

Keys to Recovery Initiatives

Fannie Mae's Keys to Recovery™ initiatives are geared toward providing liquidity, stability, and affordability to the housing and mortgage markets for the long term, and include steps to keep struggling borrowers in their homes, assist prospective home buyers with home purchases, and stabilize communities impacted by the mortgage market downturn.

The initiatives include 1) a new refinancing option for Fannie Mae "underwater" borrowers that will allow for refinancing up to 120% of a property's current value; 2) a renewal and expansion of the company's partnership with State Housing Finance Agencies (HFAs) to provide \$10 billion in financing for qualified, first-time home buyers; 3) in partnership with Self-Help, a new initiative that allows families in hard-hit communities to reside in foreclosed properties on a rent-to-own basis; and 4) pricing for new jumbo-conforming loans that will be flat to conforming for portfolio asset acquisition through the end of the year.

Refinancing "Underwater" Borrowers

With home prices declining in many areas of the country and lending standards tightening as a result of the ongoing turmoil in the housing finance system, many borrowers find themselves with mortgages that exceed the value of their homes and are locked out of refinancing into safer loans that would allow them to sustain their mortgage payments.

In order to assist borrowers whose home equity is "underwater," reduce foreclosures, and support sustained homeownership, Fannie Mae will purchase refinanced loans the company owns for up to 120% of the current property value provided the borrower is current with their mortgage payments.

HFA Investment

HFAs exist to provide affordable homeownership and rental housing opportunities within their states. The majority of HFA single-family business is for first-time home buyers who have received borrower counseling and down payment and/or closing cost assistance from the government.

Fannie Mae has maintained a long-term agreement with the National Council of State Housing Agencies (NCSHA) to purchase loans generated by the HFAs. The company is renewing and expanding its agreement with NCHSA to purchase up to \$10 billion in HFA loans by the end of 2009. In addition, the company will provide access to low down payment mortgage products at competitive prices, resulting in more advantageous financing opportunities for first-time home buyers.

Neighborhood Stabilization

In order to minimize the neighborhood impact of foreclosed properties, Fannie Mae will support an initiative with Self-Help in partnership with local nonprofits to purchase foreclosed homes in hard-hit neighborhoods. The nonprofits would acquire and rehab the properties, and then sell them to qualified borrowers or enter into a customized lease-purchase agreement. The initiative will be geared toward borrowers who have the income to qualify for the home purchase, but need additional time to improve creditworthiness. Participants choosing the rent-to-own option would be granted up to five years to qualify for the mortgage and receive extensive credit counseling during the lease period.

Jumbo-Conforming Loans

Following passage of the Economic Stimulus Act of 2008, Fannie Mae is temporarily able to purchase loans greater than the conventional-conforming loan limit of \$417,000. In certain high-cost areas as designated by HUD, the company is able to purchase jumbo-conforming loans up to \$729,750 in the continental U.S. The company is now accepting deliveries of 15-year and 30-year fixed-rate (FRM), and certain adjustable-rate (ARM), jumbo-conforming mortgages.

In order to bolster liquidity in the jumbo-conforming market and help reduce rates for jumbo-conforming mortgages in high-cost areas, the company will now:

- Price new jumbo-conforming loans flat to conforming for portfolio asset acquisition through the end of the year. This means that although jumbos are not TBA-eligible, we will be pricing them as if they were.
- Allow for cash-out, jumbo-conforming loan refinancings.
- Expand loan-to-value (LTV) criteria for jumbo-conforming purchase loans and limited cash-out refinancings.
- Offer expanded jumbo-conforming FRM and ARM options.

HomeStay

The company's Keys to Recovery™ efforts build on Fannie Mae's HomeStay® initiative announced last year. The company is working with lenders, loan servicing companies, and policy makers to respond to the housing and mortgage market crisis with a goal to minimize the impact on families and communities by preventing foreclosures, supporting counseling efforts, and providing market stability.

Through HomeStay®, since the beginning of 2007, the company has:

- Helped more than 200,000 at-risk homeowners refinance into safer loans or work out their loans, including nearly \$28 billion in refinancings for subprime borrowers.
- Provided more than \$10 million in grants – and hundreds of employee volunteer hours – to support foreclosure prevention counseling and workshops since the housing crisis deepened last year.
- Worked with loan servicers to emphasize work-outs for delinquent loans, instituted attorney incentive fees for workouts, provided HomeSaver Advance™ loans that allow borrowers to catch up on their delinquent mortgage payments, deployed staff to work on-site with our largest servicers, and made dozens of operational changes and enhanced servicer authorities to allow for easier modifications and work-outs.
- Supported HOPE NOW initiatives and public policies to give at-risk and delinquent borrowers a better chance to afford their mortgages.

National Down Payment Policy

On May 16, 2008, the company announced a new, single down payment policy in all communities across the nation for conventional, conforming mortgages the company will purchase or guarantee. Starting with loan applications taken on June 1, 2008, Fannie Mae will accept up to 97 percent loan-to-value ratios for conventional, conforming mortgages processed through its Desktop Underwriter® automated underwriting system, and 95 percent loan-to-value ratios for loans underwritten outside of Desktop Underwriter, in all geographic locations in the United States.

This new national down payment policy will supersede the “Maximum Financing in Declining Markets Policy” Fannie Mae adopted in December 2007, which required higher down payments in markets where home prices are declining. The new policy now equalizes down payment requirements across the country, regardless of local market conditions.

Streamlined Refinancing for “Underwater” Borrowers

Many homeowners want – or need – to refinance their homes and lower or stabilize their monthly payments. But in communities where home prices are falling, many homeowners have mortgages that exceed the value of their homes, keeping them from refinancing or requiring them to come up with thousands of dollars in cash to make up the difference. The housing finance system has a vested interest in their success – both to protect these homeowners, and to stabilize home prices by preventing more foreclosed properties from coming onto the market.

Fannie Mae's response: The company will help lenders offer existing Fannie Mae borrowers with a good payment history a streamlined refinance option for up to 120 percent of the property's current value. That means, for example, if a borrower owes \$240,000 on a Fannie Mae loan, and is current on the loan, but the value of his home has fallen to \$200,000, Fannie Mae will refinance the full \$240,000 loan at the company's favorable, conventional, conforming terms. The streamlined refinancing could help as many as 150,000 households obtain more stable and affordable mortgages, and protect their homes.

Aid to Housing Recovery

- Borrowers may be able to reduce their monthly mortgage payments, refinance into a more stable and affordable mortgage, and make homeownership more sustainable for the long-term
- Borrowers can refinance their loans in a streamlined process by contacting their current servicer
- Streamlined refinancing is available for borrowers moving into fixed-rate mortgages or longer-term, fixed-period adjustable-rate loans
- Fannie Mae will purchase loans through its Capital Markets Sales Desk starting August 1, 2008, and will be able to provide MBS execution at a later date

Result: *More homeowners are able to stay in their homes over the long term, resulting in fewer foreclosures and homes going back on the market.*

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Expanding the Reach of State Housing Finance Agencies

Home prices are falling in many areas, but with the tightening of mortgage credit and reduced availability of affordable mortgage financing, many working families with modest incomes and good credit have been cut out of the home-buying market. However, State Housing Finance Agencies (HFAs) have a long and successful track record of providing homeownership to first-time home buyers, as well as creating affordable rental housing and solving housing issues within their individual states. They are key partners in support of the housing market recovery.

Fannie Mae's response: The company is expanding its partnership with the National Council of State Housing Agencies to provide flexible financing options to enable them to expand their service to first-time home buyers of modest means. Fannie Mae is pledging to purchase up to \$10 billion in mortgages with favorable terms from the agencies through 2009, potentially serving 80,000 families. Working families are the backbone – and future – of the housing market. Providing first-time home buyers of modest means the flexible financing they can afford will support the sale of homes, and help the housing market recover.

Aid to Housing Recovery

For Borrowers

- Low- and moderate-income families with good credit receive either down payment assistance or a below market-rate loan through their state HFA to help them obtain affordable financing to buy a home
- Home buyers with good credit will be able to purchase homes with affordable financing and flexible down payments
- Pre-purchase home-buyer education for all buyers

For State Housing Finance Agencies

- Access to low down payment mortgage products at competitive prices
- The potential to further their mission and create opportunities for first-time home buyers by taking advantage of credit flexibilities, including the ability to underwrite loans manually or through Desktop Underwriter®
- Access to affordable mortgage products that can help them serve borrowers with good credit in communities across the country
- Favored-customer access to Fannie Mae's whole loan sale and mortgage securitization executions

Result: Home buyers can obtain flexible financing in a tight market, while home builders and sellers will find a larger pool of potential buyers who have limited means but the demonstrated willingness and ability to afford the mortgage.

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Financing to Stabilize Hard-Hit Neighborhoods

Certain neighborhoods across the United States have been hit particularly hard by the housing downturn. Extensive foreclosures and empty homes have further depressed home values and the ability of markets to recover. These neighborhoods need to get families back into the homes rather than allowing the homes to deteriorate. At the same time, working families struggling with the housing downturn need an affordable place to live and potentially to own.

Fannie Mae's response: The company is providing up to \$200 million in financing to Self-Help, the nation's oldest and largest self-help housing organization, to turn foreclosed properties into homeownership opportunities. Self-Help will work with nonprofit partners to purchase, rehabilitate, and sell foreclosed properties to qualified buyers, or enter into rent-to-own agreements with borrowers who have the income but lack the credit history to qualify. The rent-to-own agreement gives the tenant/borrower up to five years to qualify for a mortgage. Extensive counseling will also be provided to the tenant/borrower during this time.

How the Fannie Mae/Self-Help initiative works: Fannie Mae has long provided Self-Help with flexible home financing, low down payments, and better terms for borrowers with lower incomes and less than perfect credit.

In this initiative:

- Fannie Mae will provide a custom rent-to-own variance
- Self-Help will identify and work with a nonprofit organization to purchase foreclosed homes and act as property manager under a rent-to-own agreement
- The nonprofit would then acquire, rehabilitate, and sell the properties to qualified buyers or enter into a rent-to-own agreement with borrowers who have the income, but lack the credit history, to qualify for conventional, conforming financing
- The rent-to-own agreement gives the tenant/borrower up to five years to qualify for a mortgage
- The nonprofit will also provide extensive counseling to the tenant/borrower

Aid to Housing Recovery

- Help the housing industry and communities deal with the wave of home foreclosures, which is expected to continue through 2008
- Help neighborhoods – many formerly at risk – to avoid “turning back the clock” and regressing due to empty properties
- Encourage other potential home buyers to move into foreclosure-hit neighborhoods

Result: Restoring neighborhoods hit hard by foreclosures by enabling families to rent, and eventually own, empty homes, putting the houses back into service – and stabilizing local communities.

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Expanded Financing for High-Cost Communities

Families in high-cost communities continue to struggle to obtain financing to buy homes or refinance into more affordable mortgages. In the wake of the housing crisis, funding for “jumbo” lending – loans above the \$417,000 GSE limit – was curtailed, rates increased significantly, availability of loans decreased, or qualifications were more restrictive. Home buying in high-cost areas stalled – and home sales fell.

As a remedy, The Economic Stimulus Act of 2008 provides a temporary increase to the GSE conventional loan limit, permitting Fannie Mae to purchase loans above \$417,000 in HUD-designated high-cost areas. On April 1, 2008, Fannie Mae began purchasing loans up to the new “jumbo-conforming” limit of \$729,750 in those high-cost areas. However, to date, jumbo mortgage rates have not improved substantially because the new jumbo-conforming loans are not eligible to be pooled with standard conventional, conforming loans.

Fannie Mae's response: Starting May 7, 2008, Fannie Mae began buying new jumbo-conforming loans and MBS at flat to conforming pricing for portfolio asset acquisition, and will continue to provide this improved pricing through the end of the year. Fannie Mae urges its lender customers to pass its improved pricing to borrowers in their all-in financing costs. Fannie Mae will also significantly expand its eligibility (now allowing cash-out refinances and lowering the down payments for ARMs and limited cash-out refinances) and increasing the product offerings for jumbo-conforming mortgages. The favored pricing covers all of Fannie Mae's jumbo-conforming product offerings (those previously offered as well as the additional products now offered) and includes all transaction types: for purchase, limited cash-out, and cash-out refinances.

Aid to Housing Recovery

- Further stimulate the flow of affordable home loans with significantly lower rates and reasonable down payments for working families in high-cost areas
- Enable home sales, which can help to stabilize home prices
- Provide working families with affordable financing so they can purchase homes where the average price surpasses what an average income can afford

Result: *Working families in areas where the average home loan exceeds \$417,000 – the conventional, conforming loan limit – will have better access to financing, at the most affordable terms and rates in the market today. The goal is to promote homeownership, particularly in areas that have stalled for a lack of financing at favorable rates and terms.*

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Serving Today's Challenging Housing Market

Fannie Mae's HomeStay[®] Initiative

Fannie Mae is working with lenders, loan servicing companies, and policy makers to respond to the housing and mortgage market crisis. Our goal is to minimize the impact on families and communities by preventing foreclosures, supporting counseling efforts, and helping to stabilize the market by keeping affordable mortgage funds flowing to lenders and to home buyers – ultimately, to ease the pain of the housing correction, and speed the recovery.

Fannie Mae's mission, by charter, is to provide stability, liquidity, and affordability to the mortgage market both in good times and especially when the market needs help. The company and its 5,700 employees are stepping up to respond to the market in three significant ways:

Keeping People in their Homes: Foreclosure Prevention

Fannie Mae has launched a nationwide effort with mortgage lenders, loan servicers, and others to help struggling borrowers to work out their loans or refinance into safer loans, and avoid foreclosure. Fannie Mae's foreclosure prevention actions include:

- Refinancing subprime loans – more than 143,000 so far
- Working out delinquent loans – more than 62,000 borrowers able to remain in their homes
- Helping loan servicers prevent foreclosure by providing flexibility, incentives, options, and assistance to maximize delinquent loan workouts
- Supporting HOPE NOW – to give at-risk and delinquent borrowers a better chance to afford their mortgages

Result: Fannie Mae helped more than 200,000 at-risk homeowners refinance into safer loans or work out their loans.

Empowering Homeowners and Counselors

Fannie Mae is supporting homeowner counseling provided by nonprofit groups and government agencies – providing both grants and employee volunteer hours and expertise. The company supports several efforts, including:

- HOPE hotline (1-888-995-HOPE). Fannie Mae is one of the largest corporate sponsors of this national foreclosure prevention hotline in partnership with the Homeownership Preservation Foundation and NeighborWorks[®] America.
- Outreach efforts. Through grants, Fannie Mae supports national and community-based nonprofit organizations that are reaching out to at-risk borrowers. The outreach includes: Producing and distributing foreclosure prevention materials such as brochures, novellas, and DVDs; radio and television advertising telling at-risk borrowers where to go for help; and foreclosure prevention workshops in neighborhoods with high concentrations of at-risk borrowers.
- Foreclosure prevention workshops. Fannie Mae supports these workshops with a force of almost 250 employees who volunteer on site on a weekly and sometimes daily basis. Fannie Mae has made foreclosure prevention a major focus of its corporate volunteerism efforts.

Result: Fannie Mae has provided over \$10 million in grants – and hundreds of employee volunteer hours, since the housing crisis deepened in mid-2007.



Helping to Stabilize the Housing and Mortgage Markets

Our company is chartered to buy mortgages in every market, every day, and we continue to do so. In fact, we remain one of the primary investors in home mortgages in areas that are experiencing housing price declines, and we continue to help thousands of subprime borrowers refinance. Through our HomeStay[®] initiative and other company efforts, we continually seek opportunities to serve underserved and at-risk borrowers. Last year alone, Fannie Mae provided mortgage funding that served more than 1.6 million low- and moderate-income families, and helped an estimated 160,000 borrowers either refinance a subprime loan or work out a delinquent loan.

Result: *Fannie Mae's market segment remains stable and liquid, with low mortgage rates.*

Fannie Mae's Keys to Recovery[™] initiatives are geared toward providing liquidity, stability, and affordability to the housing and mortgage markets for the long term, and include steps to keep struggling borrowers in their homes, assist prospective home buyers with home purchases, and stabilize communities impacted by the mortgage market downturn.

Keeping People in their Homes: Foreclosure Prevention

In 2007, up to 1.5 million U.S. homeowners went into foreclosure proceedings — the worst year of foreclosures in recent history — and this wave is continuing in 2008. Homeowners are struggling with re-setting subprime loans and payment spikes, monthly payments that exceed their means, job losses, and falling home values that leave them owing more than their house is worth. Foreclosures hurt families, neighborhoods, the tax base of communities, and the entire economy.

Fannie Mae response. The company has launched a nationwide effort with mortgage lenders, loan servicers, and others to help struggling borrowers work out their loans or refinance into safer loans, and avoid foreclosure.

- *Fannie Mae helped over 160,000 borrowers in 2007 either refinance a subprime loan or work out a delinquent loan and, in 2008, has already helped more than 23,000 at-risk homeowners refinance.*
- *Fannie Mae has provided loan servicers with more flexibility, incentives, and options to work with delinquent borrowers so they can stay in their homes.*

Fannie Mae's foreclosure prevention actions include:

Refinancing subprime loans

- More than 143,000 subprime borrowers refinanced into prime-rate loans
- \$28 billion in funding for subprime refinancing

Working out delinquent loans


- More than 62,000 loan repayments, modifications, deferrals, and other loss mitigation actions that kept borrowers in their homes
- Loan workouts at a pace of 840 a week
- Fannie Mae began paying incentive fees to foreclosure attorneys to work with borrowers to avoid foreclosure

Helping loan servicers prevent foreclosure

- Servicers sought 18 operational changes and enhanced authorities to help them work with delinquent borrowers, and Fannie Mae made all 18
- Fannie Mae delegates 80 percent of all loss mitigation decisions to servicers without the company's prior approval
- The company increased incentive fees for servicers to work out loans and refer borrowers to counseling
- Fannie Mae has company staff at the offices of its largest loan servicers — which handle 85 percent of its loans — to help guide loss mitigation decisions
- The company has added staff and seasoned managers to its operations, made systems investments, and senior leaders review operations and results continually
- Fannie Mae recently launched HomeSaver Advance,[™] a loan to help qualified delinquent borrowers catch up on their mortgage payments when they have fallen behind because of a temporary life event or hardship

Supporting HOPE NOW

- Fannie Mae supports HOPE NOW to give at-risk and delinquent borrowers a better chance to afford their mortgages
- The company reimburses its servicers for counseling services provided to at-risk borrowers

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- Fannie Mae also supports the HOPE NOW “Project Lifeline,” which pauses the foreclosure process for seriously delinquent borrowers to give them time to work out their loans

Fannie Mae continually reaches for new and innovative ways to help borrowers through periods of financial difficulty. To learn more about our efforts, go to www.fanniemae.com.

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Empowering Homeowners and Counselors

Amid the housing market correction, as millions of homeowners faced payment spikes or fell behind on their mortgages, many have been able to work out their situation and avoid foreclosure simply by knowing who to call or what to do. The challenge in reducing foreclosures is to connect at-risk homeowners with the information and help they need.

Fannie Mae response: The company is helping to address that challenge by supporting homeowner counseling provided by nonprofit groups and government agencies – providing both grants and employee volunteer hours and expertise.

Result: *Fannie Mae has provided over \$10 million in grants – and hundreds of employee volunteer hours, since the housing crisis deepened in mid-2007.*

Fannie Mae's grants support:

HOPE hotline (1-888-995-HOPE). Fannie Mae donated \$5 million to the Homeownership Preservation Foundation and NeighborWorks® America, making it one of the largest corporate sponsors of the National Foreclosure Prevention Hotline.

Outreach efforts. The company has contributed more than \$600,000 in grants to national and community-based nonprofit organizations that are reaching out to at-risk borrowers. These efforts include:

- Producing and distributing foreclosure prevention materials such as brochures, novellas, and DVDs
- Radio and television advertising informing at-risk borrowers where to go for help

Grantees include the National Black Church Initiative, the Congressional Hispanic Caucus Institute, the East Side Organizing Project, the National Urban League, the National Council of La Raza, and the Citizens Education Fund.

Capacity building. The company has provided close to \$4 million in additional grants to help national counseling agencies and state housing finance authorities expand their foreclosure prevention counseling capacity.

Foreclosure prevention workshops. Workshops in neighborhoods with high concentrations of at-risk borrowers bring together borrowers, counselors, servicers, government agencies, and other nonprofit organizations to help homeowners understand their options. These workshops are sponsored by HUD, HOPE NOW, State Attorneys General, Members of Congress, and other public officials across the country. Fannie Mae has donated over \$200,000 to support these workshops.

A force of almost 250 Fannie Mae employee volunteers supports these workshops on a weekly and sometimes daily basis. Fannie Mae has made foreclosure prevention a major focus of its corporate volunteerism efforts.

Through May 2008, Fannie Mae employee volunteers have helped staff foreclosure prevention workshops in:

- Akron, OH (hosted by Governor Strickland)
- Anaheim, CA (HOPE NOW)
- Atlanta, GA (HOPE NOW)
- Atlanta, GA (HUD)
- Baltimore, MD (U.S. Representative Cummings)
- Bronx, NY (NY State Public Officials)
- Buffalo, NY (NY State Public Officials)
- Chicago, IL (HOPE NOW)
- Cincinnati, OH (NeighborWorks Affiliate)
- Columbus, OH (HOPE NOW)
- Decatur, GA (HUD)
- Detroit, MI (State Attorney General)
- Fort Lauderdale, FL (HOT 105 Radio Station)
- Fort Myers, FL (Homeownership Resource Center)
- Glen Dale, MD (WHUR-FM Radio Station)
- Grand Rapids, MI (State Attorney General)
- Graniteville/Anderson, SC (U.S. Representative Barrett)
- Houston, TX (U.S. Representative Jackson Lee)
- Indianapolis, IN (HOPE NOW)
- Jacksonville, FL (HOPE NOW)
- Las Vegas, NV (U.S. Senator Reid)
- Los Angeles, CA (Governor Schwarzenegger)
- Manassas Park, VA (City of Manassas Park)
- Merced, CA (City of Merced)
- Miami, FL (U.S. Representative Meek)
- Modesto, CA (City of Modesto)
- Ontario, CA (City of Ontario)
- Orlando, FL (HUD)
- Orlando, FL (Orange County Government)
- Palm Desert, CA (U.S. Representative Bono Mack)
- Philadelphia, PA (HOPE NOW)
- Prince Georges County, MD (HUD)
- Prince William County, VA (HUD)
- Queens/Brooklyn, NY (NY State Public Officials)
- Riverside, CA (HOPE NOW)
- Sacramento, CA (State Senator Steinberg)
- Saginaw, MI (State Attorney General)
- Stockton, CA (HOPE NOW)
- Tampa, FL (HUD)
- Victorville, CA (Assembly Member Adams)
- Waldorf, MD (U.S. House Majority Leader Hoyer)
- Washington, DC (D.C. Councilmember Bowser)
- Washington, DC (Greater Washington Urban League)
- Waterbury, CT (U.S. Representative Murphy)
- West Palm Beach, FL (HUD)
- Yonkers, NY (NY State Public Officials)
- Youngstown, OH (Governor Strickland)

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Helping to Stabilize the Housing and Mortgage Markets


The ongoing mortgage market correction has disrupted the flow of funds (“liquidity”) for American families to buy homes or refinance into better mortgages, making financing harder to get and more expensive. Fannie Mae’s job, by charter, is to provide stability, liquidity, and affordability to the U.S. housing finance system, both in good times and in times like these.

Fannie Mae response: The company has ramped up its business operations to help keep affordable financing flowing to mortgage lenders and home buyers. Fannie Mae’s efforts are helping to keep the market liquid, stable, and affordable.

Result: *Fannie Mae’s market segment remains stable and liquid. Mortgages are readily available nationwide for home buyers with good credit and reasonable down payments.*

Fannie Mae is helping to stabilize the mortgage market in several ways:

- **Stable funding for home buyers.** To keep mortgage funds flowing to lenders and home buyers, Fannie Mae packaged over 3 million mortgages, \$630 billion worth, into Fannie Mae-guaranteed mortgage-backed securities (MBS) in 2007. By “securitizing” mortgages this way, Fannie Mae helps mortgage lenders sell the loans they originate with homeowners, replenishing their funds to make more loans, despite the market disruption.
- **Stable funding for rental housing.** The housing correction has boosted demand for affordable rental housing. To keep funds flowing to lenders that finance apartment buildings and other rental housing, Fannie Mae securitized and guaranteed \$60 billion in multifamily housing loans in 2007, helping to finance 1.1 million rental housing units.
- **Stable funding for refinancing.** By keeping conforming mortgages available and affordable, Fannie Mae is helping lenders serve homeowners who need to refinance their “teaser ARMs” — adjustable-rate loans with initial low rates — into safer prime, fixed-rate products. Fannie Mae’s service also helps to provide funding for homeowners who want to refinance their mortgages to take advantage of low conforming rates to save money.
- **Stable funding for affordable housing.** As it responded to the market crisis, Fannie Mae provided mortgage funding that served more than 1.6 million low- and moderate-income families — 112,000 more than in 2006. Of the 1.1 million rental housing units Fannie Mae helped to finance, about 88 percent were affordable for families earning at or below their area’s median income.
- **Stable funding for high-cost areas.** On April 1, 2008, Fannie Mae implemented the temporary increase in the \$417,000 GSE conforming loan limit in high-cost areas that was adopted by Congress in February 2008.



This temporary increase will permit the company to purchase or guarantee loans up to a maximum of \$729,750 in specified high-cost areas.

Note: Fannie Mae has tightened its underwriting standards and adjusted credit pricing for risk in order to ensure the company can weather the housing downturn, continue to serve the market's needs, and help ensure sustainable homeownership for borrowers.

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Making Housing More Affordable

While home prices are falling in many areas, finding affordable housing remains a challenge for many working families. In more than a quarter of the nation's 100 largest cities, the median income earner cannot afford a median-priced home. The cost of financing and the need for a sizable down payment can be insurmountable obstacles. Renting can be a more economical option, but reasonably priced units are often scarce.

Fannie Mae response. In 2007, Fannie Mae helped finance affordable housing for nearly 1.3 million low- and moderate-income homeowners and more than one million renters. Affordability is central to the company's mission, and Fannie Mae supports affordability in several ways. By buying and securitizing mortgage loans in the secondary market, it keeps liquidity flowing, which contributes to lower borrowing costs. The loan products it provides to banks, mortgage bankers, and other lenders offer borrowers flexible terms that remove barriers to homeownership. Fannie Mae also helps expand availability of affordable rentals by investing significantly in the production and preservation of multifamily housing.

Fannie Mae support for affordable housing includes:

Affordable lending. Fannie Mae provides mortgage lenders with responsible and affordable mortgage products that balance prudent risk with sustainable terms. These products remove barriers to homeownership by accommodating low down payments and the needs of borrowers with less-than-perfect or nontraditional credit. In 2007:

- More than 450,000 buyers purchased homes with Fannie Mae's most flexible and affordable loans.

Sustainable financing. In a turbulent housing market where many families struggle with resetting mortgage loan rates, job losses, and declining home values, Fannie Mae focuses on efforts that keep people in their homes. Since January 2007:


- More than 143,000 homeowners refinanced out of subprime mortgages into sustainable mortgages through Fannie Mae's HomeStay[®] initiative. The vast majority of the refinances were into fixed-rate mortgages.

Multifamily housing. Fannie Mae invests through loans and equity participation in affordable multifamily housing, both rental and for-sale. It invests in rentals that qualify for federal low-income housing tax credits and in conventional rental and entry-level for-sale housing. In 2007:

- The company invested nearly \$60 billion in multifamily housing with more than 1.1 million units.
- About 88 percent of those units are affordable to families earning at or below the area median income.

Community development. Fannie Mae partners with Housing Finance Agencies to increase the supply of affordable housing and address housing needs in underserved communities. The company provides financing for the agencies' community housing development activities, purchases their affordable mortgage loans, and collaborates on other projects that address the demand for workforce housing.

- Fannie Mae purchased nearly 35,000 loans totaling more than \$4.2 billion from 77 state and local agencies in 2007. More than 90 percent of the borrowers were first-time home buyers.
- Under a new agreement finalized with 26 state agencies, Fannie Mae will expand its investment in loans for first-time buyers.



Gulf Coast. Fannie Mae responds when extraordinary circumstances affect the nation's housing. When hurricanes destroyed or severely damaged more than 300,000 homes in the Gulf Coast region in 2005, the company committed its help with recovery and rebuilding.

- Fannie Mae has kept money flowing into the regional economy, surpassing by an additional \$3.5 billion the amount of financing for single-family mortgages typical for the region.
- It provided free temporary housing for 1,500 displaced families in properties owned by the company.

Seventy years after its creation, Fannie Mae remains the leading source of funding for affordable housing in the United States.

Fannie Mae's Keys to Recovery™ initiatives are geared toward providing liquidity, stability, and affordability to the housing and mortgage markets for the long term, and include steps to keep struggling borrowers in their homes, assist prospective home buyers with home purchases, and stabilize communities impacted by the mortgage market downturn.

National Down Payment Policy

As the housing crisis has accelerated, the mortgage industry has been reminded of the importance of homeowners' equity. Equity, credit history, and the buyer's capacity to pay the mortgage over the long haul remain the best predictors of successful, sustainable homeownership – especially in markets where home prices are declining. At the same time, higher down payment requirements can force some borrowers with good credit histories to “wait on the sidelines.”

Fannie Mae's response: On May 16, 2008, the company announced a new, single down payment policy in all communities across the nation for conventional, conforming mortgages the company will purchase or guarantee. Starting with loan applications taken on June 1, 2008, Fannie Mae will accept up to 97 percent loan-to-value ratios for conventional, conforming mortgages processed through its Desktop Underwriter® automated underwriting system, and 95 percent loan-to-value ratios for loans underwritten outside of Desktop Underwriter, in all geographic locations in the United States. This new national down payment policy will supersede the “Maximum Financing in Declining Markets Policy” Fannie Mae adopted in December 2007, which required higher down payments in markets where home prices are declining. The new policy now equalizes down payment requirements across the country, regardless of local market conditions.

Aid to Housing Recovery

For Borrowers

- Lower down payments of three to five percent for loans to purchase one- and two-unit, principal residences
- Continued acceptance of qualified down payment assistance programs
- Available to all communities across the country

For Lenders

- Fannie Mae will accept up to 97 percent loan-to-value ratios for conventional, conforming mortgages underwritten through Desktop Underwriter
- Fannie Mae will accept up to 95 percent loan-to-value ratios for loans underwritten outside of Desktop Underwriter
- Fannie Mae will accept up to 90 percent loan-to-value and combined loan-to-value for jumbo-conforming loans
- New policy supersedes the “Maximum Financing in Declining Markets Policy”
- Fannie Mae will continue to purchase loans with Community Seconds® up to a maximum 105 percent combined loan-to-value ratio. Community Seconds allows a second-lien mortgage to help cover down payment and closing costs, with funding typically provided by a state or local housing agency, an employer, or a nonprofit organization
- Fannie Mae will continue to make available MyCommunityMortgage® and Flexible Mortgage products, which permit down payment assistance programs in the form of gifts and grants
- Lenders and home builders will have access to a larger pool of potential buyers who can afford a mortgage but not a substantial down payment

Result: Home buyers can obtain financing under more flexible terms and, with equity in their homes at closing, they are more likely to remain homeowners over the long term. Lenders have another option for potential home buyers.

Fannie Mae's Keys to Recovery™ initiatives are geared toward providing liquidity, stability, and affordability to the housing and mortgage markets for the long term, and include steps to keep struggling borrowers in their homes, assist prospective home buyers with home purchases, and stabilize communities impacted by the mortgage market downturn.