

Customized CRA-Targeted MBS

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Fannie Mae's customized CRA-Targeted MBS can potentially be useful to banks and depository institutions as part of CRA-compliance initiatives.



The Community Reinvestment Act (CRA) of 1977 is a U.S. law designed to encourage commercial banks and depository institutions to meet the needs of borrowers in all segments of the communities in which they are chartered, including low- and moderate-income neighborhoods. Fannie Mae helps investors satisfy their CRA compliance-related investment needs through our customized CRA-Targeted MBS program.

This edition of *MBSenger* provides information to investors about how Fannie Mae's CRA-targeted MBS can potentially be useful to banks and depository institutions as part of CRA-compliance initiatives. In addition, we discuss the characteristics of loans backing these securities and describe how these securities are created. We also provide information on how investors can easily obtain customized CRA-Targeted MBS and how to access relevant disclosure data which efficiently provides documentation of loans backing these pools.

The Community Reinvestment Act Investment Needs

Federal financial supervisory agencies examine institutions for CRA compliance and take this information into consideration when approving applications to expand a bank's activities such as for new bank branches or for mergers and acquisitions. The Federal Financial Institutions Examination Council (FFIEC) publishes Interpretive Letters and Interagency Questions and Answers to clarify whether and how specific transactions comply under CRA¹. An Interagency Interpretive Letter dated August 11, 1997, discusses mortgage-backed securities and states, that "although investments in MBS generally are not qualified investments, investments in MBS designed primarily to finance community development are considered qualified investments. To qualify, housing-related bonds or securities must primarily address the affordable housing (including multi-family rental) needs of low- to moderate-income individuals."

Fannie Mae's Customized CRA-Targeted MBS

Fannie Mae's customized CRA-Targeted MBS are designed to provide investors with an investment that addresses the affordable housing needs of low- to moderate-income individuals. Depending on the investor's requirements, up to one hundred percent of loans backing a CRA-Targeted MBS can be to borrowers with incomes that fall below 80% of an area's median income. The geographic area (e.g., state, county, city, etc.) of the loans that back a CRA-targeted MBS are specified by the investor.

¹ See the following links for guidance letters. http://www.ffiec.gov/CRA/letters/letter_19970811R.htm and/or <http://www.occ.treas.gov/interp/sep97/cra794.pdf>

How to Invest in CRA-Targeted Fannie Mae MBS

Investors can utilize the services of Fannie Mae's Capital Markets Sales Desk to acquire customized CRA-targeted MBS to meet their investment needs. The first step in this process is for the investor to contact the Capital Market Sales Desk by telephone at 800.752.0257 and express the need to acquire CRA-Targeted MBS. If the investor is not already approved to trade with Fannie Mae's Capital Markets Sales Desk, he or she must complete and sign a customer agreement, officer's certification, customer information sheet and provide wiring instructions signed and on company letterhead. Once the investor is approved to trade, and has communicated an order, Fannie Mae's Capital Markets Sales Desk works with mortgage originators to create a CRA-Targeted MBS with characteristics specified by the investor. The investor communicates his or her needs, specifying targeted geographies, minimum and maximum desired pool size and desired MBS pass-through rates to the Capital Markets Sales Desk. Typically, newly-originated mortgages are used as collateral for CRA-Targeted MBS.

Creation of CRA-Targeted MBS Pools

After receiving investor specifications, Fannie Mae then works with lenders to create customized CRA-Targeted MBS, one pool for each investor request. Lenders deliver loans into designated pools which are part of our Fannie Majors program. CRA-Targeted Fannie Majors pools can be identified by their pool numbers. Majors Pool Series numbers currently being used for CRA-Targeted MBS are MC0000-MC9999. Typically, investors settle these pools after the SIFMA class-A settlement date in the month the pools are issued. Trading dates are determined by the lenders.

Reporting for CRA-Targeted MBS

To facilitate investor CRA compliance documentation needs, Fannie Mae provides pool data information for certain MBS with high concentrations of loans with household income levels that meet low- and moderate-income definitions of the CRA. Each month, Fannie Mae publishes a list of pools created during the month with certain CRA-Targeted characteristics. For example in October 2009 Fannie Mae issued 20 different CRA-Targeted MBS pools and posted them on our Web site at the following link: <http://www.fanniemae.com/mbs/data/mbs/cratargeted.jhtml?p=Mortgage-Backed+Securities&s=Monthly+Reporting+Data&t=MBS&q=CRA-Targeted+Mortgage-Backed+Securities>. **Exhibit 1** shows this list for October 2009.

Exhibit 1



Fannie Mae			
Homeowners	Homebuyers	Business Partners	Investors
Home			
Fannie Mae News			
Media			
Executive Speeches			
About Us			
About Fannie Mae			
Community & Charitable Giving			
Corporate Governance			
Investor Relations			
Diversity & Inclusion			
Careers			
For Business Partners			
Affordable Housing & Community Development			
Single-Family			
Multifamily			
Debt Securities			
Mortgage-Backed Securities			
Search Tools & Resources			
MBSenger			
Basics of Fannie Mae MBS			
Basics of Multifamily MBS			
Prospectuses & Related Documents			
Monthly Reporting Data			
For Homebuyers			
Overview			
HomePath			

Monthly Reporting Data			
CRA-Targeted Fannie Mae MBS			
October 2009			
PMC0198.txt	PMC0197.txt	PMC0196.txt	
PMC0195.txt	PMC0194.txt	PMC0193.txt	
PMC0192.txt	PMC0191.txt	PMC0190.txt	
PMC0189.txt	PMC0188.txt	PMC0187.txt	
PMC0186.txt	PMC0185.txt	PMC0184.txt	
PMC0183.txt	PMC0182.txt	PMC0181.txt	
PMC0180.txt	PMC0179.txt		

For each of these pools, detailed information is provided about each loan in the pool including pool number, rate, original term, city, state, ZIP code, county, percent median income, number of units, census tract, and an indication of whether the loan is for property located in a designated low-mod income tract. By clicking on a given pool number from the monthly report referenced above, an investor can view the detailed pool information Fannie Mae provides about the loans that back each pool on our Web site. For example, the information for loans backing CRA-Targeted pool number MC0193 can be found at the following link: <http://www.efanniemae.com/syndicated/documents/mbs/cra/102009/PMC0193.txt> and is shown in **Exhibit 2**. This pool is backed by twenty-three, 30-year fixed-rate loans from California with specific terms, geographic locations, and percentages of the median income. All loans were made to one-unit properties and two of the 23 loans are located in a designated low-mod income tract.

Disclosure for CRA-Targeted MBS are similar to disclosures for all Fannie MBS

A Fannie Mae Master Trust Agreement, together with its exhibits and supplements, is the principal authority that defines the rights and responsibilities of Fannie Mae and of the certificate holders in relation to an MBS Trust created under that particular master trust document. In general, it sets forth the terms related to the MBS issuance; the loans or participation interests in the MBS pool; and the payment terms for the MBS certificates. Single-Family Trust Agreements for customized CRA-Targeted MBS, as well as for all our MBS, can be found on our Web site at the following link: <http://www.fanniemae.com/mbs/documents/mbs/trustindentures/index.jhtml?p=Mortgage-Backed+Securities&>

Exhibit 2

POOL NO.--MC0193						UNIT #1:	UNIT #2:	UNIT #3:	UNIT #4:			
RATE	TERM	CITY	STATE	ZIP CODE	COUNTY	%MED INCOME *	%MED INCOME *	%MED INCOME *	%MED INCOME *	NO. UNITS	CENSUS TRACT #	LOW/MOD INC TRACT
4.875	360	SACRAMENTO	CA	95833	SACRAMENTO COUN	27.0%				1	06067007011	NO
5.250	360	SACRAMENTO	CA	95833	SACRAMENTO COUN	30.1%				1	06067007008	NO
4.875	360	SACRAMENTO	CA	95835	SACRAMENTO COUN	41.0%				1	06067007100	NO
4.875	360	RANCHO MURIETA	CA	95683	SACRAMENTO COUN	44.0%				1	06067008600	NO
4.875	360	WOODLAND	CA	95776	YOLO COUNTY, CA	51.0%				1	06113011205	NO
5.250	360	SACRAMENTO	CA	95831	SACRAMENTO COUN	56.2%				1	06067003400	NO
5.250	360	ROSEVILLE	CA	95678	PLACER COUNTY,	56.3%				1	06061020902	NO
5.250	360	WOODLAND	CA	95776	YOLO COUNTY, CA	56.4%				1	06113011205	NO
4.875	360	SACRAMENTO	CA	95815	SACRAMENTO COUN	56.9%				1	06067006900	YES
5.250	360	ELK GROVE	CA	95757	SACRAMENTO COUN	57.1%				1	06067009604	NO
5.000	360	ROSEVILLE	CA	95678	PLACER COUNTY,	58.6%				1	06061021107	NO
5.000	360	ROSEVILLE	CA	95661	PLACER COUNTY,	58.9%				1	06061020705	NO
5.125	360	ELK GROVE	CA	95758	SACRAMENTO COUN	59.0%				1	06067009608	NO
5.125	360	SACRAMENTO	CA	95828	SACRAMENTO COUN	59.2%				1	06067009316	NO
5.125	360	ELK GROVE	CA	95758	SACRAMENTO COUN	62.5%				1	06067009616	NO
4.875	360	AUBURN	CA	95603	PLACER COUNTY,	62.5%				1	06061020500	NO
5.250	360	LINCOLN	CA	95648	PLACER COUNTY,	64.0%				1	06061021303	NO
4.875	360	LINCOLN	CA	95648	PLACER COUNTY,	64.4%				1	06061021303	NO
4.875	360	MATHER	CA	95655	SACRAMENTO COUN	66.2%				1	06067008800	YES
5.000	360	SACRAMENTO	CA	95826	SACRAMENTO COUN	72.1%				1	06067009108	NO
5.250	360	RANCHO CORDOVA	CA	95742	SACRAMENTO COUN	72.6%				1	06067008701	NO
4.875	360	SACRAMENTO	CA	95825	SACRAMENTO COUN	74.2%				1	06067005403	NO
5.125	360	ELK GROVE	CA	95758	SACRAMENTO COUN	74.3%				1	06067009614	NO

*Based on FFIEC Census and HUD-estimated MSA/MD Median Family Incomes for 2009 CRA/HMDA Reports

A companion disclosure document for a specific Master Trust Agreement, an MBS Prospectus, explicitly outlines the policies and practices Fannie Mae will follow for pooling mortgages into an MBS, issuing an MBS, purchasing delinquent loans out of an MBS and other important aspects of its MBS program. MBS prospectuses for CRA-Targeted MBS, as well as for all our MBS can be found on our Web site at the following link: <http://www.fanniemae.com/mbs/documents/mbs/prospectus/index.jhtml?p=Mortgage-Backed+Securities&s=Prospectuses+%26+Related+Documents&t=MBS&q=Prospectuses>

A prospectus supplement for each CRA-Targeted MBS which includes specific information about the securities can be obtained using the pool number or CUSIP via our Prospectus Supplement Retrieval System (eProSupp) at the link below.

[http://www.fanniemae.com/mbs/tools/eprosupp.jhtml?p=Mortgage-Backed+Securities&s=Search+Tools+%26+Resources&t=Prospectus+Supplement+Retrieval+System+\(eProSupp\)](http://www.fanniemae.com/mbs/tools/eprosupp.jhtml?p=Mortgage-Backed+Securities&s=Search+Tools+%26+Resources&t=Prospectus+Supplement+Retrieval+System+(eProSupp))

Our PoolTalk system provides the most requested information on our securities, including current and historical factors, CUSIP numbers, original issue balances, interest rates, issue and maturity dates, weighted-average coupons (WACs), and weighted-average maturities (WAMs). In addition, users can obtain through PoolTalk all of the pool data information disclosed on Fannie Mae's Prospectus Supplement Retrieval System (eProSupp) for each fixed- and adjustable-rate security. To locate up-to-date pool data, users can search for a security by pool number, CUSIP or other data at the following link.

<http://www.fanniemae.com/mbs/tools/pooltalk.jhtml?p=Mortgage-Backed+Securities&s=Search+Tools+%26+Resources&t=PoolTalk>

Summary

Fannie Mae customized CRA-Targeted MBS can be created to match an investor's need for investment in pools that contain high concentrations of loans with low- and moderate-income levels and meet an investor's other CRA criteria. This edition of *MBSenger* provides investors with key, defining characteristics for CRA-Targeted MBS and underlying collateral, and outlines how investors can utilize the services of Fannie Mae's Capital Markets Sales Desk to easily customize and invest in these securities. To learn more, call Fannie Mae's Capital Markets Sales Desk at 800.752.0257.

MBSenger®

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