relative to its own goal. Freddie Mac made no comment on the proposed multifamily goals.

Fannie Mae presented detailed arguments to support its case that the proposed multifamily goals might be too high, relative to the 2010–2011 goals, and that they might be unattainable for 2013 and 2014 (though not for 2012), especially if the overall market is flat and its share of the market declines, as it anticipates, with the return of more private capital to the market.

Fannie Mae also stated that multifamily refinance volumes are likely to remain ''muted'' through 2014, following the heavy concentration of refinances in the 2005–2007 period.

FHFA determination. FHFA believes that the Enterprises' share of multifamily mortgage originations in 2012 and 2013 will remain near or somewhat above 2011 levels, because of the return of banks and thrifts to multifamily lending. The CMBS market may rebound in 2013 and 2014 if investors are willing to purchase the subordinated or ''B'' tranches of these securities.

FHFA notes that both Enterprises' low-income multifamily goal and very low-income multifamily subgoal performance last year exceeded the goals then in effect by wide margins. The Enterprises' 2011 performance also exceeded the levels of all of the proposed goals and subgoals for 2012–2014, by significant margins. FHFA also notes that interest rates on multifamily properties have been very low, and are likely to remain low in light of the policies of the Federal Reserve Board. New construction of multifamily properties has also increased in recent months.

In addition, both Enterprises have many multifamily mortgages that will mature and require refinancing over the next several years. Specifically, Fannie Mae's maturing multifamily mortgage volume is projected to be $10.2 billion in 2012, $18.1 billion in 2013, and $14.3 billion in 2014. For Freddie Mac, maturing multifamily mortgage volume is projected to be $3.3 billion in 2012, $6.6 billion in 2013, and $8.4 billion in 2014.

Based on partial 2012 results, FHFA estimates that both Fannie Mae and Freddie Mac will surpass the goals in the proposed rule by 20 percent or more. Freddie Mac should more than double its projected financing of very low-income units, while Fannie Mae's very low-income performance should be 50 percent above the proposed goal. As a result, in the final rule, FHFA has revised upward both the low-income and very low-income multifamily goal and subgoal levels for 2012 through 2014, measured in qualifying units financed, as follows:

Multifamily low-income housing goal. Under the final rule, the annual goal for Fannie Mae's purchases of mortgages on multifamily housing affordable to low-income families is at least 285,000 units in 2012; 265,000 units in 2013; and 250,000 units in 2014. The annual goal for Freddie Mac's purchases of mortgages on multifamily housing affordable to low-income families is at least 225,000 units in 2012; 215,000 units in 2013; and 200,000 units in 2014. These goal levels reflect the Enterprises' increased financing activity and the slow return of other sources of capital to the multifamily mortgage market. The percentage increases in the goals for Freddie Mac are greater than for Fannie Mae over the 2012–2014 period because part year data for 2012 show Freddie Mac closing the gap in financing low-income multifamily units.

Multifamily very low-income housing subgoal. Under the final rule, the annual subgoal for Fannie Mae's purchases of mortgages on multifamily housing affordable to very low-income families is at least 80,000 units in 2012, 70,000

[33] ''LIHTC Market in 2012, A Rosy Path Ahead,'' Tax Credit Advisor, February 2012.

in 2013, and 60,000 in 2014. The annual subgoal for Freddie Mac's purchase of mortgages on multifamily housing affordable to very low-income families is at least 59,000 units in 2012, 50,000 in 2013, and 40,000 in 2014. These very low-income goal levels for both Enterprises are substantially higher than in the proposed rule, because their actual financing of very low-income units has been significantly higher than what was forecast in the proposed rule.

VI. Special Counting Requirements—Multifamily Property Conversions

Section 1282.15(d) requires the Enterprises to use tenant income to determine the affordability of rental units, when such information is available, and to use rent levels where tenant income information is not available. Some commenters on the proposed 2010–2011 housing goals rule raised concerns that using current rent 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. In the final 2010–2011 rule, FHFA indicated that it expected to address this issue in a subsequent rulemaking.[34] In the proposed 2012–2014 housing goals rule, FHFA did not propose any change to the existing counting rules for determining affordability for multifamily mortgages, but requested comment on whether the counting rules should be revised to require the Enterprises to use ''projected rents'' to determine affordability, if such projected rents are available.

Summary of comments. Six commenters and both Enterprises addressed this issue. Two housing advocacy groups and one trade association stated that FHFA should take steps to avoid awarding credit toward the housing goals for properties which are subsequently converted from affordable rents to market rents. On the other hand, two other housing advocacy groups, a trade association and both Enterprises stated that any such adjustments would be costly to implement, and that it would be very difficult to use ''projected rents'' in measuring the affordability of rental units which might be converted from affordable to market rate units.

Fannie Mae commented that the requirements to monitor such conversions would be burdensome and impractical, and based on its experience, it believes that such conversions are relatively rare. Fannie Mae further stated that it does not structure permanent loans using projected rents under its underwriting standards, and it raised concerns that such a provision could discourage capital expenditures to improve the condition of properties. In addition, Fannie Mae discussed the operational issues involved in collecting projected rents and the certification of projected rent rolls.

This issue was the only one discussed by Freddie Mac in its comments on the proposed rule. Freddie Mac stated that its underwriting is based on actual rents, not projected rents, referring to this as a ''matter of fundamental credit risk discipline.'' Freddie Mac added that use of projected rents could constrain the flow of Enterprise capital projects to geographic areas or specific projects for which rents might increase due to market forces. Freddie Mac also commented that if projected rents were used in determining affordability, logically such rents should be compared with projected incomes, thereby introducing additional subjectivity and costs into the process.

FHFA determination. The arguments made by the Enterprises and several other commenters against the use of ''projected rents'' are compelling, and the operational issues involved could discourage the Enterprises from financing multifamily housing where these issues might arise. Thus, FHFA has decided to continue its current counting rules, which rely on the rent rolls at the time of mortgage origination, in determining the affordability of rental units in multifamily properties.

The Enterprises' underwriting standards for multifamily properties use actual rents, as provided on the property rent roll at the time of underwriting, rather than post-closing projected rents. This limits the likelihood that an Enterprise will purchase a multifamily mortgage where the financing depends on a higher net operating income due to projected increases in 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 planning on raising rents to market levels. Both Enterprises invested in the private label CMBS that financed the purchases and they received housing goals credit for these transactions under the housing goals regulation then in effect. In the past, almost all affordable rent to market rate conversions involving the participation of the Enterprises were facilitated through their purchases of CMBS. However, FHFA's current regulation specifies that purchases of private label securities, including CMBS, are ineligible for housing goals credit, removing any incentive for the Enterprises to purchase CMBS to reach their multifamily housing goals. Accordingly, these transactions would not have received goals credit under the current regulation. Furthermore, in the New York City example, subsequent litigation resulted in significant restrictions on the new owners' ability to convert from rent-regulated to market rents, which illustrates the difficulty of projecting whether currently affordable rents can actually be raised.

VII. Paperwork Reduction Act

The final 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 final rule under the Regulatory Flexibility Act.

The General Counsel of FHFA certifies that the 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 amends 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 revised to read as follows:

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

[34] *See* 75 FR 55926.

■ 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 23 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 20 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 285,000 dwelling units affordable to low-income families in multifamily residential housing financed by mortgages purchased by that Enterprise, and for Freddie Mac, at least 225,000 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 265,000 dwelling units affordable to low-income families in multifamily residential housing financed by mortgages purchased by that Enterprise, and for Freddie Mac, at least 215,000 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 250,000 dwelling units affordable to low-income families in multifamily residential housing financed by mortgages purchased by that Enterprise, and for Freddie Mac, at least 200,000 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 80,000 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 59,000 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 70,000 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 50,000 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 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 40,000 such dwelling units.

Dated: October 31, 2012.

Edward J. DeMarco,

Acting Director, Federal Housing Finance Agency.

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 25

[Docket No. FAA–2012–0959; Special Conditions No. 25–473–SC]

Special Conditions: ATR–GIE Avions de Transport Regional, Models ATR42–500 and ATR72–212A Airplanes; Aircraft Electronic System Security Protection From Unauthorized External Access

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final special conditions; request for comments.

SUMMARY: These special conditions are issued for the ATR–GIE Avions de Transport Regional Models ATR42–500 and ATR72–212A airplanes. These airplanes will have novel or unusual design features associated with the architecture and connectivity capabilities of the airplanes' computer systems and networks, which may allow access to or by external computer systems and networks. Connectivity to, or access by, external systems and networks may result in security vulnerabilities to the airplanes' systems. The applicable airworthiness regulations do not contain adequate or appropriate safety standards for these design features. These special conditions contain the additional safety standards that the Administrator considers necessary to establish a level of safety equivalent to that established by the existing airworthiness standards.

DATES: The effective date of these special conditions is November 5, 2012. We must receive your comments by December 13, 2012.

ADDRESSES: Send comments identified by docket number FAA–2012–0959 using any of the following methods:

- *Federal eRegulations Portal:* Go to *http://www.regulations.gov/and* follow the online instructions for sending your comments electronically.
- *Mail:* Send comments to Docket Operations, M–30, U.S. Department of Transportation (DOT), 1200 New Jersey Avenue SE., Room W12–140, West Building Ground Floor, Washington, DC, 20590–0001.
- *Hand Delivery or by Courier:* Take comments to Docket Operations in Room W12–140 of the West Building Ground Floor at 1200 New Jersey Avenue SE., Washington, DC, between 8 a.m. and 5 p.m., Monday through Friday, except federal holidays.
- *Fax:* Fax comments to Docket Operations at 202–493–2251.

Privacy: The FAA will post all comments it receives, without change, to *http://www.regulations.gov/*, including any personal information the commenter provides. Using the search function of the docket web site, anyone can find and read the electronic form of all comments received into any FAA docket, including the name of the individual sending the comment (or signing the comment for an association, business, labor union, etc.). DOT's complete Privacy Act Statement can be found in the **Federal Register** published on April 11, 2000 (65 FR 19477–19478), as well as at *http://DocketsInfo.dot.gov/.*

Docket: Background documents or comments received may be read at