Fannie Mae

Fannie Mae Single-Family Social Index FAQs

1. What is the new Single-Family Social Index?

The Single-Family Social Index is a methodology that provides insights into socially oriented lending activities on the loans that Fannie Mae has acquired. It is a disclosure based on lending activity and is not a social impact metric.

2. How did you select the criteria?

The eight criteria reflect GSE Mission-focused activities that investors have expressed interest in supporting and where data is currently available.

3. How are co-borrowers considered in the methodology?

All borrowers on the loan application are considered when evaluating the criteria.

- For the low-income criteria, this means that the total household income is compared to the Area Median Income when identifying low-income borrowers.
- For the minority borrower criteria, we assess all borrowers on the application. If any of them identifies as minority the loan qualifies as minority.
- For first-time homebuyers, at least one borrower is identified as a first-time homebuyer.

4. Why does the methodology include designated disaster areas? These are often temporary in nature. Do you think these borrowers need support at origination?

Support for lending in designated disaster areas is promoted by the Federal Housing Finance Agency's (FHFA) housing goals requirements (for three years after disasters). Inclusion of these geographies for the specified timeframe aligns the Social Index disclosure with FHFA's intention for the Enterprises to provide support for these regions that may be disrupted following catastrophic events.

5. Why does manufactured housing fall into the socially oriented category, when Fannie Mae requires higher loan-level price adjustments on this property type?

Fannie Mae's credit pricing (as specified in the LLPA matrix) reflects the relative credit risk of the various attributes that are priced. Historically, the costs to guarantee loans made for manufactured housing (MH) have been higher than other dwelling types, largely due to consistently higher loss severities. While Fannie Mae is focused on promoting lending to MH borrowers, it is also necessary to charge an appropriate amount for the risk associated with the loans.

6. Does Fannie Mae contemplate adding, deleting, or changing criteria over time or are these the eight criteria of focus?

The Social Index is flexible, and the underlying criteria can be adjusted based on market feedback and as the focus of single-family social lending evolves.

7. Will Freddie Mac be aligned from a disclosure perspective?

Yes, please see their announcement.

8. Do you foresee an impact to UMBS alignment or TBA liquidity?

We don't expect an impact to UMBS alignment metrics or TBA valuations.

9. What information will be disclosed to CRT investors?

While our initial focus is on our MBS disclosures, we could roll out something similar for CRT in the future. We encourage feedback from both MBS investors and CRT investors.

10. How are you thinking about future social-labeled issuance for Single-Family MBS?

With the release of this disclosure, we are not defining any bonds as "Social," but merely assigning a score based upon the methodology to each MBS. Longer-term, the methodology could support such issuance. We will consider feedback from investors, second party opinion providers, and other market participants as we determine how to approach potential labeled issuance.

11. Why are MBS pools issued in November 2022 not included in the historical data release?

We plan on updating the historical file in early December to include November issued pools.

12. If you are beginning to provide the social disclosures for new issuances starting December 2, where can I find December-issued pool published prior to that date?

We plan on publishing a separate file in early December to include any December issuances that were closed prior December 2, 2022.