

Mission Index Guide

March 2024



Table of Contents

Background	3
Mission Index Criteria.....	4
Mission Index Criteria: Version 1.1	5
Mission Index Criteria: Version 1.0	6
Mission Index Criteria: Methodology Example	6
Mission Index Calculations.....	7
Mission Criteria Share (MCS)	8
Mission Density Score (MDS).....	9
Glossary of Criteria.....	11



Background

Congress chartered Freddie Mac and Fannie Mae (the Enterprises) to provide liquidity, stability, and affordability to the U.S. housing market. While supporting mortgage lenders and investors, we are also focused on addressing housing challenges that consumers face – including those that disproportionately burden lower- and moderate-income borrowers and renters. As part of this, we continuously seek solutions to direct capital in support of such borrowers and to promote access to housing markets across the country – in alignment with our statutory mission and goals.

This motivated us in 2022 to launch the Single-Family Social Index, a creative disclosure solution that provides insights into the mission-oriented lending activities underlying our mortgage-backed securities (MBS). Since then, we collected market feedback, refined the methodology, and are now introducing updates to the disclosure, including a refreshed name, the Mission Index.

To balance several important factors, the Mission Index:

- Allows investors to identify MBS with high concentrations of loans that align with the Enterprises' mission objectives.
- Seeks to preserve the liquidity and efficiency of the single-family UMBS to-be-announced (TBA) mortgage market for Freddie Mac and Fannie Mae-issued securities.
- Helps to mitigate potential harm to borrower privacy by aggregating potentially sensitive data elements about a loan into rolled-up metrics.

As part of the Mission Index (currently named Social Index) disclosures, we will provide two pool-level measures for each eligible security: the Mission Criteria Share (MCS) and the Mission Density Score (MDS). These measures were labeled Social Criteria Share (SCS) and Social Density Score (SDS) for issuances through February 2024. The MCS represents the share of the loans within the pool meeting at least one of the defined criteria while the MDS is a pool level score representing the average number of dimensions for which each mortgage loan qualifies. In March 2024, we will introduce the MCS and MDS relabeled measures.



Mission Index Criteria

The Mission Index measures are supported by defined “mission criteria” (currently known as “social criteria”). The mission criteria are grouped into the three dimensions of income, borrower and property.

As of January 2024, Freddie Mac has announced two versions of the Mission Index criteria. The date of issuance for each security will determine which version was used for the security’s Mission Index scores.

- [Version 1.0](#): Includes eligible level-1 (and level-2 Multilender) securities issued from January 2010 through May 2024.
- [Version 1.1](#): Includes eligible level-1 (and level-2 Multilender) securities issued beginning June 2024.
- Level-2 securities (i.e., resecuritizations) leverage a weighted average of the scores for the underlying level-1 securities.

In determining the Mission Index scores, every loan in a pool is evaluated against each of the defined criteria to see which of the criteria are met. After assessing each criterion, the loan is then assessed to see how many dimensions it meets. A loan only needs to meet one criterion to satisfy the related dimension. A loan may meet multiple criteria within a dimension but will only receive a maximum count of one for that dimension. A loan receives a score of 1 for each dimension that it satisfies with a maximum loan-level score of 3. Please refer to the [Methodology Example](#) for an illustration of the Mission Index scoring.

Both versions of the index incorporate the following rules:

- Loans are evaluated at the time of acquisition.
- Second homes are excluded from eligibility for all mission criteria.
- For level-1 (and level-2 Multilender) securities, the MCS and MDS are disclosed only for pools with ≥ 10 loans (must be non-second homes) at the time of pool issuance.



Mission Index Criteria: Version 1.1

All eligible securities issued beginning June 2024 will have Mission Index scores calculated and disclosed based on the following criteria:

Mission Index Version 1.1: Applicable for eligible pools issued beginning June 2024

Mission Dimension	Mission Criteria	AMI Cap %
Income	Low-Income Borrower: <i>Household income is <= 80% of the Area Median Income.</i>	<= 80%
	Affordable Rental: <i>The mortgaged property contains affordable rental unit(s).</i>	No Cap
Borrower	First-Time Homebuyer (FTHB): <i>At least one borrower is considered a FTHB.</i>	<= 100%
	Borrowers Residing in Underserved Markets: <i>At least one borrower is moving from an underserved market where the poverty percentage >= 20%.</i>	No Cap
	Special Purpose Credit Program Borrower: <i>The borrower qualified for the mortgage through a special purpose credit program.</i>	No Cap
Property	Low-Income Area: <i>The mortgaged property is in a designated low-income area.</i>	<= 100%
	Minority Tract: <i>The mortgaged property is in a designated minority tract.</i>	<= 100%
	Designated Disaster Area: <i>The mortgaged property is in a designated disaster area.</i>	<= 100%
	Manufactured Housing: <i>The mortgaged property is a manufactured home.</i>	<=100%
	High-Needs Rural: <i>The mortgaged property is in a designated high-needs rural area.</i>	No Cap

For more details on each of the Mission Index criteria, please refer to the [Glossary of Criteria](#).

In moving to Mission Index Version 1.1 from Version 1.0, the adjustments to the criteria include:

- Removal of Minority Borrower criteria
- Adjustment of the AMI caps
- Inclusion of Affordable Rental criteria
- Inclusion of Borrowers Residing in Underserved Markets criteria



- Inclusion of Special Purpose Credit Program (SPCP) Borrower criteria

Mission Index Criteria: Version 1.0

All eligible securities issued between January 2010 and May 2024 will have mission index scores (named social index scores until March 2023) calculated and disclosed based on the following criteria:

Mission Index Version 1.0 (i.e., the Social Index): Applicable for eligible securities issued between January 2010 and May 2024

Social Dimension	Social Criteria	AMI Cap %
Income	Low-Income Borrower: <i>Household income is <= 80% of the Area Median Income.</i>	<= 80%
Borrower	First-Time Homebuyer (FTHB): <i>At least one borrower is considered a FTHB.</i>	<= 120%
	Minority Borrower: <i>At least one borrower identifies as a minority.</i>	No Cap
Property	Low-Income Area: <i>The mortgaged property is in a designated low-income area.</i>	<= 120%
	Minority Tract: <i>The mortgaged property is in a designated minority tract.</i>	<= 120%
	Designated Disaster Area: <i>The mortgaged property is in a designated disaster area.</i>	<= 120%
	Manufactured Housing: <i>The mortgaged property is a manufactured home.</i>	<=120%
	High-Needs Rural: <i>The mortgaged property is in a designated high-needs rural area.</i>	<=120%

For more details on each of the Social Index criteria, please refer to the specific [Glossary of Criteria](#).

Mission Index Criteria: Methodology Example

As mentioned previously, in determining the Mission Index scores, every loan in a pool is evaluated against each of the defined criteria to see which of the criteria are met. After assessing each criterion, the loan is then assessed to see how many dimensions it



meets. A loan only needs to meet one criterion to satisfy the related dimension. A loan receives a score of 1 for each dimension that it satisfies with a maximum loan-level score of 3.

Below is a methodology illustration for a hypothetical pool of 10 loans:

		Loan:	1	2	3	4	5	6	7	8	9	10	
Mission Criteria	Low-Income Borrower	1	1	1	1	1	1	1	0	1	1	0	
	Affordable Rental	0	0	0	0	0	0	0	0	0	0	0	
	Special Purpose Credit Program Borrower	0	0	1	0	1	0	1	0	0	0	0	
	Borrowers Residing in Underserved Markets	0	0	0	0	0	0	0	0	0	0	0	
	First-Time Homebuyer	1	1	0	0	1	0	0	0	0	0	0	
	Designated Disaster Area	0	0	0	0	1	0	0	0	0	0	0	
	Low-Income Area	1	0	1	0	0	1	0	0	0	0	0	
	Manufactured Housing	0	1	0	1	0	0	0	1	0	0	0	
	High-Needs Rural	0	1	0	0	0	0	0	0	0	1	0	
	Minority Tract	0	0	1	1	0	0	0	0	0	0	0	
	Criteria Met Indicator¹	1	1	1	1	1	1	1	1	1	1	0	90% MCS
Mission Dimensions	Income	1	1	1	1	1	1	0	1	1	0		
	Borrower	1	1	1	0	1	0	1	0	0	0		
	Property	1	1	1	1	1	1	0	1	1	0		
	Loan-level Score²	3	3	3	2	3	2	1	2	2	0		2.10 MDS

¹ Indicates whether a loan meets any one of the ten mission criteria.

² Indicates the number of mission dimensions the loan meets.

After these mission loan-level scores are determined, the values are used to calculate the pool-level MCS and MDS.

Mission Index Calculations

The Mission Index disclosures includes two pool-level measures for each eligible security: the Mission Criteria Share (MCS) and the Mission Density Score (MDS). The MCS represents the share of the loans within the pool meeting at least one of the defined mission criteria while the MDS is a pool level score representing the average number of mission dimensions for which each mortgage loan qualifies. The scores are



based on the loan-level score determined after assessing the loan for each mission criteria and how many dimensions it met.

Mission Criteria Share (MCS)

Referred to as Social Criteria Share (SCS) through February 2024

The percentage of loans in a security that satisfies at least one mission dimension.

Calculations:

The MCS represents the share of the loans within the pool meeting any of the defined criteria. If a loan meets at least one of the criteria, then the loan-level dimension score will be at least 1 and thus contribute to the pool-level MCS score.

UMBS/MBS/PCs (level-1, including level-2 Multilenders):

$MCS = (\text{Number of loans with dimension score } \geq 1) / \text{aggregate loan count}$

For Supers and Giants, the score represents the current weighted-average of the at-issuance scores of all the underlying securities, based on the underlying securities' Current Investor Security UPB. For each underlying security, Current Investor Security UPB represents the UPB of the security (or portion thereof) that is contributed to the Supers or Giant. The MCS calculation will utilize the actual MCS of the underlying MBS, even if the actual score is not published, when possible.

Supers/Giants (level-2):

$MCS = (\text{Sum } ((MBS \text{ MCS}) * \text{Current Investor Security UPB})) / (\text{Sum } (\text{Current Investor Security UPB}))$

Notes:

The MCS will be defaulted to 777.77 (Not applicable) for a security if:

- the at-issuance non-second home loan count is less than 10,
- the security is a reperforming or modified pool, or
- all the underlying MBS for a Supers or Giant are reperforming or modified pools.



The MCS will be defaulted to 999.99 (Not available) for a security if:

- the security was issued prior to 2010, or
- all the underlying MBS for a Supers or Giant were issued prior to 2010.

For Supers and Giants:

- If the aggregated at-issuance non-second home loan count of all underlying unscored MBS (issued January 2010 and after) is 10 or greater, the actual MCS of the unscored pool(s) may be included in the calculation even if the score was not previously disclosed.
- If the aggregated at-issuance non-second home loan count of all underlying unscored MBS is less than 10, the MCS of the unscored pool(s) will be treated as zero in the calculation.
- If the underlying MBS was issued prior to 2010, the MCS of the underlying pool will be treated as zero in the calculation.
- If the underlying MBS are modified or reperforming securities, the MCS of the underlying pool will be treated as zero in the calculation.

Mission Density Score (MDS)

Referred to as Social Density Score (SDS) through February 2024

A score representing the average number of mission dimensions for which each mortgage loan qualifies.

Calculations:

If a loan meets at least one of the criteria for a dimension, then it receives a score of 1 for that dimension. A loan may have a maximum loan-level score of three; one for each dimension. The MDS score reflects the simple average of the number of Social Dimensions for which each mortgage loan qualifies.

UMBS/MBS/PCs (level-1, including level-2 Multilenders):

MDS = Sum (Loan mission dimension score for all loans) / aggregate loan count

For Supers and Giants, the score represents the current weighted-average of the at-issuance scores of all the underlying securities, based on the underlying securities'



Current Investor Security UPB. For each underlying security, Current Investor Security UPB represents the UPB of the security (or portion thereof) that is contributed to the Supers or Giant. The MDS calculation will utilize the actual MDS of the underlying MBS, even if the actual score is not published, when possible.

Supers/Giants (level-2):

$$\text{MDS} = (\text{Sum} ((\text{MBS MDS}) * (\text{Current Investor Security UPB}))) / (\text{Sum} (\text{Current Investor Security UPB}))$$

Notes:

The maximum score will be 2.5 to minimize privacy concerns in cases where all three mission dimensions are met.

The MDS will be defaulted to 7.77 (Not applicable) for a security if:

- the at-issuance non-second home loan count is less than 10,
- the security is a reperforming or modified pool, or
- all the underlying MBS for a Supers or Giant are reperforming or modified pools.

The MDS will be defaulted to 9.99 (Not available) for a security if:

- the security was issued prior to 2010, or
- all the underlying MBS for a Supers or Giant were issued prior to 2010.

For Supers and Giants:

- If the aggregated at-issuance non-second home loan count of all underlying unscored MBS (issued January 2010 and after) is 10 or greater, the actual MDS of the unscored pool(s) may be included in the calculation even if the score was not previously disclosed.
- If the aggregated at-issuance non-second home loan count of all underlying unscored MBS is less than 10, the MDS of the unscored pool(s) will be treated as zero in the calculation.
- If the underlying MBS was issued prior to 2010, the MDS of the underlying pool will be treated as zero in the calculation.
- If the underlying MBS are modified or reperforming securities, the MDS of the underlying pool will be treated as zero in the calculation.



Glossary of Criteria

Affordable Rental:

The mortgaged property contains affordable rental unit(s).

- Included in Mission Index version 1.1 criteria.

This criterion is satisfied if the rent charged on any unit in the mortgaged property is determined to be affordable for that area (based on the census tract). Logic for this criterion is consistent with Table 3B: Distribution of Rental Units Financed by Purchases of Mortgages on SF Rental Properties By Affordability of Rent in the Enterprises' Annual Mortgage Report.

Borrowers Residing in Underserved Markets:

At least one borrower is moving from an underserved market where the poverty percentage $\geq 20\%$.

- Included in Mission Index version 1.1 criteria.

This criterion is satisfied if at least one borrower has a mortgage applicant current address (not mortgaged property address) in a high poverty area census tract. A high poverty area census tract is defined as any census tract with a poverty rate of at least 20% as measured by the five-year data series available from the Census Bureau's American Community Survey, available at: <https://www.census.gov/programs-surveys/acs>.

Designated Disaster Area:

The mortgaged property is in a designated disaster area.

- Included in Mission Index version 1.0 and version 1.1 criteria.

This criterion is satisfied if the mortgaged property is located in a designated disaster area. Designated disaster areas are identified by the Federal Housing Finance Agency based on the three most recent years' declarations by the Federal Emergency Management Agency (FEMA), where individual assistance payments were authorized by FEMA. More details at: <https://www.fhfa.gov/DataTools/Downloads/Pages/Underserved-Areas-Data.aspx>.



First-Time Homebuyer (FTHB):

At least one borrower is considered a FTHB.

- Included in Mission Index version 1.0 and version 1.1 criteria.

This criterion is satisfied if at least one borrower qualifies as a first-time homebuyer. For more details on FTHB, please reference the [Freddie Mac Single-Family Seller/Service Guide glossary](#).

High-Needs Rural:

The mortgaged property is in a designated high-needs rural area.

- Included in Mission Index version 1.0 and version 1.1 criteria.

This criterion is satisfied if the mortgaged property is located in a high-needs rural area. A high-needs rural area is defined as any of the following regions provided the region is located in a rural area: i) Middle Appalachia; ii) the Lower Mississippi Delta; iii) a colonia; or iv) a tract located in a persistent poverty county and not included in Middle Appalachia, the Lower Mississippi Delta, or a colonia. More details at: <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/DTS-High-Needs-Counties-Map-Instructions.aspx>

Low-Income Area:

The mortgaged property is in a designated low-income area.

- Included in Mission Index version 1.0 and version 1.1 criteria.

This criterion is satisfied if the mortgaged property is located in a low-income census tract. Low-income census tracts are defined as census tracts or block numbering areas in which the median income does not exceed 80% AMI. More details at: <https://www.fhfa.gov/DataTools/Downloads/Pages/Underserved-Areas-Data.aspx>.

Low-Income Borrower:

Household income is \leq 80% of the Area Median Income.

- Included in Mission Index version 1.0 and version 1.1 criteria.

This criterion is satisfied if the borrower earns 80% or less of the area median income (AMI). Area Median Income is calculated by taking the borrower(s)' total qualifying



income for the mortgage (converted to an annual basis) divided by the Area Median Income amount for the geographic area of the mortgaged property.

Manufactured Housing:

The mortgaged property is a manufactured home.

- Included in Mission Index version 1.0 and version 1.1 criteria.

This criterion is satisfied if the mortgaged property is a manufactured home. A manufactured home is a one-unit dwelling built on a permanent chassis in accordance with the National Manufactured Construction and Safety Standards Act as promulgated by HUD and affixed to a permanent foundation.

Minority Borrower:

At least one borrower identifies as a minority.

- Included in Mission Index version 1.0 criteria.

Minority Tract:

The mortgaged property is in a designated minority tract.

- Included in Mission Index version 1.0 and version 1.1 criteria.

This criterion is satisfied if the mortgaged property is located in a minority census tract. Minority census tracts are defined as census tracts that have a minority population of at least 30% and a median income of less than 100% of the AMI. More details at: <https://www.fhfa.gov/DataTools/Downloads/Pages/Underserved-Areas-Data.aspx>.

Special Purpose Credit Program (SPCP) Borrower:

The borrower qualified for the mortgage through a special purpose credit program.

- Included in Mission Index version 1.1 criteria.

This criterion is satisfied if the borrower received the loan under a Freddie Mac or lender SPCP. The specific financial benefits of a given SPCP may vary, and may include closing cost assistance, downpayment assistance and mortgage insurance cost reduction. For more information on Freddie Mac's SPCP programs, please refer to [Freddie Mac's Equitable Housing Finance Plan](#).