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## News Release

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**For Release**  
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**November 1, 2004**

### HUD FINALIZES RULE ON NEW HOUSING GOALS FOR FANNIE MAE AND FREDDIE MAC

WASHINGTON - The U.S. Department of Housing and Urban Development has finalized a rule that will require the nation's two largest housing finance companies to increase their purchase of mortgages for low- and moderate-income families and underserved communities.

The new final rule will be published in the Federal Register on November 2 and become effective on January 1, 2005. It will set annual housing goals and new subgoals for Fannie Mae and Freddie Mac for the next four years. These targets will increase year-by-year from 2005 through 2008 and bring Fannie Mae and Freddie Mac to a position of leadership in the mortgage finance industry.

"These new affordable housing goals will help the GSEs achieve the standard that Congress intended-leading the mortgage finance industry in helping low- and moderate-income families afford decent housing," said HUD Secretary Alphonso Jackson. "These new goals will push the GSEs to genuinely lead the market."

HUD's rule establishes new subgoals for low- and moderate-income, underserved areas, and special affordable percentages of home purchase loans that are purchased by the GSEs. The subgoals will help assure that the GSEs promote the national priority of increasing homeownership. The subgoals are limited to metropolitan areas because of limitations on data needed to set the subgoal levels.

The final rule includes consideration of more than 300 comments received from the GSEs, Congress, and a broad spectrum of organizations within the mortgage finance industry. After analyzing the comments and reviewing Home Mortgage Disclosure Act (HMDA) data, the Department decided to reduce by one percentage point some of the housing goals from the levels contained in HUD's proposed rule.

The following chart shows the GSEs' current goal levels, as proposed, and as finalized for 2005-2008:

	Current	2005-2008 Goals			
	Goals	2005	2006	2007	2008
Low- and Moderate-Income					
Current	50%				
Proposed		52%	53%	55%	57%
Final		52%	53%	55%	56%
Special Affordable					

*see page 2*

Current	20%				
Proposed		22%	24%	26%	28%
Final		22%	23%	25%	27%
Underserved Areas					
Current	36%				
Proposed		38%	39%	39%	40%
Final		37%	38%	38%	39%

In addition, the GSEs' minimum special affordable multifamily subgoals have been increased—for Fannie Mae, from \$2.85 billion per year for 2001-04 to \$5.49 billion per year for 2005-08, and for Freddie Mac, from \$2.11 billion per year for 2001-04 to \$3.92 billion per year for 2005-08.

HUD projects that to attain the new housing goals, the GSEs together will purchase an additional 400,000 goal-qualifying home loans during the four-year period 2005-2008 above what they would purchase without the increase in the housing goals. This projection assumes that the GSEs maintain their 2002-2003 rate of goal-qualifying purchases for all of the loans that they purchase, and that HUD is correct in its analysis that 2005-2008 will not produce an unusually heavy volume of refinances in the mortgage market.

Several of the comments received by HUD said that HUD's proposed goals would be unattainable in high-refinance periods when higher income homeowners represent a larger share of the market. While HUD believes that the statute and implementing regulations presently contain procedures to address this issue, it is separately seeking specific recommendations from the public about how HUD can more effectively account for high refinance volumes. HUD is publishing with its housing goals rule an Advance Notice of Proposed Rulemaking soliciting ideas from the public on an appropriate regulatory mechanism to address high refinance volumes.

Among other changes, the final rule also does the following:

- Establishes specific requirements for the GSEs' counting of mortgages toward the housing goals in transactions that involve a seller dissolution option. The final rule provides that for purchases of loans in transactions that give a mortgage seller the option to dissolve the transaction, a GSE can only receive goals credit when the seller's option is limited by a one-year lockout period, unless the Secretary grants a special exception. This provision responds to the Department's concerns about large, year-end transactions that both GSEs undertook in 2003 to meet their housing goals.
- Makes a technical change to clarify its existing regulation prohibiting a GSE from "double counting" mortgages toward the housing goals, i.e., from counting a mortgage that a GSE has already counted toward the housing goals in a previous year.
- Incorporates new procedures for treatment of missing borrower income data and missing data on rents in single-family and multifamily properties in counting mortgages toward the housing goals.
- Adds a number of new regulatory provisions to ensure the integrity of data, information and reports provided to HUD by the GSEs, including a requirement that the GSEs submit a certification with certain reports provided to HUD, and providing mechanisms for addressing material errors, omissions and discrepancies in current and prior year GSE data submissions.

**NOTE: Link to Final Rule will be available on this HUD website after 12:30 pm on November 2. [www.hud.gov/offices/hsg/gse/gse.cfm](http://www.hud.gov/offices/hsg/gse/gse.cfm)**

**Chronology**

# HISTORICAL CHART

Table 1

Overview of the GSEs' Housing Goal Performance, 2000-2007<sup>1</sup>

Goal <sup>2</sup>	GSEs' Housing Goal Performance <sup>1</sup>										Ratio 2007-2000			
	2000	2001	2002	2003	2004	2005	2006	2007	2000	Goals		2006	Goals	2007
Low- and Moderate-Income:														
Fannie Mae	49.5%	51.5%	51.8%	52.3%	53.4%	55.1%	56.9%	55.5%	42%	50%	52%	53%	55%	55%
Freddie Mac	49.9%	53.2%	50.3%	51.2%	51.6%	54.0%	55.9%	56.1%	42%	50%	52%	53%	55%	55%
Ratio	1.01	1.03	0.97	0.98	0.97	0.98	0.98	1.01						
Underserved Areas:														
Fannie Mae	31.0%	32.6%	32.8%	32.1%	33.5%	41.4%	43.6%	43.4%	24%	31%	37%	38%	38%	38%
Freddie Mac	29.2%	31.7%	31.0%	32.7%	32.3%	42.3%	42.7%	43.1%	24%	31%	37%	38%	38%	38%
Ratio	0.94	0.97	0.95	1.02	0.96	1.02	0.98	0.99						
Special Affordable:														
Fannie Mae	19.2%	21.6%	21.4%	21.2%	23.6%	26.3%	27.8%	26.8%	14%	20%	22%	23%	25%	25%
Freddie Mac	20.7%	22.6%	20.5%	21.4%	22.7%	24.3%	26.4%	25.8%	14%	20%	22%	23%	25%	25%
Ratio	1.08	1.05	0.96	1.01	0.96	0.92	0.95	0.96						
Special Affordable Multifamily:														
Fannie Mae	\$3.79	\$7.36	\$7.57	\$12.23	\$7.32	\$10.39	\$13.31	\$19.84	\$1.29	\$2.85	\$5.49	\$5.49	\$5.49	\$5.49
Freddie Mac	\$2.40	\$4.65	\$5.22	\$8.79	\$7.77	\$12.35	\$13.58	\$15.12	\$0.99	\$2.11	\$3.92	\$3.92	\$3.92	\$3.92

2008  
56%

26%

Source: HUD and FHFA analysis of data submitted by the GSEs. Some results differ from performance reported by the GSEs in their Annual Housing Activities Reports (AHARs).

<sup>1</sup> Percentages of dwelling units in properties whose mortgages were purchased by the GSEs that qualified for each goal in 2000-2007, based on HUD's October 2000 rule and November 2004 rule, and goals for 2000-2007. Underserved areas goal for 2000-04 based on 1990 census data, goal for 2005-07 based on 2000 census data

<sup>2</sup> Abbreviated definitions of goals

Low- and Moderate-Income: Households with income less than or equal to area median income (AMI).  
Underserved Areas: Dwelling units in metropolitan census tracts with (1) tract median family income less than or equal to 90 percent of AMI or (2) minority concentration of at least 30 percent and tract median family income less than or equal to 120 percent of AMI; dwelling units in nonmetropolitan counties with (1) median family income less than or equal to 95 percent of the greater of state or national nonmetropolitan median income or (2) minority concentration of at least 30 percent and county median family income less than or equal to 120 percent of the greater of state or national nonmetropolitan median income.

Special Affordable: Households with income (1) less than or equal to 60 percent of AMI or (2) less than or equal to 80 percent of AMI and located in low-income areas.  
For the low- and moderate-income and special affordable goals, AMI is median income for the MSA for borrowers in metropolitan areas, and the greater of county or state nonmetropolitan median income for borrowers outside metropolitan areas.

<sup>3</sup> Ratio of Freddie Mac goal performance to Fannie Mae goal performance.

<sup>4</sup> Performance and goals in billions of dollars. Goals for 1996-2000 period were 0.8 percent of each GSE's total mortgage purchases in 1994; goals for 2001-04 period were 1.0 percent of each GSE's average total mortgage purchases in 1997-99 period; and goals for 2005-07 were 1.0 percent of each GSE's average mortgage purchases in 2000-2002.

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metropolitan area and that is designated as an underserved area by HUD. In such cases, HUD will notify the GSEs as to applicability of other definitions and counting conventions.

*Utilities* means charges for electricity, piped or bottled gas, water, sewage disposal, fuel (oil, coal, kerosene, wood, solar energy, or other), and garbage and trash collection. Utilities do not include charges for telephone service.

*Utility allowance* means either:

(1) The amount to be added to contract rent when utilities are not included in contract rent (also referred to as the "AHS-derived utility allowance"), as issued annually by the Secretary; or

(2) The utility allowance established under the HUD Section 8 Program (42 U.S.C. 1437f) for the area where the property is located.

*Very-low-income* has the same definition as "very low-income" has in FHEFSSA.

*Wholesale exchange* means a transaction in which a GSE buys or otherwise acquires mortgages held in portfolio or securitized by the other GSE, or where both GSEs swap such mortgages.

*Working day* means a day when HUD is officially open for business.

(c) *Subpart H terms.* Unless the context requires otherwise, terms used in subpart H of this part that are not defined in this part, have the meanings as set forth in 31 CFR 357.2. Definitions and terms used in 31 CFR part 357 should read as though modified to effectuate their application to the GSEs.

[60 FR 61888, Dec. 1, 1995, as amended at 61 FR 63947, Dec. 2, 1996; 62 FR 28977, May 29, 1997; 65 FR 65084, Oct. 31, 2000]

## Subpart B—Housing Goals

### §81.11 General.

This subpart establishes: three housing goals, as required by FHEFSSA; requirements for measuring performance under the goals; and procedures for monitoring and enforcing the goals.

### §81.12 Low- and Moderate-Income Housing Goal.

(a) *Purpose of goal.* This annual goal for the purchase by each GSE of mort-

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gages on housing for low- and moderate-income families ("the Low- and Moderate-Income Housing Goal") is intended to achieve increased purchases by the GSEs of such mortgages.

(b) *Factors.* In establishing the Low- and Moderate-Income Housing Goals, the Secretary considered the factors in 12 U.S.C. 4562(b). A statement documenting HUD's considerations and findings with respect to these factors, entitled "Departmental Considerations to Establish the Low- and Moderate-Income Housing Goal," was published in the FEDERAL REGISTER on October 31, 2000.

(c) *Goals.* The annual goals for each GSE's purchases of mortgages on housing for low- and moderate-income families are:

(1) For each of the years 2001-2003, 50 percent of the total number of dwelling units financed by that GSE's mortgage purchases in each of those years unless otherwise adjusted by HUD in accordance with FHEFSSA; and

(2) For the year 2004 and thereafter HUD shall establish annual goals. Pending establishment of goals for the year 2004 and thereafter, the annual goal for each of those years shall be 50 percent of the total number of dwelling units financed by that GSE's mortgage purchases in each of those years.

[60 FR 61888, Dec. 1, 1995, as amended at 65 FR 65085, Oct. 31, 2000]

### §81.13 Central Cities, Rural Areas, and Other Underserved Areas Housing Goal.

(a) *Purpose of the goal.* This annual goal for the purchase by each GSE of mortgages on housing located in central cities, rural areas, and other underserved areas is intended to achieve increased purchases by the GSEs of mortgages financing housing in areas that are underserved in terms of mortgage credit.

(b) *Factors.* In establishing the Central Cities, Rural Areas, and Other Underserved Areas Goals, the Secretary considered the factors in 12 U.S.C. 4564(b). A statement documenting HUD's considerations and findings with respect to these factors, entitled "Departmental Considerations to Establish the Central Cities, Rural Areas, and Other Underserved Areas Housing

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GOAL SETTING  
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Goal," was published in the FEDERAL REGISTER on October 31, 2000.

(c) *Goals.* The annual goals for each GSE's purchases of mortgages on housing located in central cities, rural areas, and other underserved areas are:

(1) For each of the years 2001-2003, 31 percent of the total number of dwelling units financed by that GSE's mortgage purchases in each of those years unless otherwise adjusted by HUD in accordance with FHEFSSA; and

(2) For the year 2004 and thereafter HUD shall establish annual goals. Pending establishment of goals for the year 2004 and thereafter, the annual goal for each of those years shall be 31 percent of the total number of dwelling units financed by that GSE's mortgage purchases in each of those years.

(d) *Measuring performance.* The GSEs shall determine on a mortgage-by-mortgage basis, through geocoding or any similarly accurate and reliable method, whether a mortgage finances one or more dwelling units located in a central city, rural area, or other underserved area.

[60 FR 61888, Dec. 1, 1995, as amended at 65 FR 65086, Oct. 31, 2000]

**§ 81.14 Special Affordable Housing Goal.**

(a) *Purpose of the goal.* This goal is intended to achieve increased purchases by the GSEs of mortgages on rental and owner-occupied housing meeting the then-existing unaddressed needs of, and affordable to, low-income families in low-income areas and very-low-income families.

(b) *Factors.* In establishing the Special Affordable Housing Goals, the Secretary considered the factors in 12 U.S.C. 4563(a)(2). A statement documenting HUD's considerations and findings with respect to these factors, entitled "Departmental Considerations to Establish the Special Affordable Housing Goal," was published in the FEDERAL REGISTER on October 31, 2000.

(c) *Goals.* The annual goals for each GSE's purchases of mortgages on rental and owner-occupied housing meeting the then-existing, unaddressed needs of and affordable to low-income families in low-income areas and very low-income families are:

(1) For each of the years 2001, 2002, and 2003, 20 percent of the total number of dwelling units financed by that GSE's mortgage purchases in each of those years unless otherwise adjusted by HUD in accordance with FHEFSSA. The goal for each year shall include mortgage purchases financing dwelling units in multifamily housing totaling not less than 1.0 percent of the average annual dollar volume of combined (single family and multifamily) mortgages purchased by the respective GSE in 1997, 1998 and 1999, unless otherwise adjusted by HUD in accordance with FHEFSSA; and

(2) For the year 2004 and thereafter HUD shall establish annual goals. Pending establishment of goals for the year 2004 and thereafter, the annual goal for each of those years shall be 20 percent of the total number of dwelling units financed by that GSE's mortgage purchases in each of those years. The goal for each such year shall include mortgage purchases financing dwelling units in multifamily housing totaling not less than 1.0 percent of the annual average dollar volume of combined (single family and multifamily) mortgages purchased by the respective GSE in the years 1997, 1998 and 1999.

(d) *Counting of multifamily units.* (1) Dwelling units affordable to low-income families and financed by a particular purchase of a mortgage on multifamily housing shall count toward achievement of the Special Affordable Housing Goal where at least:

(i) 20 percent of the dwelling units in the particular multifamily property are affordable to especially low-income families; or

(ii) 40 percent of the dwelling units in the particular multifamily property are affordable to very-low-income families.

(2) Where only some of the units financed by a purchase of a mortgage on multifamily housing count under the multifamily component of the goal, only a portion of the unpaid principal balance of the mortgage attributable to such units shall count toward the multifamily component. The portion of the mortgage counted under the multifamily requirement shall be equal to the ratio of the total units that count