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### Fannie Mae Presentation- Housing Goals and Minority Lending

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Federal National Mortgage Association (Fannie Mae)

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## **Housing Goals and Minority Lending**

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Barry Zigas  
September 30, 2005

## Agenda

- Overview of current goals status
- Review of ongoing special efforts
- Additional efforts needing decisions
  - Deferral option
  - Subprime
  - Chattel MH
  - 2006 mortgage limits
- HUD/OFHEO communications strategy

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## Year End Goals Outlook

		YTD Actuals			2005 Year End Projections							
					YTD Run Rates \$538 B		YTD Run Rates \$588 B		Aug. Monthly Rate \$538 B		Aug. Monthly Rate \$588 B	
		Goal	Score	Over/Short	Score	Over/Short	Score	Over/Short	Score	Over/Short	Score	Over/Short
Base Regulatory Goals	Affordable	52.0%	54.15%	45,900	52.9%	32,000	52.6%	21,000	51.9%	(5,000)	51.3%	(24,000)
	Special Affordable	22.0%	25.66%	78,300	24.8%	93,000	24.4%	88,000	24.1%	70,000	23.6%	60,000
	Underserved	37.0%	40.35%	74,400	39.3%	82,000	39.2%	82,000	38.9%	70,000	38.6%	62,000
PMM Sub Goals	Affordable	45.0%	42.32%	(17,600)	42.3%	(35,000)	42.3%	(38,000)	41.1%	(53,000)	40.9%	(59,000)
	Special Affordable	17.0%	15.16%	(12,000)	15.2%	(23,000)	15.2%	(26,000)	14.6%	(33,000)	14.5%	(37,000)
	Underserved	32.0%	30.76%	(8,300)	30.8%	(17,000)	30.8%	(19,000)	29.9%	(29,000)	29.8%	(33,000)
Minority Lending Goals	Total Minority	24.7%	23.66%	(6,100)	23.7%	(10,000)	23.7%	(11,000)	23.2%	(16,000)	23.1%	(18,000)
	Hispanic	11.6%	11.17%	(2,500)	11.2%	(5,000)	11.2%	(5,000)	10.7%	(10,000)	10.7%	(11,000)
	African American	5.4%	5.24%	(900)	5.3%	(2,000)	5.3%	(2,000)	5.2%	(3,000)	5.2%	(3,000)

- The impact of Single-Family volume increases is stronger on the base scores than the sub goals' scores because these reduce the weight from the multifamily component in the base goals.
- If SF volumes increase to \$588B, company would miss base regulatory goals at the following September – December run rates.
  - 46.0% Affordable
  - 13.7% Special Affordable
  - 31.2% Underserved

## Potential Strategies for Attaining the Sub Goal(s)

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### 1. CitiFinancial Portfolio

- \$20 Billion Total, \$5 Billion Purchase Money, 42000 PMM loans
  - Incremental loans: Special Affordable 5000 – 6000, Affordable 8500 - 9500

### 2. B of A Whole Loan Strategy

- Replace goals rich loans w/ loans out of our portfolio or defer delivery of non-affordable loans (only deliver the 38% that meet the Affordable sub goal criteria)
  - Incremental loans: Special Affordable 3500 – 4000, Affordable 5000 - 6000

### 3. CitiMortgage/Self Help

- Self Help received file Thursday for \$13 B from CitiMortgage's affordable housing portfolio

### 4. Other Subprime Portfolios

- Between now and year end, there are a number of smaller opportunities, but with significant costs
  - Incremental loans: Special Affordable 1000 – 2000, Affordable 3000 - 4000

### 5. Acquire Manufactured Housing Loans

- Real property \$1.4 B through Vanderbilt, 22800 loans
  - Incremental loans: Special Affordable 3000 - 4000, Affordable 4500 - 5000
- Chattel through Berkshire
  - Incremental loans: Special Affordable 5000 - 6000 per \$B, Affordable 6500 – 7500 per \$B

Potential PMM Incremental Loans: Special Affordable 17500 – 22000, Affordable 27500 - 32000

## Summary of Options to Close Special Affordable PMM Shortfall

	SF Volume of \$538 B YTD Run Rate	SF Volume of \$588 B Aug Run Rate	SF Volume of \$538 B YTD Run Rate	SF Volume of \$588 B Aug Run Rate
<b>Projected SAH PMM Shortfall</b>	<b>(23,000)</b>	<b>(37,000)</b>	<b>(23,000)</b>	<b>(37,000)</b>
Transactions in Sept Numbers				
Investor Channel Won	1,361	1,361	1,361	1,361
Golden West Transaction	(776)	(776)	(776)	(776)
<b>Est Shortfall to Date</b>	<b>(22,415)</b>	<b>(36,415)</b>	<b>(22,415)</b>	<b>(36,415)</b>

### Potential Impacts of Other Opportunities/Strategies

Initiative	Expected Delivery 50%		Expected Delivery 100%	
	Low Est	High Est	Low Est	High Est
Investor Channel Bid	828	828	1,656	1,656
Investor Channel Pipeline	2,500	2,750	5,000	5,500
<b>Potential Remaining Shortfall</b>	<b>(15,259) to (33,087)</b>			
Citi Financial Portfolio	2,500	3,000	5,000	6,000
B of A Whole Loan Strategy	1,750	2,000	3,500	4,000
Other Subprime Opportunities	500	1,000	1,000	2,000
MH Real Property	1,500	2,000	3,000	4,000
MH Chattel	2,500	3,000	5,000	6,000
<b>Potential Remaining Shortfall</b>	<b>6,741 to (24,337)</b>			

## Business Deferral Option

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- Defer between \$13.5-\$17.4 billion of projected 4Q non-goals loans
- 7 Lenders
  - Countrywide,
  - Citigroup
  - Bank of America
  - Wells Fargo
  - USAA
  - Navy Federal Credit Union
  - Pulte
- Estimated pick up:
  - 14,200-28,000 incremental PMM affordable loans
  - 10,600-14,800 incremental PMM special affordable loans
- Cost for roll over (estimate): \$30-\$38 million

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## Business Deferral Option

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### Pros:

- Delivers big pay off
  - Per loan cost of \$1,000-\$2,900 (est)
- Targeted to a limited number of lenders
- Can acquire deferred loans in 2006

### Cons:

- Defers non-goals loans to 2006, increases gap for next year
- MBS Disclosures, potential impact on securities price and liquidity
- Lenders might not agree to participate
- Could lose loans to other investors

### Lender Issues:

- Lack of sale treatment of 2005 assets
- Warehouse capacity
- Ability to identify and segregate goals/non-goals product
- Credit risk exposure