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Rules and Regulations

FARM CREDIT ADMINISTRATION

12 CFR Part 614

RIN 3052–AC92

Amortization Limits

AGENCY: Farm Credit Administration.

ACTION: Notification of effective date.

SUMMARY: The Farm Credit Administration (FCA or we) is repealing the regulatory requirement that production credit associations (PCAs) amortize their loans in 15 years or less, while requiring Farm Credit System (FCS or System) associations to address amortization through their credit underwriting standards and internal controls. In accordance with the law, the effective date of the rule is no earlier than 30 days from the date of publication in the **Federal Register** during which either or both Houses of Congress are in session.

DATES: The regulation amending 12 CFR part 614 published on September 28, 2020 (85 FR 60691) is effective on November 19, 2020.

FOR FURTHER INFORMATION CONTACT:

Technical information: Lori Markowitz, Senior Policy Analyst, Office of Regulatory Policy, (703) 883–4487, TTY (703) 883–4056, *markowitzl@fca.gov*.

Legal information: Richard A. Katz, Senior Counsel, Office of General Counsel, (703) 883–4020, TTY (703) 883–4056, *katzr@fca.gov*.

SUPPLEMENTARY INFORMATION: On September 28, 2020, FCA issued a final rule to repeal regulatory provisions that impose amortization limits on PCA loans; and require associations that amortize loans over a period of time that is longer than the term to maturity to address loan amortization in their credit underwriting standards and internal controls.

In accordance with 12 U.S.C. 2252(c)(1), the effective date of the rule is no earlier than 30 days from the date of publication in the **Federal Register** during which either or both Houses of Congress are in session. Based on the records of the sessions of Congress, the effective date of the regulations is November 19, 2020.

Dated: November 30, 2020.

Dale Aultman,

Secretary, Farm Credit Administration Board.

[FR Doc. 2020–26619 Filed 12–18–20; 8:45 am]

BILLING CODE 6705–01–P

FEDERAL HOUSING FINANCE AGENCY

12 CFR Part 1282

RIN 2590–AB04

2021 Enterprise Housing Goals

AGENCY: Federal Housing Finance Agency.

ACTION: Final rule.

SUMMARY: The Federal Housing Finance Agency (FHFA) is issuing a final rule on the 2021 housing goals for Fannie Mae and Freddie Mac (the Enterprises). The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (the Safety and Soundness Act) requires FHFA to establish annual housing goals for mortgages purchased by the Enterprises. The housing goals include separate categories for single-family and multifamily mortgages on housing that is affordable to low-income and very low-income families, among other categories. The final rule establishes benchmark levels for each of the housing goals for 2021.

DATES: The final rule is effective on February 19, 2021.

FOR FURTHER INFORMATION CONTACT: Ted Wartell, Associate Director, Office of Housing & Community Investment, Division of Housing Mission and Goals, at (202) 649–3157, *Ted.Wartell@fhfa.gov;* Padmasini Raman, Supervisory Policy Analyst, Office of Housing & Community Investment, Division of Housing Mission and Goals, at (202) 649–3633, *Padmasini.Raman@fhfa.gov;* or Kevin Sheehan, Associate General Counsel, Office of General Counsel, (202) 649–3086, *Kevin.Sheehan@fhfa.gov.* These are not toll-free numbers. The mailing address is: Federal Housing Finance Agency, 400 Seventh Street SW, Washington, DC 20219. The telephone number for the Telecommunications Device for the Deaf is (800) 877–8339.

SUPPLEMENTARY INFORMATION:

I. Background

Uncertainty over public health and over the economic impacts of the COVID–19 pandemic has caused significant disruption in both the single-family and multifamily housing markets since March 2020. Due to the severe nature of the COVID–19 pandemic and associated economic uncertainty, FHFA is establishing benchmark levels for the Enterprise single-family and multifamily housing goals for calendar year 2021 only. FHFA expects to conduct a new round of notice and comment rulemaking in 2021 to establish benchmark levels for 2022 and beyond. FHFA expects that more data will become available on the economic impacts of the COVID–19 pandemic and that the additional data will allow FHFA to update the economic model that has been a significant factor in setting the single-family benchmark levels. As in past housing goals rulemakings, FHFA expects to publish a paper describing the economic model as part of the rulemaking process in 2021.

A. Statutory and Regulatory Background for the Existing Housing Goals

The Safety and Soundness Act requires FHFA to establish several annual housing goals for both single-family and multifamily mortgages purchased by Fannie Mae and Freddie Mac.[1] The annual housing goals are one measure of the extent to which the Enterprises are meeting their public purposes, which include ''an affirmative obligation to facilitate the financing of affordable housing for low- and moderate-income families in a manner consistent with their overall public purposes, while maintaining a strong financial condition and a reasonable economic return.''[2]

FHFA has established annual housing goals for Enterprise purchases of single-family and multifamily mortgages consistent with the requirements of the Safety and Soundness Act. The structure of the housing goals and the rules for determining how mortgage purchases are counted or not counted are set forth in the housing goals

[1] *See* 12 U.S.C. 4561(a).

[2] *See* 12 U.S.C. 4501(7).

regulation.[3] The current benchmark levels for the housing goals were established by a final rule covering 2018–2020.[4] This final rule establishes benchmark levels for 2021 but does not make any other changes to the housing goals regulation.

Single-family goals. The single-family goals defined under the Safety and Soundness Act include separate categories for home purchase mortgages for low-income families, very low-income families, and families that reside in low-income areas.[5] FHFA has also established a subgoal within the low-income areas goal that is limited to families in low-income census tracts and moderate-income families in minority census tracts. Performance on the single-family home purchase goals is measured as the percentage of the total home purchase mortgages purchased by an Enterprise each year that qualify for each goal or subgoal. There is also a separate goal for refinancing mortgages for low-income families, and performance on the refinancing goal is determined in a similar way.

Under the Safety and Soundness Act, the single-family housing goals are limited to mortgages on owner-occupied housing with one to four units total. The single-family goals cover conventional, conforming mortgages, defined as mortgages that are not insured or guaranteed by the Federal Housing Administration or another government agency and with principal balances that do not exceed the conforming loan limits for Enterprise mortgages.

Two-part performance evaluation approach. The performance of the Enterprises on the single-family housing goals is evaluated using a two-part approach, comparing the goal-qualifying share of each Enterprise's mortgage purchases to two separate measures: A benchmark level and a market level. In order to meet a single-family housing goal, the percentage of mortgage purchases by an Enterprise that meet each goal must equal or exceed either the benchmark level or the market level for that year. The benchmark level is set prospectively by rulemaking based on various factors set forth in the Safety and Soundness Act.[6] The market level is determined retrospectively for each year, based on the actual goal-qualifying share of the overall market as measured by the Home Mortgage Disclosure Act (HMDA) data for that year. The overall market that FHFA uses for setting the prospective benchmark level and for determining the retrospective market level consists of all single-family owner-occupied conventional conforming mortgages that would be eligible for purchase by either Enterprise. It includes loans purchased by the Enterprises, as well as comparable loans held in a lender's portfolio. It also includes any loans that are part of a private label security (PLS), although very few such securities have been issued for conventional conforming mortgages since 2008.

While both the benchmark level and the retrospective market level are designed to measure the current year's mortgage originations, the performance of the Enterprises on the housing goals includes all Enterprise purchases in that year, regardless of the year in which the loan was originated. This includes providing for housing goals credit when the Enterprises acquire qualified seasoned loans.[7]

Multifamily goals. The multifamily goals defined under the Safety and Soundness Act include categories for mortgages on multifamily properties (properties with five or more units) with rental units affordable to low-income families and mortgages on multifamily properties with rental units affordable to very low-income families. FHFA has also established a small multifamily low-income subgoal for properties with 5–50 units. The multifamily housing goals include all Enterprise multifamily mortgage purchases, regardless of the purpose of the loan. The multifamily goals evaluate the performance of the Enterprises based on numeric targets, not percentages, for the number of affordable units in properties backed by mortgages purchased by an Enterprise. FHFA has not established a retrospective market level measure for the multifamily goals, due in part to a lack of comprehensive data about the multifamily market. As a result, FHFA currently measures Enterprise multifamily goals performance against the benchmark levels only.

The Safety and Soundness Act requires that affordability for rental units under the multifamily goals be determined based on rents that ''[do] not exceed 30 percent of the maximum income level of such income category, with appropriate adjustments for unit size as measured by the number of bedrooms.'' [8] The housing goals regulation considers the net rent paid by the renter and, therefore, nets out any subsidy payments that the renter may receive, including housing assistance payments.

B. Adjusting the Housing Goals

If, after publication of a final rule establishing the housing goals for 2021, FHFA determines that any of the single-family or multifamily housing goals should be adjusted in light of market conditions, to ensure the safety and soundness of the Enterprises, or for any other reason, FHFA will take any steps that are necessary and appropriate to adjust that goal consistent with the statute and regulation. FHFA recognizes that 2021 may be a year of disrupted economic activity. While FHFA is taking this uncertainty into consideration in setting the benchmark levels for 2021, FHFA may take other actions consistent with the Safety and Soundness Act and the Enterprise housing goals regulation based on new information or developments that occur after publication of this final rule.

For example, under the Safety and Soundness Act and the Enterprise housing goals regulation, FHFA may reduce the benchmark levels in response to an Enterprise petition for reduction for any of the single-family or multifamily housing goals in a particular year based on a determination by FHFA that: (1) Market and economic conditions or the financial condition of the Enterprise require a reduction; or (2) efforts to meet the goal or subgoal would result in the constraint of liquidity, over-investment in certain market segments, or other consequences contrary to the intent of the Safety and Soundness Act or the purposes of the Enterprises' charter acts.[9]

The Safety and Soundness Act and the Enterprise housing goals regulation also take into account the possibility that achievement of a particular housing goal may not have been feasible for an Enterprise. If FHFA determines that a

[3] *See* 12 CFR part 1282.

[4] *See* 83 FR 5878 (Feb. 12, 2018).

[5] The low-income areas housing goal includes: (1) Families in ''low-income census tracts,'' defined as census tracts with median income less than or equal to 80 percent of area median income; (2) families with incomes less than or equal to area median income who reside in minority census tracts (defined as census tracts with a minority population of at least 30 percent and a tract median income of less than 100 percent of area median income); and (3) families with incomes less than or equal to 100 percent of area median income who reside in designated disaster areas.

[6] *See* 12 U.S.C. 4562(e).

[7] Seasoned mortgage means a mortgage on which the date of the mortgage note is more than one year before the Enterprise purchased the mortgage. *See* 12 CFR 1282.1(b).

[8] *See* 12 U.S.C. 4563(c). This affordability definition is sometimes referred to as the ''Brooke Amendment,'' which states that to be affordable at the 80 percent of area median income level, the rents must not exceed 30 percent of the renter's income which must not exceed 80 percent of the area median income. *See https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html* for a description of the Brooke Amendment and background on the notion of affordability embedded in the housing goals.

[9] 12 CFR 1282.14(d).

housing goal was not feasible for an Enterprise to achieve, then the statute and regulation provide for no further enforcement of that housing goal for that year.[10]

If FHFA determines that an Enterprise failed to meet a housing goal and that achievement of the housing goal was feasible, then the statute and regulation provide FHFA with discretion in determining whether to require the Enterprise to submit a housing plan describing the specific actions the Enterprise will take to improve its performance.

C. Housing Goals Under Conservatorship

On September 6, 2008, FHFA placed each Enterprise into conservatorship. Although the Enterprises remain in conservatorships at this time, they continue to have the mission of supporting a stable and liquid national market for residential mortgage financing. FHFA has continued to establish annual housing goals for the Enterprises and to assess their performance under the housing goals each year during the conservatorships.

II. Proposed Rule and Comments

FHFA published a proposed rule in the **Federal Register** on August 13, 2020 that proposed benchmark levels for each of the single-family and multifamily housing goals for 2021.[11] The comment period ended on October 13, 2020.

FHFA received 15 comment letters on the proposed rule, including four letters [12] from policy advocacy organizations, six letters from trade associations representing lenders, home builders, credit unions, and other housing market participants, three letters from individuals, one letter from Fannie Mae, and one letter from Freddie Mac. FHFA has reviewed and considered all of the comments. Specific provisions of the proposed rule, and the comments received on those provisions, are discussed in the relevant sections of this final rule. Some topics raised were applicable to both the single-family and multifamily goals and are discussed briefly below. Some comment letters raised issues that are beyond the limited scope of this rulemaking, which is focused solely on establishing new benchmark levels for 2021. FHFA recognizes that the issues raised in the comment letters are important, and FHFA has provided more information and explanation in this final rule whenever it is possible to do so. FHFA is committed to addressing these issues more thoroughly in the proposed rule that is planned for next year on establishing housing goals for 2022 and beyond, which may include proposed changes to the Enterprise housing goals that go beyond setting new benchmark levels.

Research and data. Three comment letters from policy advocacy organizations urged FHFA to conduct additional analysis on the goal-affected markets and to make more data available to the public, including data on Enterprise mortgage acquisitions and activities for low-income and minority borrowers, with real-time data throughout 2021. Through oversight of the regulated entities, FHFA collects and analyzes a significant amount of data on trends in the housing and mortgage markets, enabling FHFA to respond appropriately to market developments and disseminate information to improve the public's understanding of housing finance markets. FHFA's existing data collection, research, and analysis capabilities for the housing goals are supported by the new Division of Research and Statistics (DRS) within FHFA. DRS provides economic and market research, data development, and statistical analysis to support FHFA's oversight, supervision, rulemaking, and policy development. The division examines trends and risks in housing and housing finance markets, advances modeling capabilities, develops and maintains data, evaluates policy impacts, and engages with research communities outside of FHFA. FHFA reviews and monitors proprietary data from the Enterprises throughout the year, but much of this type of data cannot be shared publicly until the following year, in order to avoid influencing the market or giving a competitive advantage or disadvantage to an Enterprise. However, FHFA produces and releases numerous reports every year, detailing FHFA's activities as regulator and conservator of Fannie Mae and Freddie Mac. For example, the Annual Housing Report, released each October, includes data on loans made to low-income and minority borrowers in the previous year.[13] It is valuable to understand what types of information the public finds useful, and FHFA will continue to reflect on what data the agency can share publicly and when.

Forbearance. In the proposed rule, FHFA requested comments on whether there were any kinds of activities, including forbearance, that should receive housing goals credit. Numerous comment letters encouraged FHFA and the Enterprises to take actions to mitigate foreclosures and support affordable loan modifications for homeowners who have been impacted by the pandemic and recession. The letters requested additional guidance to servicers to help inform borrowers of forbearance options and ensure that borrowers can access relief. However, with only one exception, the letters clearly stated that FHFA should not consider these efforts when evaluating whether the Enterprises met the housing goals. FHFA will continue to work closely with the Enterprises to provide assistance to those adversely affected by the COVID–19 pandemic. FHFA is continually reviewing forbearance policies and will institute changes as appropriate. Updated policies and guidance can be found on the FHFA website.[14] When determining whether the Enterprises met the housing goals in 2020, FHFA will continue to evaluate the Enterprises quantitatively.

Finally, some comment letters raised issues beyond the scope of this housing goals rule, and those comments will not be addressed in this final rule. For example, some comment letters referenced the potential impact of the tight underwriting conditions during the pandemic as well as the potential impact of the Enterprise Regulatory Capital Framework re-proposed rule. FHFA announced its final rule on the Enterprise Regulatory Capital Framework on November 18, 2020.[15] Appropriately capitalizing each Enterprise is critical to ensuring that the secondary mortgage market supports access to affordable mortgage credit for low- and moderate-income borrowers and minority borrowers during periods of financial stress, when these borrowers are potentially most vulnerable to loss of access to affordable mortgage credit. FHFA is carefully monitoring the impact of pandemic-related market and underwriting changes on the availability of affordable homeownership for low-income households. FHFA will consider these impacts as it develops its proposed housing goals rule for 2022 and beyond.

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[10] 12 CFR 1282.21(a); 12 U.S.C. 4566(b).

[11] *See* 85 FR 49312 (Aug. 13, 2020).

[12] Two of the comment letters were joint letters representing thirteen advocacy organizations.

[13] *See https://www.fhfa.gov/AboutUs/Reports/Pages/Annual-Housing-Report-2020.aspx.*

[14] *See https://www.fhfa.gov/Homeownersbuyer/MortgageAssistance/Pages/Coronavirus-Assistance-Information.aspx.*

[15] *See https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Enterprise-Regulatory-Capital-Framework-Final-Rule.aspx.*

III. Summary of Final Rule

A. Benchmark Levels for the Single-Family Housing Goals for 2021

The final rule establishes the benchmark levels for the single-family housing goals and subgoal for 2021 as follows:

Goal	Criteria	Current bench-mark level for 2018–2020	Benchmark level for 2021
Low-Income Home Purchase Goal	Home purchase mortgages on single-family, owner-occupied properties with borrowers with incomes no greater than 80 percent of area median income.	24 percent	24 percent.
Very Low-Income Home Purchase Goal.	Home purchase mortgages on single-family, owner-occupied properties with borrowers with incomes no greater than 50 percent of area median income.	6 percent	6 percent.
Low-Income Areas Home Purchase Subgoal.	Home purchase mortgages on single-family, owner-occupied properties with:. • Borrowers in census tracts with tract median income of no greater than 80 percent of area median income; or. • Borrowers with income no greater than 100 percent of area median income in census tracts where (i) tract income is less than 100 percent of area median income, and (ii) minorities comprise at least 30 percent of the tract population. .	14 percent	14 percent.
Low-Income Refinancing Goal	Refinancing mortgages on single-family, owner-occupied properties with borrowers with incomes no greater than 80 percent of area median income.	21 percent	21 percent.

The single-family housing goals also include a Low-Income Areas Home Purchase Goal that the regulation defines as the benchmark level for the Low-Income Areas Home Purchase Subgoal plus an additional ''disaster areas'' increment that FHFA determines each year based on Federal Emergency Management Agency declarations of disasters. The final rule does not make any change to the criteria or process for setting the additional disaster areas increment for 2021.

B. Benchmark Levels for the Multifamily Housing Goals for 2021

The final rule establishes the benchmark levels for the multifamily goal and subgoals for 2021 as follows:

Goal	Criteria	Current benchmark level for 2018-2020	Benchmark level for 2021
Low-Income Goal	Units affordable to families with incomes no greater than 80 percent of area median income in multifamily rental properties with mortgages purchased by an Enterprise	315,000 units	315,000 units
Very Low-Income Subgoal	Units affordable to families with incomes no greater than 50 percent of area median income in multifamily rental properties with mortgages purchased by an Enterprise	60,000 units	60,000 units
Low-Income Small Multifamily Subgoal	Units affordable to families with incomes no greater than 80 percent of area median income in small multifamily rental properties (5 to 50 units) with mortgages purchased by an Enterprise	10,000 units	10,000 units

IV. Single-Family Housing Goals

The final rule establishes the benchmark levels for the single-family housing goals for 2021. FHFA considered the required statutory factors described below in setting the benchmark levels for the single-family housing goals.

The Safety and Soundness Act requires FHFA to consider the following seven factors in setting the single-family housing goals:

1. National housing needs;
2. Economic, housing, and demographic conditions, including expected market developments;
3. The performance and effort of the Enterprises toward achieving the housing goals in previous years;
4. The ability of the Enterprises to lead the industry in making mortgage credit available;
5. Such other reliable mortgage data as may be available;
6. The size of the purchase money conventional mortgage market, or refinance conventional mortgage market, as applicable, serving each of the types of families described, relative to the size of the overall purchase money mortgage market or the overall refinance mortgage market, respectively; and
7. The need to maintain the sound financial condition of the Enterprises.[16]

FHFA has considered each of these seven statutory factors in setting the benchmark levels for each of the single-family housing goals and subgoal.

In setting the benchmark levels for the single-family housing goals and subgoal, FHFA typically relies on statistical market models as one important consideration in evaluating these statutory factors. The statistical market models generate a point forecast for each goal as well as a confidence interval for the point forecast. FHFA then considers other statutory factors, as well as other relevant policy issues, to select a specific point forecast within the confidence interval as the benchmark level. However, due to the severe nature of the COVID–19 pandemic and the associated uncertainty going forward, FHFA has determined that the data used to create the statistical market models is not sufficient to reflect economic conditions for 2021.

Current Economic Conditions

Uncertainty over public health and the economic impacts of the COVID–19 pandemic have dealt a severe blow to the U.S. economy. The sudden drop in economic activity in March 2020 created widespread disruptions and resulted in an unprecedented level of job losses. The unemployment rate jumped from 3.5 percent in February to 14.7 percent in April.[17] Inflation-adjusted consumer expenditures, which account for about two-thirds of gross domestic product (GDP), declined 7.3 percent in March. On June 8, the Business Cycle Dating Committee of the National Bureau of Economic Research officially declared that the U.S. economy fell into a recession in

[16] 12 U.S.C. 4562(e)(2)(B).

[17] The Bureau of Labor Statistics (BLS), which publishes the unemployment rate and other labor statistics each month, noted that the April unemployment rate probably understated the share of unemployed workers in the labor force because many workers who should have been classified as ''unemployed on temporary layoff'' were most likely misclassified as ''employed absent from work'' in the Current Population Survey. A BLS analysis of the underlying data suggests that, had that misclassification not occurred, the April unemployment rate would have been nearly 5 percentage points higher. *See* Bureau of Labor Statistics, ''Frequently Asked Questions: The Impact of the Coronavirus (COVID–19) Pandemic on the Employment Situation for April 2020'' (May 8, 2020), *https://go.usa.gov/xvM73.*

February, ending one of the longest economic expansions in history.[18]

The depth and duration of this recession and the path to economic recovery remain uncertain. However, the unemployment rate steadily declined from its April peak to 7.9 percent in September 2020 as economic activity slowly resumed.[19] Real GDP growth further declined from an annual rate of negative 5.0 percent in the first quarter of the year to negative 31.4 percent in the second quarter, before rising at an annual rate of 33.1 percent in the third quarter.[20]

According to the most recent estimate published by the Congressional Budget Office (CBO),[21] the COVID–19 pandemic and associated social distancing triggered a sharp contraction in output in the second quarter of 2020, but the CBO projected that real GDP would grow rapidly in the second half of 2020 and the first half of 2021. Strong GDP growth is projected to continue thereafter but at a slower pace.

This is in line with the economic projections at the Federal Open Market Committee (FOMC) meeting in September 2020. The real GDP growth for 2020 was projected to be negative 3.7 percent, an improvement from negative 6.5 percent at the June meeting.[22] Real GDP growth was projected to be 4.0 percent in 2021 as the economy recovers, and then 2.5–3.0 percent in the following two years. Other variables such as the projected unemployment rate also improved, declining from 9.3 percent in the June projection to 7.6 percent in the September projection.

The implications for the primary and secondary mortgage markets continue to unfold as policymakers consider further responses to the economic disruption caused by the COVID–19 pandemic. Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to address some of the most pressing impacts of the economic disruption, including extending unemployment benefits through July. The availability of credit has contracted in the mortgage market due to a variety of factors, including additional down payment and loan-to-value restrictions and generally tightened underwriting requirements. Nevertheless, mortgage origination activity for home purchases has remained robust after its sharp decline in May 2020 as borrowers have sought to take advantage of the historic low interest rates for mortgages. Forecasts released by the Mortgage Bankers Association (MBA) in October indicate that overall home purchases and refinance mortgage originations could total $3.18 trillion in 2020, the most since 2003 ($3.81 trillion).[23]

FHFA will continue to monitor how these circumstances impact various segments of the market, including those targeted by the housing goals. For instance, the pandemic and the resulting economic disruption resulted in tightening of credit, job losses, and uncertainty, which may have left some low-income households unable to refinance. However, the size of the impact on the low-income share of households among all home purchase and refinance mortgages continues to be hard to ascertain.

National Housing Trends

At the start of 2020, the American housing market was in a strong position overall. After falling for 12 consecutive years, the U.S. homeownership rate reached 65.1 percent in 2019, with first-time homebuyers becoming an increasingly larger share of the homebuying market, helping to drive its overall expansion.[24] Affordability challenges for low-income households remained, however. While interest rates have remained low since the Great Recession, home prices have climbed steadily, with real prices more than 5.0 percent above their 2006 peak by the middle of 2020, according to the quarterly, seasonally adjusted, purchase-only FHFA House Price Index®. The median home price to median household income ratio, which is often used to measure affordability, declined nationally from a high of 4.7 in 2005 to a low of 3.3 in 2011, then steadily rose to 4.2 in 2018.[25] As of the second quarter of 2020, the ratio was estimated to be 4.0, based on data from Moody's. FHFA will continue to monitor this metric throughout 2020.

Recent Market Developments

In response to the COVID–19 pandemic, financial markets and economic activity endured a severe dislocation in March, and housing markets were no exception. Initially, the combination of social distancing measures and heightened economic concerns caused home sales to drop significantly and homebuilders to pull back on new housing starts. Single-family housing starts declined sharply in March (down 14.9 percent) and April (down 22.8 percent), but have been growing since May, indicating a partial recovery. Starts in September represented an 8.5 percent increase compared to August.[26] Further, the seasonally adjusted annual rate of housing starts in September 2020 was higher than September 2019.

The full impact of the COVID–19 pandemic and ensuing uneven recovery on the low-income home purchase market is still unfolding. While uncertainty about the extent and continuation of the recovery remains as the pandemic endures, the summer months represented a strong, but likely uneven rebound. Policy measures such as the CARES Act have helped mitigate the disruption. Additionally, the Federal Reserve's actions to keep interest rates low have buoyed the housing market, and borrowers have sought to purchase and refinance their homes to take advantage of the low interest rate environment. However, it is not clear whether this represents an actual increase in mortgage originations and refinances, or a bringing forward of the pipeline as would-be borrowers make intended transactions sooner rather than later. Some comment letters noted the uneven impact of the pandemic on low-income and low-wealth households. It is likely that the full extent of the COVID–19 pandemic's impact on housing markets will not be known until well after the virus is contained. The Enterprises are showing strong housing goals performance in 2020, although performance has varied at times throughout the year. The uneven impact of the pandemic and recovery will be considered by FHFA while evaluating the feasibility of the goals as part of the Enterprise housing goals performance determination process for 2020.

Thus, while Enterprise performance on the housing goals has tended to exceed the benchmark levels set by FHFA in recent years, the economic

[18] *See https://www.nber.org/cycles/june2020.html.*

[19] *See https://www.bls.gov/news.release/empsit.nr0.htm,* accessed on 10/5/2020.

[20] *See https://www.bea.gov/news/2020/gross-domestic-product-third-quarter-2020-advance-estimate,* accessed on 11/4/2020.

[21] Congressional Budget Office, ''An Update to the Economic Outlook: 2020–2030,'' published on July 2, 2020, accessed on 7/8/2020 at *https://www.cbo.gov/publication/56442.*

[22] *See https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20200916.pdf,* accessed on 10/5/2020.

[23] *See https://www.mba.org/2020-press-releases/october/mba-forecast-purchase-originations-to-increase-85-to-record-154-trillion-in-2021.*

[24] U.S. Census Bureau, ''Quarterly Residential Vacancies and Homeownership,'' Fourth Quarter 2019, Release Number: CB20–05, available at *https://www.census.gov/housing/hvs/files/qtr419/Q419press.pdf.*

[25] Joint Center for Housing Studies of Harvard University, ''The State of the Nation's Housing 2020,'' available at *https://www.jchs.harvard.edu/state-nations-housing-2020.*

[26] U.S. Census Bureau, ''Monthly New Residential Construction,'' October 2020, Release Number: CB20–155, available at *https://www.census.gov/construction/nrc/pdf/newresconst.pdf.*

disruption and uncertainty seen in 2020 support keeping the levels for 2021 unchanged from 2018–2020.

Past Performance of the Enterprises

Table 1 provides the annual performance of both Enterprises on the single-family housing goals between 2010 and 2019. The performance of the Enterprises in 2019 is the most recent complete year of data and shows that both Enterprises exceeded the benchmark levels set by FHFA for each of the single-family housing goals, continuing the recent trend of Enterprise performance above the benchmark levels for the single-family housing goals for 2018–2020. While FHFA has monitored Enterprise performance in 2020 on a continual basis, that information is considered non-public until the calendar year is complete.

Table 1: Enterprise Single-Family Housing Goals Performance (2010-2019)

Low-Income Home Purchase Goal										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Actual Market	27.2	26.5	26.6	24	22.8	23.6	22.9	24.3	25.5	26.6
Benchmark	27	27	23	23	23	24	24	24	24	24
Fannie Mae Performance	25.1*	25.8*	25.6	23.8	23.5	23.5*	22.9	25.5	28.2	27.8
Freddie Mac Performance	27.8	23.3*	24.4	21.8*	21*	22.3*	23.8	23.2*	25.8	27.4
Very Low-Income Home Purchase Goal										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Actual Market	8.1	8	7.7	6.3	5.7	5.8	5.4	5.9	6.5	6.6
Benchmark	8	8	7	7	7	6	6	6	6	6
Fannie Mae Performance	7.2*	7.6*	7.3	6*	5.7	5.6*	5.2*	5.9	6.7	6.5
Freddie Mac Performance	8.4	6.6*	7.1	5.5*	4.9*	5.4*	5.7	5.7*	6.3	6.8
Low-Income Areas Home Purchase Goal										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Actual Market	24	22	23.2	22.1	22.1	19.8	19.7	21.5	22.6	22.9
Benchmark	24	24	20	21	18	19	17	18	18	19
Fannie Mae Performance	24.1	22.4	22.3	21.6	22.7	20.4	20.2	22.9	25.1	24.5
Freddie Mac Performance	23.8*	19.2*	20.6	20*	20.1	19	19.9	20.9	22.6	22.9
Low-Income Areas Home Purchase Subgoal										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Actual Market	12.1	11.4	13.6	14.2	15	15.2	15.9	17.1	18	18.1
Benchmark	13	13	11	11	11	14	14	14	14	14
Fannie Mae Performance	12.4	11.6	13.1	14	15.5	15.6	16.2	18.3	20.1	19.5
Freddie Mac Performance	10.8*	9.2*	11.4	12.3	13.6	14.5	15.6	16.4	17.3	18.0
Low-Income Refinance Goal										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Actual Market	20.2	21.5	22.3	24.3	25	22.5	19.8	25.4	30.7	24
Benchmark	21	21	20	20	20	21	21	21	21	21
Fannie Mae Performance	20.9	23.1	21.8	24.3	26.5	22.1	19.5*	24.8	31.2	23.8
Freddie Mac Performance	22	23.4	22.4	24.1	26.4	22.8	21	24.8	27.3	22.4

**Numbers marked with asterisks indicate that the Enterprise failed to meet the goal.*

Tables 2 through 5 provide additional detail on the recent performance of the Enterprises for each of the single-family goals and subgoal. The tables show the number as well as the share of goal-qualifying loans that the Enterprises acquired from 2013–2019. In 2018 and 2019, the Enterprises increased the number of goals-qualifying loans they acquired at the same time that their overall single-family mortgage purchase volume increased.

Table 2: Low-Income Home Purchase Goal

	Performance						
Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Actual Market	24.0%	22.8%	23.6%	22.9%	24.3%	25.5%	26.6%
Benchmark	23%	23%	24%	24%	24%	24%	24%
Fannie Mae Performance							
Low-Income Home Purchase Mortgages	193,660	177,846	188,891	221,628	263,296	294,559	298,702
Total Home Purchase Mortgages	814,066	757,870	802,432	966,800	1,032,567	1,044,098	1,075,032
Low-Income % of Home Purchase Mortgages	23.8%	23.5%	23.5%	22.9%	25.5%	28.2%	27.8%
Freddie Mac Performance							
Low-Income Home Purchase Mortgages	93,425	108,948	129,455	153,434	165,555	199,429	235,811
Total Home Purchase Mortgages	429,086	519,731	579,340	644,988	713,901	774,394	860,669
Low-Income % of Home Purchase Mortgages	21.8%	21.0%	22.3%	23.8%	23.2%	25.8%	27.4%

Table 3: Very Low-Income Home Purchase Goal

	Performance						
Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Actual Market	6.30%	5.70%	5.80%	5.40%	5.90%	6.50%	6.6%
Benchmark	7%	7%	6%	6%	6%	6%	6%
Fannie Mae Performance							
Very Low-Income Home Purchase Mortgages	48,810	42,872	45,022	49,932	60,561	69,952	70,214
Total Home Purchase Mortgages	814,066	757,870	802,432	966,800	1,032,567	1,044,098	1,075,032
Very Low-Income % of Home Purchase Mortgages	6.0%	5.7%	5.6%	5.2%	5.9%	6.7%	6.5%
Freddie Mac Performance							
Very Low-Income Home Purchase Mortgages	23,705	25,232	31,146	36,837	40,848	48,823	58,136
Total Home Purchase Mortgages	429,086	519,731	579,340	644,988	713,901	774,394	860,669
Very Low-Income % of Home Purchase Mortgages	5.5%	4.9%	5.4%	5.7%	5.7%	6.3%	6.8%

Table 4: Low-Income Areas Home Purchase Subgoal

	Performance						
Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Actual Market	14.2%	15.2%	15.2%	15.9%	17.1%	18.0%	18.1%
Benchmark	11%	11%	14%	14%	14%	14%	14%
Fannie Mae Performance							
Low-Income Area Home Purchase Mortgages	86,430	91,691	99,723	125,956	152,102	167,265	166,709
High-Minority Area Home Purchase Mortgages	27,425	25,650	25,349	30,535	36,942	42,099	42,732
Subgoal-Qualifying Total Home Purchase Mortgages	113,855	117,341	125,072	156,491	189,044	209,364	209,441
Total Home Purchase Mortgages	814,066	757,870	802,432	966,800	1,032,567	1,044,098	1,075,032
Low-Income Area % of Home Purchase Mortgages	14.0%	15.5%	15.6%	16.2%	18.3%	20.1%	19.5%
Freddie Mac Performance							
Low-Income Area Home Purchase Mortgages	40,444	55,987	67,172	80,805	94,961	106,815	123,953
High-Minority Area Home Purchase Mortgages	12,177	14,808	16,601	19,788	22,190	27,310	30,770
Subgoal-Qualifying Total Home Purchase Mortgages	52,621	70,795	83,773	100,593	117,151	134,125	154,723
Total Home Purchase Mortgages	429,086	519,731	579,340	644,988	713,901	774,394	860,669
Low-Income Area % of Home Purchase Mortgages	12.3%	13.6%	14.5%	15.6%	16.4%	17.3%	18.0%

Table 5: Low-Income Refinance Goal

	Performance						
Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Actual Market	24.3%	25.0%	22.5%	19.8%	25.4%	30.7%	24.0%
Benchmark	20%	20%	21%	21%	21%	21%	21%
Fannie Mae Performance							
Low-Income Refinance Mortgages	531,611	222,329	231,380	248,698	223,768	196,230	234,249
Total Refinance Mortgages	2,186,541	840,506	1,045,258	1,274,342	902,123	629,816	985,932
Low-Income % of Refinance Mortgages	24.3%	26.5%	22.1%	19.5%	24.8%	31.2%	23.8%
Freddie Mac Performance							
Low-Income Refinance Mortgages	320,962	131,921	182,594	174,708	143,475	104,843	159,322
Total Refinance Mortgages	1,331,034	514,936	800,369	830,888	578,548	384,593	712,376
Low-Income % of Refinance Mortgages	24.1%	25.6%	22.8%	21.0%	24.8%	27.3%	22.4%

Comments on the Proposed Single-Family Housing Goals

Single-family housing goals benchmarks. The majority of comment letters focused on the proposed single-family housing goals. Most commenters, including the Enterprises and trade associations, supported the proposal to maintain the 2020 levels of the benchmarks for 2021 due to the uncertainty caused by the pandemic. A number of policy advocacy organizations recommended higher benchmark levels for the low-income purchase goal, raising it from 24 percent to 27 percent. FHFA recognizes that Enterprise performance in recent years has generally exceeded the benchmark levels, but FHFA believes the goals should not be increased for 2021 in light of the market disruption and continued market uncertainty. FHFA will reevaluate the benchmark levels of all of the single-family housing goals in developing the proposed housing goals rule for 2022 and beyond.

Two comment letters from policy advocacy organizations also recommended requiring the Enterprises to meet both the prospective benchmark level and the retrospective market level in order to meet a goal. FHFA considered this alternative in the 2015–2017 housing goals rulemaking and determined that requiring an Enterprise to meet either of the two measures continued to be the most appropriate method for evaluating performance on the single-family housing goals.[27] As discussed in the 2015–2017 and 2018–2020 housing goals final rules, FHFA utilizes the two-part approach to balance the risks of its two component tests. The benchmark level enables the Enterprises to plan ahead to meet a goal, but it is based on forecasts driven by prior market conditions that may not necessarily reflect current or future market conditions. The retrospective market measure helps provide an important safety valve that reduces the risk of a housing goal potentially motivating unsafe or unsound practices in the event of unpredictable market conditions.

FHFA market model. Three comment letters from policy advocacy organizations expressed interest in seeing the market model paper that is typically released with the housing goals proposed rule, which describes the FHFA forecast for the single-family housing goals. The economic model in the paper typically plays a significant role in how FHFA arrives at the single-family benchmark levels. FHFA did not develop a market model paper for the proposed rule this year because FHFA is not relying on the economic model as the rationale for setting the benchmark levels as the market disruption caused by the pandemic is ongoing and is not yet reflected in the data that is used in the model. During 2021, FHFA will develop a proposed housing goals rule for 2022 and beyond, and plans to develop and release a market model paper with that proposed rule.

Temporary adjustment factors. One comment letter from a policy advocacy organization recommended that FHFA consider allowing short-term adjustment factors and bonus points to support or expand access where there are gaps in the market. FHFA is continually monitoring and adjusting its overall regulatory approach to addressing homeownership gaps and access to credit for underserved families, including gaps that may be developing in these markets as a result of the COVID–19 pandemic. FHFA will consider additional options to address these gaps in developing the proposed rule on housing goals for 2022 and beyond.

Low-Income Refinance Goal. One comment letter from a policy advocacy organization highlighted a concern that lower-income and lower-wealth homeowners are not benefitting from the refinance boom and the historically low interest rates to save money on their mortgage payments. The letter recommended that FHFA and the Enterprises ensure rate term refinances are accessible and affordable to lower-income families. FHFA is closely monitoring the refinance market overall and will continue to track Enterprise data on borrower income for the low-income refinance goal.

Low-Income Areas Subgoal. Three comment letters from policy advocacy organizations expressed interest in FHFA's ongoing analysis of the low-income areas subgoal. The letters voiced concerns about the potential for displacement of lower-income residents and requested that more data be made public, specifically around borrower income of goals-qualifying loans. FHFA notes that annual loan-level data from the Enterprises and HMDA is available in the FHFA Annual Housing Report, which includes information about borrower income, among other characteristics. FHFA has continued to analyze the data from HMDA and the Enterprises related to this goal and is providing relevant data in tables 6 through 8 below.

Under the housing goals regulation, the Enterprises can meet the low-income areas home purchase subgoal by acquiring home purchase mortgages that are either: (1) Originated for borrowers located in low-income census tracts (defined as census tracts with median income less than or equal to 80 percent of area median income(AMI)); or (2) originated for borrowers with incomes less than or equal to AMI who reside in minority census tracts (defined as census tracts with a minority population of at least 30 percent and a tract median income of less than 100 percent of

[27] *See https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/2015-2017-Enterprise-Housing-Goals-Final-Rule.aspx.*

AMI).[28] There are no borrower income requirements for criterion (1). While Enterprise mortgage acquisitions could qualify under either or both criteria, the share of the Enterprises' mortgage acquisitions satisfying criterion (1) has been consistently higher than the share of Enterprise mortgage acquisitions satisfying criterion (2) in recent years. For example, among the Enterprises' mortgage acquisitions in 2019, 15.0 percent of mortgages met only criterion (1), 10.2 percent met only criterion (2), and 6.4 percent met both criteria as can be seen in table 6 below. All of these shares have been increasing steadily since 2010.

Table 6: Composition of Low-Income Areas Home Purchase Subgoal

Distribution of Borrowers By Census Tract Location: HMDA Home Purchases						
		(A)				(B)
	Grand Total	L I	L I, not H M	H M and L I	H M, not L I	H M
Year	**Low-Income Area Subgoal**	**All Low-Income Areas**	**Low-Income Areas that are not High Minority Areas**	**High Minority Areas that are also Low-Income Areas**	**High Minority Areas that are not Low-Income Areas**	**All High-Minority Areas**
2010	12.1%	9.2%	5.6%	3.6%	2.9%	6.5%
2011	11.4%	8.8%	5.5%	3.3%	2.6%	5.9%
2012	13.5%	10.3%	6.0%	4.3%	3.2%	7.5%
2013	14.1%	10.9%	6.6%	4.3%	3.1%	7.4%
2014	15.0%	12.0%	7.5%	4.6%	3.0%	7.5%
2015	15.1%	12.2%	7.6%	4.6%	2.9%	7.5%
2016	15.9%	12.9%	8.1%	4.8%	2.9%	7.7%
2017	17.0%	14.0%	8.7%	5.3%	3.1%	8.3%
2018	17.9%	14.7%	9.1%	5.5%	3.3%	8.8%
2019	18.1%	14.7%	9.0%	5.7%	3.4%	9.1%
Distribution of Borrowers By Census Tract Location: Enterprise Home Purchases						
		(A)				(B)
	Grand Total	L I	L I, not H M	H M and L I	H M, not L I	H M
Year	**Low-Income Area Subgoal**	**All Low-Income Areas**	**Low-Income Areas that are not High Minority Areas**	**High Minority Areas that are also Low-Income Areas**	**High Minority Areas that are not Low-Income Areas**	**All High-Minority Areas**
2010	11.6%	8.7%	5.2%	3.5%	2.9%	6.4%
2011	10.7%	8.1%	5.1%	3.1%	2.6%	5.7%
2012	12.6%	9.3%	5.4%	3.9%	3.3%	7.2%
2013	13.4%	10.2%	6.2%	4.0%	3.2%	7.2%
2014	14.7%	11.6%	7.0%	4.5%	3.2%	7.7%
2015	15.1%	12.1%	7.4%	4.6%	3.0%	7.7%
2016	16.0%	12.8%	7.9%	4.9%	3.1%	8.0%
2017	17.5%	14.1%	8.5%	5.6%	3.4%	9.0%
2018	18.9%	15.1%	8.8%	6.3%	3.8%	10.1%
2019	18.8%	15.0%	8.7%	6.4%	3.8%	10.2%

Source: FHFA's tabulation of Home Mortgage Disclosure Act (HMDA) and Enterprises' data. Conventional conforming single-family owner-occupied 1st lien non-HOEPA originations.

FHFA's analysis of HMDA data in table 7 shows that both the low-income areas and the high-minority areas have increasing shares of borrowers with incomes at or above 100 percent of AMI, although loans to borrowers with incomes over 100 percent of AMI do not qualify for the minority areas component of the goal. For instance, the share of loans made to borrowers with incomes greater than 100 percent of AMI and residing in these low-income census tracts increased from 38.8 percent in 2010 to 44.2 percent in 2016, after dropping to 36.5 percent in 2012. This share has been relatively stable since then, with a 43.3 percent share in 2019. Nonetheless, borrowers with higher incomes have made up an increasing share of the mortgage market in the low-income areas. A similar trend exists among borrowers residing in high minority census tracts, with the share of higher income borrowers increasing from 42.5 percent in 2010 to 50 percent in 2016. That share declined to 47.8 percent in 2019 after hovering around 49 percent in 2018 and 2019.

[28] *See* 12 CFR 1281.1 and 1282.12(f).

Table 7: Borrower Income Relative to AMI (HMDA)

Borrowers Residing in Low-Income Census Tracts										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Borrower Income ≤ 50% AMI	17.8%	17.7%	19.0%	15.4%	14.1%	14.1%	12.3%	13.0%	12.6%	12.9%
Borrower Income > 50% and ≤ 80% AMI	28.0%	26.6%	29.3%	28.4%	27.9%	27.9%	27.4%	27.8%	26.7%	28.1%
Borrower Income > 80% and ≤ 100% AMI	14.3%	13.9%	13.9%	14.7%	14.9%	14.9%	15.3%	15.2%	14.5%	14.4%
Borrower Income > 100% and ≤ 120% AMI	10.1%	10.0%	10.0%	10.8%	11.3%	11.3%	11.8%	11.6%	11.0%	10.9%
Borrower Income > 120% AMI	28.7%	30.5%	26.5%	29.3%	30.9%	30.8%	32.4%	31.4%	33.6%	32.4%
Income Missing	1.0%	1.4%	1.3%	1.3%	0.9%	1.0%	0.9%	0.9%	1.5%	1.2%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Borrowers Residing in High-Minority Census Tracts										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Borrower Income ≤ 50% AMI	14.9%	15.0%	14.6%	11.3%	10.1%	10.3%	9.4%	9.9%	9.9%	10.0%
Borrower Income > 50% and ≤ 80% AMI	27.1%	26.4%	26.8%	24.9%	24.4%	24.7%	24.6%	25.2%	24.4%	26.0%
Borrower Income > 80% and ≤ 100% AMI	14.6%	14.3%	14.1%	14.7%	14.8%	14.9%	15.2%	15.3%	14.9%	15.0%
Borrower Income > 100% and ≤ 120% AMI	10.9%	10.6%	11.0%	11.7%	12.0%	12.2%	12.4%	12.2%	11.8%	11.7%
Borrower Income > 120% AMI	31.6%	32.4%	32.3%	36.0%	37.8%	37.0%	37.6%	36.5%	37.5%	36.1%
Income Missing	1.0%	1.3%	1.3%	1.4%	0.9%	1.0%	0.8%	0.9%	1.5%	1.2%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Definitions:

Low-income census tracts = Census tracts with median income ≤ 80% Area Median Income (AMI)

High-minority census tracts = Census tracts where (i) tract median income ≤ 100% Area Median Income (AMI); and (ii) minorities comprise at least 30 pecent of the tract population.

Source: FHFA's tabulation of HMDA data.

Table 8 shows this trend among the Enterprises' mortgage acquisitions in these areas until 2016, but the share has been noticeably declining since then. For example, the share of loans made to borrowers with incomes greater than 100 percent of AMI and residing in these low-income census tracts increased from 40.7 percent in 2010 to 42.8 percent in 2016. However, that share has steadily declined since then, dropping to a low of 37 percent in 2019. This trend is similar among borrowers residing in high minority census tracts, with the share of higher income borrowers increasing from 45.4 percent in 2010 to 48.5 percent in 2016, after dropping to a low of 42.8 percent in 2012. This share has since declined to 42.8 percent in 2019.

Table 8: Borrower Income Relative to AMI (Enterprise Loans Only)

Borrowers Residing in Low-Income Census Tracts										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Borrower Income ≤ 50% AMI	16.7%	16.3%	18.2%	14.5%	13.4%	13.4%	13.1%	13.9%	15.2%	15.3%
Borrower Income > 50% and ≤ 80% AMI	27.7%	26.3%	28.6%	28.2%	28.4%	28.4%	28.5%	29.5%	31.4%	31.8%
Borrower Income > 80% and ≤ 100% AMI	14.8%	14.4%	14.6%	15.3%	15.5%	15.6%	15.6%	15.7%	16.0%	16.0%
Borrower Income > 100% and ≤ 120% AMI	10.8%	10.9%	10.8%	11.5%	11.7%	11.8%	11.9%	11.8%	11.3%	11.3%
Borrower Income > 120% AMI	29.9%	32.0%	27.7%	30.5%	31.0%	30.7%	30.9%	29.2%	26.1%	25.7%
Income Missing	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Borrowers Residing in High-Minority Census Tracts										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Borrower Income ≤ 50% AMI	13.3%	12.9%	15.2%	11.5%	10.3%	10.3%	10.0%	10.5%	11.3%	11.5%
Borrower Income > 50% and ≤ 80% AMI	26.1%	24.9%	27.0%	26.1%	25.7%	25.5%	25.8%	26.9%	28.5%	29.1%
Borrower Income > 80% and ≤ 100% AMI	15.1%	14.7%	14.9%	15.5%	15.7%	15.9%	15.7%	16.0%	16.6%	16.6%
Borrower Income > 100% and ≤ 120% AMI	11.6%	11.4%	11.5%	12.4%	12.6%	12.8%	12.6%	12.6%	12.4%	12.3%
Borrower Income > 120% AMI	33.8%	36.2%	31.3%	34.6%	35.7%	35.5%	35.9%	34.1%	31.2%	30.5%
Income Missing	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Definitions:

Low-income census tracts = Census tracts with median income ≤ 80% Area Median Income (AMI)

High-minority census tracts = Census tracts where (i) tract median income ≤ 100% Area Median Income (AMI); and (ii) minorities comprise at least 30 pecent of the tract population.

Source: FHFA's tabulation of Enterprises' data.

FHFA will continue to monitor this data and seek further input on the impact of this subgoal in developing the proposed rule on housing goals for 2022 and beyond.

Benchmark Levels for the Single-Family Housing Goals for 2021

The final rule sets the benchmark levels for each of the single-family housing goals and the subgoal for 2021 at the same levels that applied for 2018–2020. Based on the factors described in detail above and in the proposed rule, and after consideration of the comments received in response to the proposed rule, FHFA believes that extending these benchmark levels to 2021 will provide achievable yet challenging targets for the Enterprises.

V. Multifamily Housing Goals

This final rule also establishes the benchmark levels for the multifamily housing goals for 2021. FHFA considered the following six statutory factors as required by the Safety and Soundness Act in setting the benchmark levels for the multifamily housing goals:

1. National multifamily mortgage credit needs and the ability of the Enterprises to provide additional liquidity and stability for the multifamily mortgage market;

2. The performance and effort of the Enterprises in making mortgage credit available for multifamily housing in previous years;

3. The size of the multifamily mortgage market for housing affordable to low-income and very low-income families, including the size of the multifamily markets for housing of a smaller or limited size;

4. The ability of the Enterprises to lead the market in making multifamily mortgage credit available, especially for multifamily housing affordable to low-income and very low-income families;

5. The availability of public subsidies; and

6. The need to maintain the sound financial condition of the Enterprises.[29]

FHFA has considered each of these statutory factors in setting the benchmark levels for each of the multifamily housing goals.

The multifamily housing goals are measured based on the total volume of affordable multifamily mortgage purchases rather than on a percentage of multifamily mortgage purchases. Another difference between the single-family and multifamily housing goals is that there are separate single-family housing goals for home purchase and refinancing mortgages, while the multifamily housing goals include all Enterprise multifamily mortgage purchases, regardless of the purpose of the loan.

Performance on the multifamily housing goals is measured solely against a benchmark level, without any retrospective market measure. The absence of a retrospective market measure for the multifamily housing goals results, in part, from the lack of comprehensive data about the multifamily mortgage market. Unlike the single-family mortgage market, for which HMDA data provide a reasonably comprehensive dataset about single-family mortgage originations each year, the multifamily mortgage market (including the affordable multifamily mortgage market segment) has no comparable source of data.

The lack of comprehensive data for the multifamily mortgage market is even more acute with respect to the segments of the market that are targeted to low-income families, defined as families with incomes at or below 80 percent of AMI, and very low-income families, defined as families with incomes at or below 50 percent of AMI. As required by the Safety and Soundness Act, FHFA determines affordability of multifamily units based on a unit's rent and utility expenses not exceeding 30 percent of the area median income standard for low- and very low-income families.[30]

[29] 12 U.S.C. 4563(a)(4).

[30] 12 U.S.C. 4563(c).

Current Economic Conditions, National Housing Needs, and Recent Market Developments

The pandemic has impacted the multifamily affordable housing market and renters across the country. In February 2020, the multifamily originations market appeared as strong as it had been in 2019. However, by November 2020, MBA released a forecast projecting a 21 percent decline in multifamily originations from $364 billion in 2019 to $288 billion in 2020. MBA noted that ''through the first three quarters of 2020, multifamily sales volume was 41 percent lower than a year earlier, with multifamily originations down just 17 percent. The strong level of refinance activity of multifamily mortgages, particularly into Fannie Mae, Freddie Mac and FHA loans, is lifting overall originations activity from where it might otherwise be, and is driving differences between property types and capital sources.'' [31] MBA anticipated a partial recovery, with total multifamily mortgage originations projected to be $305 billion in 2021, higher than the projected volume for 2020 but still well below the 2019 level.

The public subsidies made available since March, which have helped the affordable housing sector and low-income households to some degree, are temporary and some have expired. The CARES Act provided supplemental unemployment benefits to help people pay their rent, which expired on July 31. In September, the Center for Disease Control issued an eviction moratorium, which ends on December 31, 2020. This action will help many renters stay in their homes, but without additional support for owners of multifamily buildings, landlords may be in a difficult financial position. There are bills under consideration to provide or extend additional support, but there is considerable uncertainty over the nature of this support.

FHFA has taken numerous actions to support the market and provide relief to renters since March 2020. For example, on March 23, FHFA provided forbearance to Enterprise-backed multifamily property owners on the condition that they suspend eviction of tenants struggling to pay rent due to the pandemic.[32] On June 29, FHFA announced extended forbearance agreements for multifamily property owners with existing forbearance agreements for up to three months, for a total forbearance of up to six months.[33] While mortgage payments are in forbearance, the landlord must suspend all evictions for renters unable to pay rent, along with enhanced protections for renters. On May 4, FHFA directed the Enterprises to publish online multifamily property lookup tools so that tenants can determine if the multifamily property in which they reside has an Enterprise-backed mortgage and falls under the CARES Act's 120-day eviction moratorium.[34] On August 6, FHFA announced that multifamily property owners in new forbearance agreements must inform tenants in writing about tenant protections, and that the Enterprises are improving their online multifamily property loan look-up tools.[35]

While the multifamily market has generally performed well during the pandemic, the market is characterized by a number of trends that have continued for multiple years, including the continued market focus on the construction of high-end, luxury apartments and the steady decline in the number of low-cost rentals. Nationwide, there has been a loss of four million low-cost rental units (rents less than $800 per month) since 2011.[36] There is a particularly acute shortfall of affordable units for extremely low-income renters (earning up to 30 percent of AMI) that was acknowledged as a persistent problem even before the COVID–19 pandemic began. For instance, as a recent report from the Department of Housing and Urban Development notes, it is increasingly difficult for housing developers and landlords to provide decent rental housing at rates that are affordable to American working families and more vulnerable households.[37] In 2017, only 59 affordable units were available per 100 very low-income renter households, and only 40 affordable units were available per 100 extremely low-income renter households.[38]

The full impact on the stock of low-cost rental units in the wake of the COVID–19 pandemic and broader economic downturn is not yet known. According to a survey in May 2020 of multifamily construction firms, 53 percent of firms experienced construction delays due to issues like permitting or construction moratoriums.[39] In the short-term, the pandemic might exacerbate the already-constrained supply as lower housing mobility rates limit the number of low-cost options for renters as current residents stay in place. A study using the 2018 American Community Survey data showed demand for low-cost units was already high while availability was extremely low.[40] Additional tightening at the low end of the market could pose significant affordability challenges to low- and middle-income renters.

Further, renters living in single-family homes and smaller multifamily buildings, along with the owners of those properties, are more likely to be negatively affected by the pandemic economic downturn. According to one study, over half of renters with at-risk wages due to the pandemic live in single-family rental housing with 1–4 units.[41] The same study estimates that nearly 20 percent of renters in small multifamily properties (5 to 50 units) may have difficulty paying full rent if at-risk wages are lost, compared to 12 percent of renters living in larger multifamily properties. This could, in turn, make it difficult for the owners of those properties, who are more likely to be small, individual investors, to remain financially stable through the pandemic.[42]

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[31] *See https://www.mba.org/2020-press-releases/november/mba-forecast-commercial/multifamily-lending-to-fall-34-percent-in-2020.*

[32] *See https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Moves-to-Provide-Eviction-Suspension-Relief-for-Renters-in-Multifamily-Properties.aspx.*

[33] *See https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Provides-Tenant-Protections.aspx.*

[34] *See https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Tools-to-Help-Renters-Find-Out-if-They-are-Protected-from-Eviction.aspx.*

[35] *See https://www.fhfa.gov/Media/PublicAffairs/Pages/Multifamily-Property-Owners-in-Forbearance-Now-Required-to-Inform-Tenants-of-Eviction-Suspension-and-Tenant-Protections.aspx.*

[36] Joint Center for Housing Studies of Harvard University, ''The State of the Nation's Housing 2019,'' available at *https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2019.pdf.*

[37] U.S. Department of Housing and Urban Development, ''Worst Case Housing Needs: 2019 Report to Congress,'' June 19, 2020, accessed on 7/10/2020 at *https://www.huduser.gov/PORTAL/sites/default/files/pdf/worst-case-housing-needs-2020.pdf.*

[38] A unit is considered affordable if gross rent (rent and utilities) does not exceed 30 percent of renter income, for purposes of the HUD report.

[39] National Multifamily Housing Council, 2020 NMHC Construction Survey, available at *https://www.nmhc.org/research-insight/2020-nmhc-construction-survey/2020-nmhc-construction-survey-round-3/.*

[40] Joint Center for Housing Studies of Harvard University, ''The Continuing Decline of Low-Cost Rentals,'' May 11, 2020, accessed on 6/30/2020 at *https://www.jchs.harvard.edu/blog/the-continuing-decline-of-low-cost-rentals/.*

[41] ''At-risk wages'' are wages associated with ''At Risk Jobs,'' which are defined as those in services, retail, recreation, transportation and travel, and oil extraction. Joint Center for Housing Studies of Harvard University, ''Pandemic Will Worsen Housing Affordability for Service, Retail, and Transportation Workers,'' March 30, 2020, accessed on 6/30/2020 at *https://www.jchs.harvard.edu/blog/pandemic-will-worsen-housing-affordability-for-service-retail-and-transportation-workers/.*

[42] Joint Center for Housing Studies of Harvard University, ''COVID–19 Rent Shortfalls in Small

Continued

Conservatorship Scorecard Caps

Enterprise performance on the multifamily housing goals is heavily influenced by the caps on total multifamily business that FHFA has established as conservator of the Enterprises. The multifamily volume caps are intended to focus on FHFA's other conservatorship goal: Maintaining the presence of the Enterprises as a backstop for the multifamily finance market while not impeding the participation of private capital. The multifamily volume caps reflect the share of the multifamily origination market that FHFA has determined to be an appropriate market share for the Enterprises. The multifamily volume caps are intended to prevent the Enterprises from crowding out capital sources and restrain the rapid growth of the Enterprises' multifamily businesses that started in 2011.

While the conservatorship scorecard caps, including the target level for mission-driven loans, play a significant role in determining the multifamily purchase volume and affordable share for the Enterprise multifamily businesses, the multifamily housing goals target specific segments as required by the Safety and Soundness Act. FHFA will continue to ensure that the conservatorship scorecard caps and target levels for mission-driven loans for 2021 are aligned with the 2021 Enterprise housing goals.

Past Performance on the Multifamily Low-Income Housing Goal

The multifamily low-income housing goal is based on the total number of rental units in multifamily properties financed by mortgages purchased by the Enterprises that are affordable to low-income families, defined as families with incomes less than or equal to 80 percent of the area median income. Since 2016, each Enterprise has performed significantly above the benchmark level for the multifamily low-income housing goal each year.

Table 9: Low-Income Multifamily Goal

	Performance							
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Fannie Mae Benchmark	285,000	265,000	250,000	300,000	300,000	300,000	315,000	315,000
Freddie Mac Benchmark	225,000	215,000	200,000	300,000	300,000	300,000	315,000	315,000
Fannie Mae Performance								
Low-Income Multifamily Units	375,924	326,597	262,050	307,510	352,368	401,145	421,813	385,763
Total Multifamily Units	501,256	430,751	372,072	468,798	552,785	630,868	628,230	596,137
Low-Income % Total	75.0%	75.8%	70.4%	65.6%	63.7%	63.6%	67.1%	64.7%
Freddie Mac Performance								
Low-Income Multifamily Units	298,529	254,628	273,434	379,042	406,958	408,096	474,062	455,451
Total Multifamily Units	377,522	341,490	366,377	514,275	597,399	630,037	695,587	661,417
Low-Income % of Total Units	79.1%	74.6%	74.6%	73.7%	68.1%	64.8%	68.2%	68.9%

Past Performance on the Multifamily Very Low-Income Housing Subgoal

The multifamily very low-income housing subgoal includes units affordable to very low-income families, defined as families with incomes no greater than 50 percent of AMI. Both Enterprises have surpassed the benchmark level for the multifamily very low-income housing subgoal by a significant margin in recent years.

Table 10: Very Low-Income Multifamily Goal

	Performance							
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Fannie Mae Benchmark	80,000	70,000	60,000	60,000	60,000	60,000	60,000	60,000
Freddie Mac Benchmark	59,000	50,000	40,000	60,000	60,000	60,000	60,000	60,000
Fannie Mae Performance								
Very Low-Income Multifamily Units	108,878	78,071	60,542	69,078	65,910	82,674	80,891	79,649
Total Multifamily Units	501,256	430,751	372,072	468,798	552,785	630,868	628,230	596,137
Very Low-Income % of Total Units	21.7%	18.1%	16.3%	14.7%	11.9%	13.1%	12.9%	13.4%
Freddie Mac Performance								
Very Low-Income Multifamily Units	60,084	56,742	48,689	76,935	73,030	92,274	105,612	112,773
Total Home Purchase Mortgages	377,522	341,490	366,377	514,275	597,399	630,037	695,587	661,417
Very Low-Income % of Total Units	15.9%	16.6%	13.3%	15.0%	12.2%	14.6%	15.2%	17.1%

Past Performance on the Small Multifamily Low-Income Housing Subgoal

The small multifamily low-income housing subgoal is based on the total number of units in small multifamily properties financed by mortgages purchased by the Enterprises that are affordable to low-income families, defined as families with incomes less than or equal to 80 percent of the AMI. A small multifamily property is defined as a property with 5 to 50 units. Both Enterprises have met the small multifamily low-income housing subgoal each year in recent years.

Buildings,'' May 26, 2020, accessed on 6/30/2020 at *https://www.jchs.harvard.edu/blog/covid-19-rent-shortfalls-in-small-buildings/*.

Table 11: Small (5-50) Low-Income Multifamily Goal

	Performance							
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Small Low-Income Multifamily Benchmark				6,000	8,000	10,000	10,000	10,000
Fannie Mae Performance								
Small Low-Income Multifamily Units	16,801	13,827	6,732	6,731	9,312	12,043	11,890	17,832
Total Small Multifamily Units	26,479	21,764	11,880	11,198	15,211	20,375	17,894	25,565
Low-Income % of Total Small Multifamily Units	63.5%	63.5%	56.7%	60.1%	61.2%	59.1%	66.4%	69.8%
Freddie Mac Performance								
Small Low-Income Multifamily Units	829	1,128	2,076	12,801	22,101	39,473	39,353	34,847
Total Small Multifamily Units	2,194	2,375	4,659	21,246	33,984	55,116	53,893	46,879
Low-Income % of Total Small Multifamily Units	37.8%	47.5%	44.6%	60.3%	65.0%	71.6%	73.0%	74.3%

Comments on Multifamily Housing Goals

A number of comment letters expressed general support for maintaining the current levels of the multifamily housing goals. Three comment letters addressed multifamily issues in detail.

One comment letter from a policy advocacy organization suggested that FHFA should raise the multifamily benchmarks in light of recent performance but did not specify new benchmark levels. Multifamily originations have been adversely affected by the pandemic with current market forecasts projecting a steep decline for 2020 and a partial recovery in 2021, supporting FHFA's decision to maintain the current benchmark levels for 2021.

A second comment letter on multifamily issues from a trade association expressed concerns about the impact on the Enterprises of multifamily property owners struggling to stay viable when renters are unable to pay rent. FHFA's COVID–19 policies are designed to respond to and support both renters and property owners. FHFA is monitoring multifamily loan performance in light of these circumstances and will continue to take action or change policies as appropriate.

Another letter from a trade association encouraged FHFA to allow USDA section 538 and section 515 loans to receive housing goals credit, in order to expand the secondary market for these rural programs. The current housing goals regulation permits FHFA to determine that multifamily mortgages under programs involving Federal guarantees or insurance should be counted if the financing needs addressed by the particular mortgage program are not well served.[43] In light of this comment, FHFA will explore this issue and evaluate possible action under the current regulation.

[43] *See* 12 CFR 1282.16(b)(3).

Benchmark Levels for the Multifamily Housing Goals for 2021

The final rule sets the benchmark levels for each of the multifamily housing goal and subgoals for 2021 at the same levels as 2018–2020. As described above, FHFA considered the statutory factors including current economic conditions, national housing needs, recent market developments, the most recent conservatorship scorecard cap levels, and the past performance of the Enterprises in meeting each goal.

The Enterprises are showing strong goals performance in 2020 despite the COVID–19 disruption, and FHFA will continue to monitor their progress throughout the year. Taking the Enterprises' past performance and the projected partial recovery in 2021 into account, FHFA believes that maintaining the current benchmark levels will be sufficiently challenging for the Enterprises while also providing adequate support to the affordable housing market segment.

VI. Paperwork Reduction Act

The Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*) requires that regulations involving the collection of information receive clearance from the Office of Management and Budget (OMB). The final rule does not contain any information collection requirement that would require OMB approval under the Paperwork Reduction Act. Therefore, FHFA has not submitted the rule to OMB for review.

VII. Regulatory Flexibility Act

The Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) requires that a regulation that has a significant economic impact on a substantial number of small entities, small businesses, or small organizations must include an initial regulatory flexibility analysis describing the regulation's impact on small entities. Such an analysis need not be undertaken if the agency has certified that the regulation will not have a significant economic impact on a substantial number of small entities. 5 U.S.C. 605(b). FHFA has considered the impact of the final rule under the Regulatory Flexibility Act. The General Counsel of FHFA certifies that the rule will not have a significant economic impact on a substantial number of small entities because the regulation applies only to Fannie Mae and Freddie Mac, which are not small entities for purposes of the Regulatory Flexibility Act.

VIII. Congressional Review Act

In accordance with the Congressional Review Act (5 U.S.C. 801 *et seq.*), FHFA has determined that this final rule is a major rule and has verified this determination with the Office of Information and Regulatory Affairs of OMB.

List of Subjects in 12 CFR Part 1282

Mortgages, Reporting and recordkeeping requirements.

Authority and Issuance

For the reasons stated in the preamble, under the authority of 12 U.S.C. 4511, 4513, and 4526, FHFA amends part 1282 of Title 12 of the Code of Federal Regulations as follows:

PART 1282—ENTERPRISE HOUSING GOALS AND MISSION

■ 1. The authority citation for part 1282 continues to read as follows:

Authority: 12 U.S.C. 4501, 4502, 4511, 4513, 4526, 4561–4566.

■ 2. Section 1282.12 is amended by revising paragraphs (c)(2), (d)(2), (f)(2), and (g)(2) to read as follows:

§ 1282.12 Single-family housing goals.

* * * * *

(c) * * *

(2) The benchmark level, which for 2021 shall be 24 percent of the total

number of purchase money mortgages purchased by that Enterprise in each year that finance owner-occupied single-family properties.

(d) * * *

(2) The benchmark level, which for 2021 shall be 6 percent of the total number of purchase money mortgages purchased by that Enterprise in each year that finance owner-occupied single-family properties.

* * * * *

(f) * * *

(2) The benchmark level, which for 2021 shall be 14 percent of the total number of purchase money mortgages purchased by that Enterprise in each year that finance owner-occupied single-family properties.

(g) * * *

(2) The benchmark level, which for 2021 shall be 21 percent of the total number of refinancing mortgages purchased by that Enterprise in each year that finance owner-occupied single-family properties.

■ 3. Section 1282.13 is amended by revising paragraphs (b) through (d) to read as follows:

§ 1282.13 Multifamily special affordable housing goal and subgoals.

* * * * *

(b) *Multifamily low-income housing goal.* The benchmark level for each Enterprise's purchases of mortgages on multifamily residential housing affordable to low-income families shall be at least 315,000 dwelling units affordable to low-income families in multifamily residential housing financed by mortgages purchased by the Enterprise for 2021.

(c) *Multifamily very low-income housing subgoal.* The benchmark level for each Enterprise's purchases of mortgages on multifamily residential housing affordable to very low-income families shall be at least 60,000 dwelling units affordable to very low-income families in multifamily residential housing financed by mortgages purchased by the Enterprise for 2021.

(d) *Small multifamily low-income housing subgoal.* The benchmark level for each Enterprise's purchases of mortgages on small multifamily properties affordable to low-income families shall be at least 10,000 dwelling units affordable to low-income families in small multifamily properties financed by mortgages purchased by the Enterprise for 2021.

Mark A. Calabria,

Director, Federal Housing Finance Agency.

[FR Doc. 2020–28083 Filed 12–18–20; 8:45 am]

BILLING CODE 8070–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2020–0689; Product Identifier 2020–NM–060–AD; Amendment 39–21359; AD 2020–26–04]

RIN 2120–AA64

Airworthiness Directives; The Boeing Company Airplanes

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: The FAA is superseding Airworthiness Directive (AD) 2013–18–08, which applied to certain The Boeing Company Model 737–200, –200C, –300, –400, and –500 series airplanes. AD 2013–18–08 required repetitive inspections for cracking of certain skin panels of the fuselage, and of the fuselage skin along certain chem-milled lines, and corrective actions if necessary. AD 2013–18–08 also included a terminating action for the repetitive inspections of certain areas. This AD retains those actions, expands the nondestructive inspection (NDI) area, and adds airplanes to the applicability. This AD was prompted by reports of additional cracking in certain horizontal and vertical chem-milled step locations outside of those identified in AD 2013–18–08. The FAA is issuing this AD to address the unsafe condition on these products.

DATES: This AD is effective January 25, 2021.

The Director of the Federal Register approved the incorporation by reference of a certain publication listed in this AD as of January 25, 2021.

ADDRESSES: For service information identified in this final rule, contact Boeing Commercial Airplanes, Attention: Contractual & Data Services (C&DS), 2600 Westminster Blvd., MC 110–SK57, Seal Beach, CA 90740–5600; telephone 562–797–1717; internet *https://www.myboeingfleet.com.* You may view this service information at the FAA, Airworthiness Products Section, Operational Safety Branch, 2200 South 216th St., Des Moines, WA. For information on the availability of this material at the FAA, call 206–231–3195. It is also available on the internet at *https://www.regulations.gov* by searching for and locating Docket No. FAA–2020–0689.

Examining the AD Docket

You may examine the AD docket on the internet at *https://www.regulations.gov* by searching for and locating Docket No. FAA–2020–0689; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this final rule, any comments received, and other information. The address for Docket Operations is U.S. Department of Transportation, Docket Operations, M–30, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue SE, Washington, DC 20590.

FOR FURTHER INFORMATION CONTACT: James Guo, Aerospace Engineer, Airframe Section, FAA, Los Angeles ACO Branch, 3960 Paramount Boulevard, Lakewood, CA 90712–4137; phone: 562–627–5357; fax: 562–627–5210; email: *james.guo@faa.gov.*

SUPPLEMENTARY INFORMATION:

Discussion

The FAA issued a notice of proposed rulemaking (NPRM) to amend 14 CFR part 39 to supersede AD 2013–18–08, Amendment 39–17581 (78 FR 60660, October 2, 2013) (AD 2013–18–08). AD 2013–18–08 applied to certain The Boeing Company Model 737–200, –200C, –300, –400, and –500 series airplanes. The NPRM published in the **Federal Register** on August 17, 2020 (85 FR 49978). The NPRM was prompted by reports of additional cracking in certain horizontal and vertical chem-milled step locations outside of those identified in AD 2013–18–08. The NPRM proposed to continue to require repetitive inspections for cracking of the fuselage skin along certain chem-milled lines and applicable on-condition actions, and to expand the NDI area. The NPRM also proposed to continue to provide terminating action for repetitive inspections of certain modified or repaired areas. The NPRM also proposed to add airplanes to the applicability. The FAA is issuing this AD to address fatigue cracking of the skin panels, which could result in sudden fracture and failure of the skin panels of the fuselage, and consequent rapid decompression of the airplane.

Comments

The FAA gave the public the opportunity to participate in developing this AD. The following presents the comments received on the NPRM and the FAA's response to each comment. An individual had no objection to the NPRM.

Effect of Winglets on Accomplishment of the Proposed Actions

Aviation Partners Boeing stated that accomplishing Supplemental Type Certificate (STC) ST01219SE does not