Fannie Mae

Investor FAQs

Q1. What is the Mission Index?

The Mission Index is Fannie Mae's enhanced disclosure that provides insights into mission-oriented lending activities underlying our single-family mortgage-backed securities (MBS). It scores each Single-Family MBS the Enterprises issue on ten criteria, focusing on income, borrower, and property attributes that align to many of our statutory affordable housing responsibilities or other important mission goals. The Mission Index serves as the foundation for Enterprise-aligned Single-Family Social Bonds. These bonds will offer investors the ability to invest in single-family MBS featuring high concentrations of loans consistent with our mission and Duty to Serve goals. In turn, investor demand for these MBS may result in lenders focusing more on lending to those same populations.

Q2. When will the updated Mission Index criteria be implemented?

The new name will apply to the Enterprises' Single-Family pools, outstanding and new issue, beginning with March 2024 issuances.

The updated formulation will apply to all pools for Fannie Mae beginning with March 2024 issuances and for Freddie Mac beginning with June 2024 issuances. Previously issued pools will not be re-scored. The Enterprises don't anticipate that this brief timing difference will introduce market disruption because of our aligned approach to the new criteria and introduction of labeled social bonds.

Fannie Mae and Freddie Mac expect to assign labels to Single-Family MBS meeting the Social Bond criteria beginning in June 2024.

Q3. Will Mission Index v1 (Social Index) scores be updated to reflect the new criteria?

No, we will not update the calculation of the disclosure metrics for outstanding MBS pools. Rescoring previous pools may cause confusion and potential future Index adjustments may feature data elements that are not yet available (ex. First-Generation Homebuyers).

Q4. Can pools with Mission Index v1 (Social Index) and Mission Index v1.1 be commingled in an L2?

Yes, there will be no rules precluding the commingling of different versions of the Mission Index at the L2 level. Market participants can look to the underlying L1 securities to determine which version of the index is contributing to the L2 scores.

Q5. How do changes in the criteria affect the mission scores?

Changes in the criteria may result in a loan-level Score decreasing, increasing, or remaining unchanged, as the re-formulated Mission Index (v1.1) incorporates new criteria, removes certain criteria, and modifies area median income (AMI) caps for certain criteria.

Based on our pool-level impact analysis, the criteria changes would have resulted in a small downward shift in aggregate to Mission Index disclosure metrics for outstanding MBS pools, although individual pool-level metrics may have gone up, down, or remained unchanged. In the analysis, based on 2022 Fannie Mae CL issuance, the density difference between the SDS (v1) and MDS (v1.1) is -0.15 on average.

At the pool level, approximately 15% of pools move from above 2.0 SDS (v1) to below 2.0 MDS (v1.1), and less than 1% of pools move from below a 2.0 SDS (v1) to above 2.0 MDS (v1.1).

Q6. Why are you changing the criteria?

We are adding certain criteria to refine the focus on mission-oriented populations across the U.S., including housing units affordable to low-income renters, special purpose credit program (SPCP) borrowers, and borrowers residing in underserved markets. These populations tie directly to the Enterprises' mission. Additionally, the AMI ceilings for certain criteria were modified to further target borrower support.

Q7. How often will the criteria change?

Although the adaptable design allows criteria to be adjusted, added, or removed over time as conditions change, we will strive to adjust the Index no more frequently than every 24 months. Advance notice will be provided ahead of any planned updates.

Q8. What guides the addition of criteria?

Potential changes would likely be guided by several factors including market feedback, analysis to ascertain impact on TBA market and UMBS market, and alignment with the Enterprises' statutory Mission and Goals. We are actively working on the feasibility of adding specific criteria based on market demand such as First-Generation Homebuyers.

Q9. Why are borrowers residing in underserved markets a "borrower" attribute and low-income census tracts a "property" attribute?

The borrower attribute is focused on where the borrower is living at the time of their mortgage application. The property that is being financed can be in any geography. The low-income census tract property attribute is focused on the location of the financed home.

Q10. Why did you include Designated Disaster Areas?

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 Mission Index disclosure with FHFA's intention for the Enterprises to provide support for these regions that may be disrupted following catastrophic events.

Q11. How did you determine the area median income (AMI) caps to apply to each criteria?

We carefully reviewed the existing AMI caps including rationales, compared them to regulatory/statutory guidance, and then determined overall impacts to ensure that the Mission Index is appropriately calibrated to both prioritize impacts and preserve the TBA market. All AMI caps were determined in concert with our regulator, the Federal Housing Finance Agency (FHFA). The AMI ceilings for certain criteria were modified to further target borrower support.

Q12. Is this approach aligned with Freddie Mac?

Yes, Fannie Mae and Freddie Mac worked closely, and in alignment with FHFA, to evolve the Mission Index based on market feedback. The Enterprises are aligned in the Mission Index disclosures and their Single-Family Social Bond Frameworks.

Q13. How can I learn more?

Contact the Investor Relations & Marketing team.