Thus, it is not clear that AHS underreporting of income is a major problem, especially since the 1993 improvement. In any event, there does not appear to be a need for an adjustment of more than a couple of percentage points for owner-occupied units surveyed prior to 1993, and no adjustment is needed for rental units.

2. Low- and Moderate-Income Percentage for Renter Mortgages

a. American Housing Survey Data

The American Housing Survey does not include data on mortgages for rental properties; rather, it includes data on the characteristics of the existing rental housing stock and recently completed rental properties. Current data on the income of prospective or actual tenants has also not been readily available for rental properties. Where such income information is not available, FHEFSSA provides that a rent level is affordable if it does not exceed 30 percent of the maximum income level for the low- and moderate-income category, with appropriate adjustments for family size as measured by the number of bedrooms. The GSEs' performance under the housing goals is measured in terms of the affordability of the rental dwelling units that are financed by mortgages that the GSEs purchase; the

income of the occupants of these rental units is generally not considered in the calculation of goals' performance. Thus, it is appropriate to base estimates of market size on rent affordability data rather than on renter income data.⁵⁹

Table D.5 presents AHS data on the affordability of the rental housing stock for the survey years between 1985 and 1993. The 1993 AHS shows that for 1-4 unit unsubsidized rental properties, 98 percent of all units, and 92 percent of units constructed in the preceding three years had gross rent (contract rent plus the cost of all utilities) less than or equal to 30 percent of area median income. For multifamily unsubsidized rental properties, the corresponding figures are 96 percent of all units, and 88 percent of units constructed in the preceding three years. The AHS data for 1989 and 1991 are similar to the 1993

Several commenters expressed concern about using affordability data from the outstanding rental stock to proxy affordability data for mortgage flows. Some have argued that data based on the recently completed stock would be a better proxy for mortgage flows. In the above case, there is not a large difference between the affordability percentages for the recently constructed stock and those for the outstanding stock of rental properties. But this is not the case when affordability is defined at the very-low-income level. As shown in Table D.5, the recently completed stock houses substantially fewer very-low-income renters than does the existing stock. Because this issue is important for the special affordable goal, it will be further analyzed in Section H when that goal is considered.

For purposes of the Low- and Moderate-Income Goal, the analysis in Section H concludes that the existing stock is an adequate proxy for the mortgage flow when rent affordability is defined in terms of less than 30 percent of area median income. More specifically, that analysis suggests that 85 percent of single-family rental units and 90 percent of multifamily units are reasonable estimates for projecting the percentage of financed units affordable at the low- and moderate-income level.⁶⁰

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⁵⁹ Because the "low- and moderate-income share" of rental units is based on rents rather than incomes, Freddie Mac's comment on the proposed rule, that estimates of the low-mod share for rental units should be adjusted for AHS income underreporting, is not valid.

⁶⁰ In 1994, 87 percent of GSE purchases of singlefamily investor rental units and 95 percent of their purchases of multifamily units qualified under the low-mod goal.