Shared Equity Portfolio Analysis

January 2014 - November 2018

Introduction

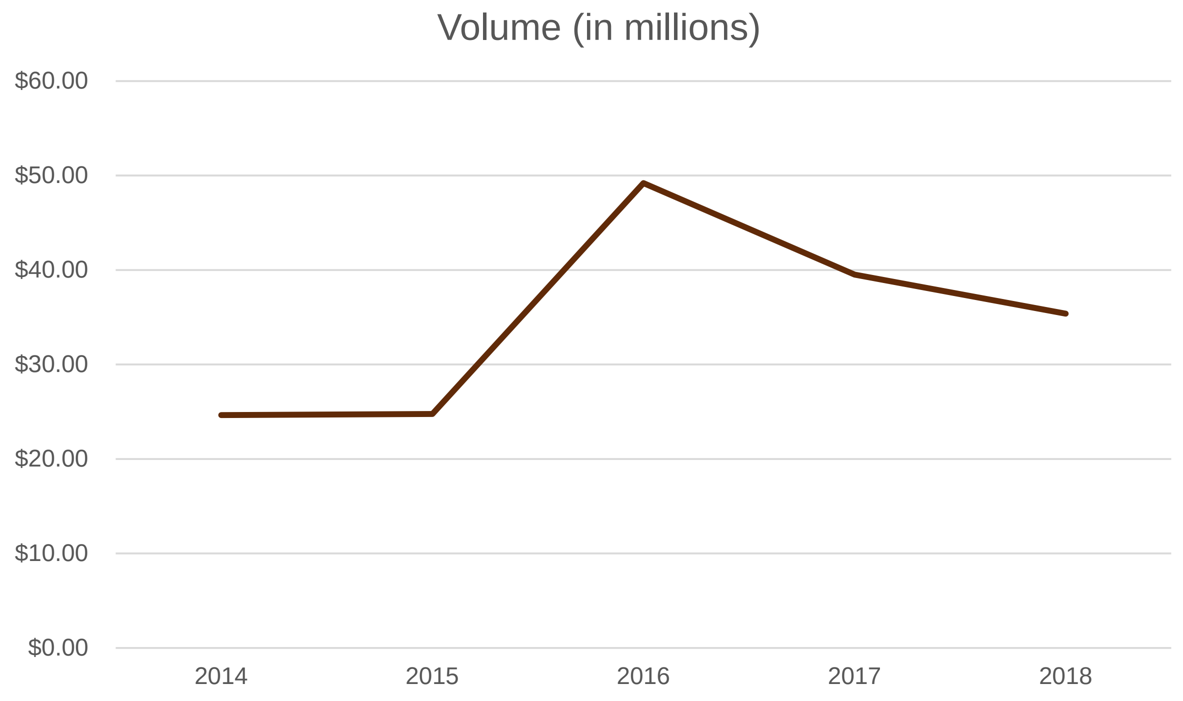
Shared equity programs preserve affordable homeownership opportunities by allowing borrowers to purchase homes at below market prices. In exchange, borrowers agree to sell the property only to other income-qualified buyers and/or share the home's appreciation with the organization that subsidized the purchase.

Fannie Mae has a long-standing commitment to supporting shared equity programs, and given our work in support of Duty to Serve, have had an opportunity to focus on improving how we support these initiatives.

This analysis provides an overview of Fannie Mae's existing portfolio of shared equity loans from January 2014 through November 2018.

Shared Equity Annual Volume

Loans using shared equity with an acquisition UPB of approximately $170 million have been delivered to Fannie Mae. While we show a peak in volume in 2016 followed by a decline, the trend is consistent with our overall acquisition trends.



Source: Fannie Mae internal data

Where Are Shared Equity Loans Originating?

Fannie Mae's top 10 markets for shared equity, listed below, account for approximately $158 million, or over 90% of our shared equity portfolio.

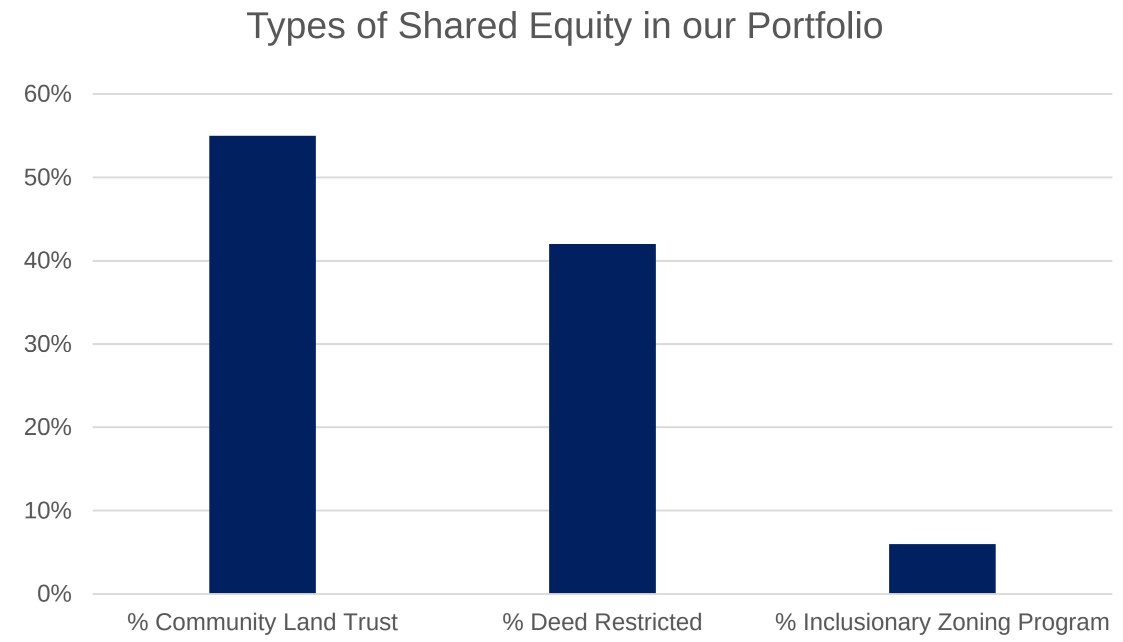
Top 10 Markets:

1. California
2. Minnesota
3. New York
4. Washington
5. Texas
6. Massachusetts
7. Colorado
8. Illinois
9. Vermont
10. Arizona

Source: Fannie Mae internal data

Types of Shared Equity

We measured 3 types of shared equity loans in our portfolio. Community Land Trust (CLT) and Deed Restricted Loans Account for over 95% of our portfolio, far outpacing Inclusionary Zoning Programs.*

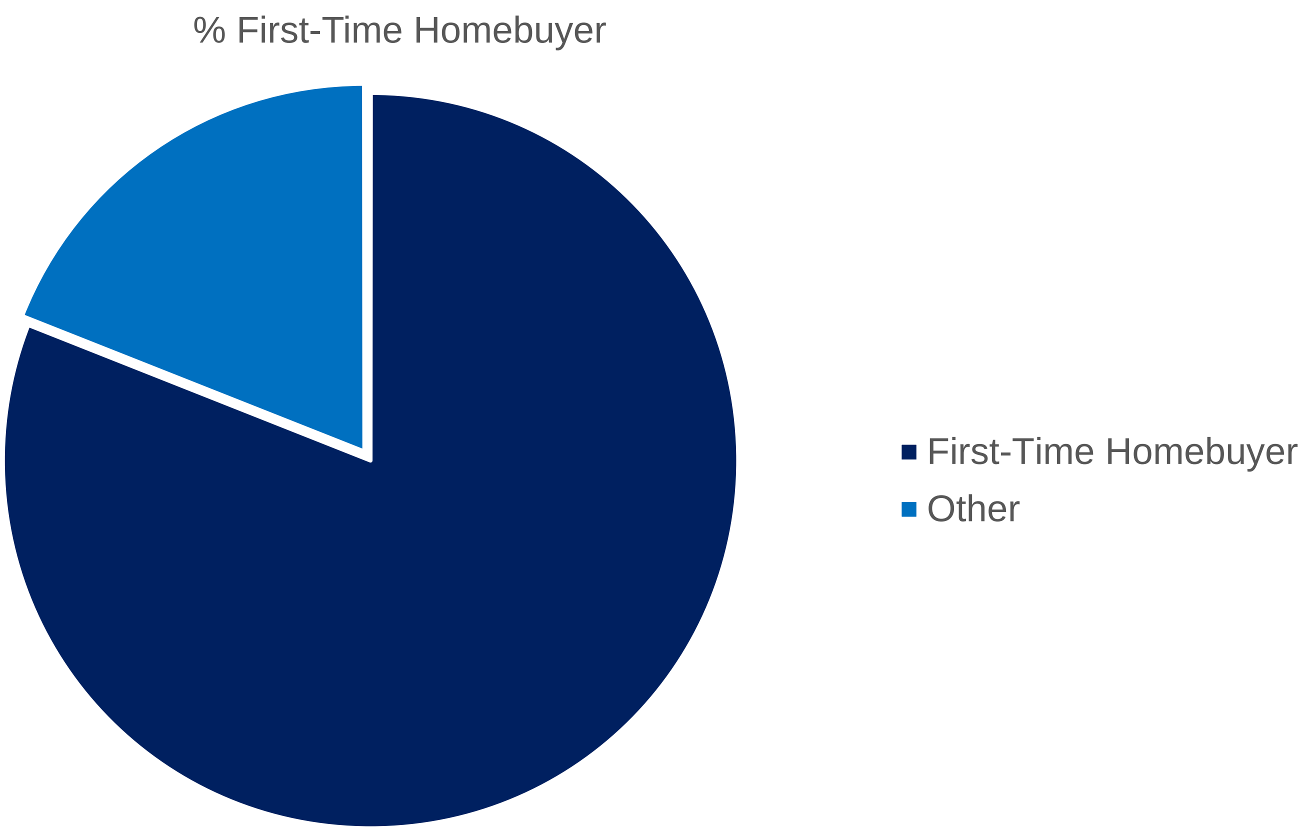


Source: Fannie Mae internal data

*NOTE: Programs are not mutually exclusive, so percentages may add up to more than 100%

First-Time Homebuyers

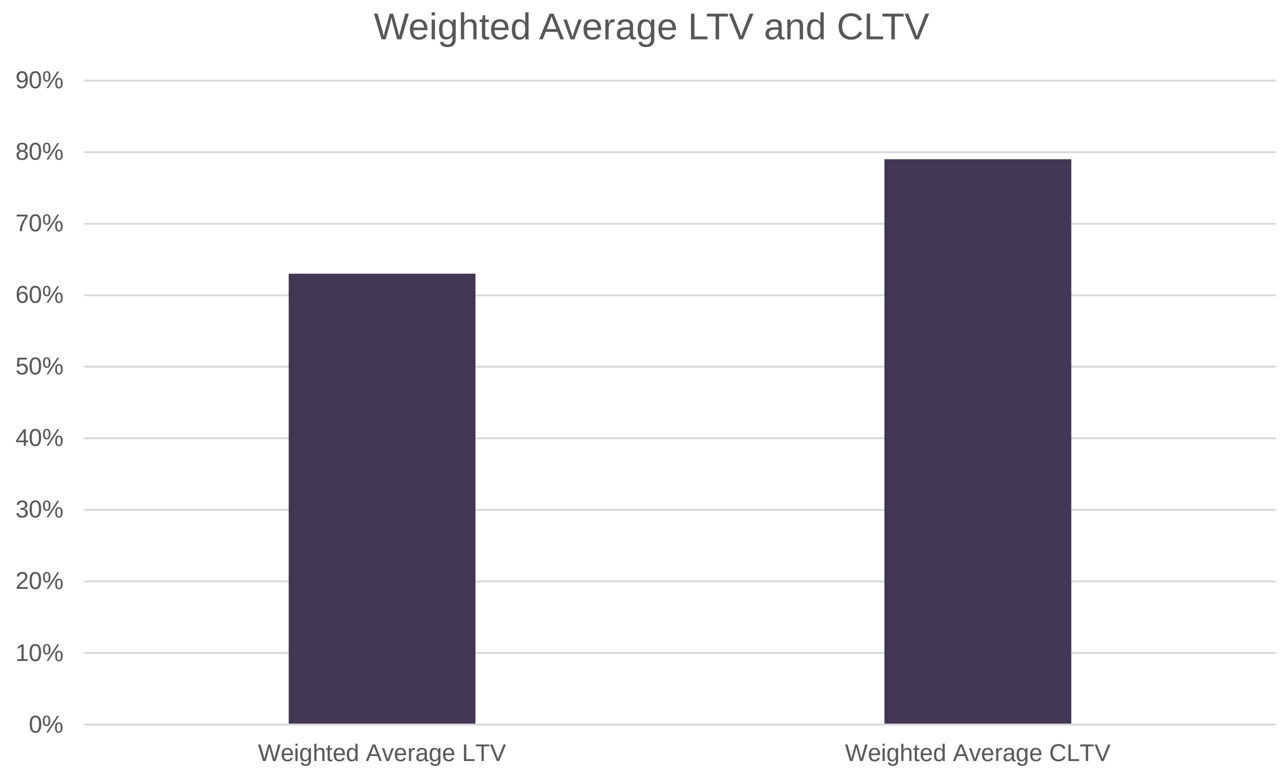
First-time homebuyers account for 81% of shared equity borrowers, which is roughly 4x the share of first-time homebuyers in our portfolio overall.



Source: Fannie Mae internal data

LTV and CLTV

Although the weighted average CLTV ratios for shared equity loans are comparable to similar loans in the Fannie Mae portfolio, the LTV ratios are lower. This is likely due to the effect of Community Seconds®, a subordinate mortgage used in connection with a first mortgage delivered to Fannie Mae – and which is a requirement for deed restrictions as part of shared equity.



Source: Fannie Mae internal data

Full Data Set

NOTE: We implemented in 2017 an update to Desktop Underwriter (DU) that enables our customers to better serve creditworthy borrowers, allowing more loans with debt-to-income (DTI) ratios between 45 and 50 percent to receive a DU Approve/Eligible recommendation. This update was carefully considered and influenced by over two decades of automated underwriting and experience with millions of mortgage loans – including many with high DTI ratios.

Additionally, the rate of 90-day delinquency in the first 12 months after acquisition is 0.50%, which is consistent with other comparable loans that do not fall within the shared equity category.

Shared Equity Portfolio Analysis (2014 - Nov 2018)

	Reporting Year					
	2014	2015	2016	2017	2018	Total
# Loans	172	185	277	233	185	1,052
% of Total Acquisitions	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Volume	$24.65M	$24.76M	$49.20M	$39.52M	$35.39M	$173.53M
Avg. UPB	143,297	133,859	177,628	169,633	191,305	164,952
% Community Land Trust	62%	71%	43%	56%	49%	55%
% Deed Restricted	38%	29%	47%	44%	51%	42%
% SFC 743			17%	7%	2%	6%
% First-Time Homebuyer	77%	72%	82%	85%	89%	81%
% PMM	90%	89%	88%	95%	98%	92%
% LCOR	10%	9%	11%	4%	1%	7%
% COR	0%	2%	1%	1%	1%	1%
% FRM	100%	99%	100%	100%	100%	100%
% HomeReady			2%	16%	35%	11%
% Rural	8%	8%	3%	7%	6%	6%
% 50% AMI	37%	43%	31%	33%	34%	35%
% 50 - 80% AMI	52%	48%	56%	55%	50%	53%
% 80 - 100% AMI	12%	9%	12%	12%	17%	12%
DTI 46-50%	2.68%	1.43%	1.92%	2.49%	18.66%	5.52%
90in12	1.20%	0.00%	0.00%	1.00%		0.50%
WA AINTRATE	4.49%	4.15%	3.92%	4.11%	4.56%	4.21%
WA FICO	739	737	748	742	736	741
WA DTI	37%	36%	39%	39%	40%	39%
WA LTV	63%	65%	62%	61%	64%	63%
WA CLTV	80%	80%	80%	78%	77%	79%

Source: Fannie Mae internal data. Additionally, in the table above, special feature code (SFC) 743 refers to those loans tracked as having an affordable lending lien-based transfer restriction.

Disclaimer:

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