mortgages. Multifamily mortgages remained close to 8.5 percent of total thrift assets from 1985 to 1992, but the high failure rate of these institutions has reduced their total assets. The decline of thrift multifamily lending is part of a larger pattern of more concentration in the multifamily finance market. An additional pattern is the decline of long-term and fixed rate financing. Over 60 percent of outstanding multifamily debt either carries a variable interest rate, or will have a balloon payment due in less than 10 years.

The lack of a strong secondary market for multifamily loans has made it more difficult to obtain debt financing for multifamily housing. In 1993, Fannie Mae purchased $4.6 billion in multifamily mortgages, while Freddie Mac purchased $191 million. This compares to almost $29 billion in total multifamily mortgage originations in that year. Thus, the GSEs' purchases amounted to about 17 percent of originations. Given that some of the GSEs' purchases were seasoned loans, their share of the current market is even smaller. Freddie Mac had been out of the multifamily business completely for nearly five years, and only began in December 1993 to fully re-enter the market. In 1993, Fannie Mae and Freddie Mac held or had securitized about 10 percent of outstanding multifamily mortgage debt. State and local housing finance agencies and insurance companies each held another 10 percent of the outstanding debt. Depository institutions held 36 percent, but as mentioned earlier, thrifts have decreased holdings considerably in recent years. GNMA held 12 percent, pension funds held 2 percent, and the remainder was spread in small shares over a number of sources. The decline in direct federal subsidies and the collapse of the thrift industry decreased the lending sources for affordable multifamily housing. The country needs an established secondary market for multifamily mortgages which has the depth and resiliency of the single-family system to bring new sources of primary financing into the market.

3. Performance and Effort of the GSEs Toward Achieving the Goal in Previous Years

Each GSE submitted data on its 1993 performance to the Secretary, in formats specified by the Department, and based on the procedures specified by the Department in the Notice of Interim Housing Goals published in the **Federal Register** on October 13, 1993. This is the first time that such detailed information has been made available on the GSEs' activities, which in 1993 involved the purchase of 2.97 million mortgages on 3.24 million dwelling units by Fannie Mae and the purchase of 2.32 million mortgages on 2.38 million dwelling units by Freddie Mac. Each GSE also submitted detailed loan level data on each loan it purchased in 1993. HUD has done extensive analyses to verify the GSEs' stated performance and to measure aspects of their mortgage purchase activities in 1993 not contained in the tables they submitted to the Department.

Fannie Mae's data for 1993 show that 31.8 percent of single family dwelling units, 95.4 percent of multifamily dwelling units, and 35.6 percent of total units financed by its mortgage purchases were affordable to low- and moderate-income families. Thus there was a significant increase in the low- and moderate-income percentage from 28 percent in 1992, and Fannie Mae's performance substantially exceeded the 30 percent goal established for Fannie Mae by the Secretary.[38]

Freddie Mac's data for 1993 show that 28.9 percent of single family dwelling units, 94.3 percent of multifamily dwelling units, and 29.2 percent of total units financed by its mortgage purchases were affordable to low- and moderate-income families. Thus there was a significant increase in the low- and moderate-income percentage from 24 percent in 1992, and Freddie Mac's performance exceeded the 28 percent goal established for Freddie Mac by the Secretary.

On November 29, 1994 both enterprises reported on their purchases for the first three quarters of the year. Fannie Mae stated that 43.3 percent of its purchases were for low- and moderate-income families, and the corresponding figure for Freddie Mac was 36.3 percent. Thus both enterprises have sharply increased their low- and moderate-income purchases above the 1993 level, and both are running well above the 1994 goal of 30 percent.[39] For all periods, performance would be somewhat higher utilizing the scoring provisions of this regulation, in contrast to those spelled out in the **Federal Register** on October 13, 1993.

For both enterprises, although they surpassed their low- and moderate-income goals in 1993, more than 50 percent of their single-family purchases and their total purchases were for families with incomes in excess of 120 percent of area median income, as indicated in the following table:

DISTRIBUTION OF DWELLING UNITS IN TOTAL GSE PURCHASES BY INCOME CLASS OF MORTGAGOR OR RENTER, 1993

[In percent]

Income of mortgagor(s) or renter(s) relative to area median income	Fannie Mae			Freddie Mac		
	Single-family	Multi-family	Total	Single-family	Multi-family	Total
0%–60%	6.3	43.3	8.7	5.3	71.2	5.6
60%–80%	11.1	43.8	13.2	10.3	19.5	10.4
80%–100%	14.2	8.3	13.9	14.0	3.7	14.0
100%–120%	14.5	1.8	13.7	14.7	2.2	14.6
Exceeds 120%	53.8	2.8	50.6	55.7	3.4	55.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

This indicates that achievement of the low- and moderate-income goal in 1993 did not deter the GSEs from buying many mortgages on properties purchased by higher income families.

4. Size of the Conventional Conforming Mortgage Market Serving Low- and Moderate-Income Families Relative to the Overall Conventional Conforming Market

This section explains the Secretary's methodology for estimating the low- and moderate-income (''low-mod'') share of the mortgage market. Ideally, computing this share would be straightforward, consisting of three steps:

(1) Projecting the size of the four major property types included in the conventional conforming mortgage market: (a) Single-family owner-occupied dwelling units, (b) single-family owner-occupied, two-to-four units (called ''2–4's''), (c) single-family one-to-four investment units (called ''1–4's''), and (d) multifamily units (properties with more than 4 units). Property types (b), (c), and (d) consist of rental units. As noted below, property types (b) and (c) must sometimes be combined due to data limitations; in this case, they are referred to as ''single-family 1–4 rental units''.

(2) Projecting the percentage that are low- and moderate-income for each of the above four property types (for example, the percentage of those single-family owner-

[38] Some mortgage purchases are not eligible for possible inclusion under the low- and moderate-income goal, such as federally guaranteed mortgages, second mortgages, mortgages on second homes, and mortgages originated prior to January 1, 1993 that were missing relevant borrower income or rent data. Such mortgages were excluded from both the numerator and the denominator in calculating the low-mod percentage. These exclusions amounted to 14 percent of Fannie Mae's purchases and 9 percent of Freddie Mac's purchases.

[39] A portion of the increase from 1993 reflects a decline in the share of refinancings, which have been less common among low- and moderate-income families.