

**Housing Forecast: August 2010**

|  | ----- 2009 ----- |        |        |        | ----- 2010 ----- |        |        |        | ----- 2011 ----- |        |        |        | ----- 2012 ----- |        |        |        | 2009   | 2010   | 2011   | 2012   |
|--|------------------|--------|--------|--------|------------------|--------|--------|--------|------------------|--------|--------|--------|------------------|--------|--------|--------|--------|--------|--------|--------|
|  | 09.1             | 09.2   | 09.3   | 09.4   | 10.1             | 10.2   | 10.3   | 10.4   | 11.1             | 11.2   | 11.3   | 11.4   | 12.1             | 12.2   | 12.3   | 12.4   |        |        |        |        |
| <b>Housing Starts and Sales (saar, thous.)</b> |                  |        |        |        |                  |        |        |        |                  |        |        |        |                  |        |        |        |        |        |        |        |
| Housing Starts                                 | 530              | 537    | 586    | 565    | 617              | 602    | 656    | 715    | 797              | 883    | 993    | 1,055  | 1,120            | 1,240  | 1,360  | 1,430  | 554    | 648    | 932    | 1,288  |
| Single-Family (1 unit)                         | 362              | 423    | 496    | 488    | 524              | 491    | 500    | 550    | 625              | 700    | 800    | 850    | 900              | 1,000  | 1,100  | 1,150  | 445    | 516    | 744    | 1,038  |
| percent change                                 |                  |        |        |        |                  |        |        |        |                  |        |        |        |                  |        |        |        | -28.5% | 16.0%  | 44.0%  | 39.5%  |
| Multifamily (2+ units)                         | 168              | 114    | 90     | 76     | 93               | 111    | 156    | 165    | 172              | 183    | 193    | 205    | 220              | 240    | 260    | 280    | 109    | 131    | 188    | 250    |
| New Home Sales                                 | 353              | 368    | 401    | 373    | 360              | 340    | 345    | 409    | 484              | 540    | 605    | 639    | 701              | 769    | 840    | 874    | 374    | 363    | 567    | 796    |
| percent change                                 |                  |        |        |        |                  |        |        |        |                  |        |        |        |                  |        |        |        | -22.9% | -2.9%  | 56.1%  | 40.4%  |
| Total Existing Home Sales                      | 4,610            | 4,780  | 5,280  | 5,970  | 5,140            | 5,607  | 4,880  | 5,220  | 5,336            | 5,425  | 5,473  | 5,505  | 5,529            | 5,598  | 5,784  | 5,818  | 5,156  | 5,212  | 5,435  | 5,682  |
| percent change                                 |                  |        |        |        |                  |        |        |        |                  |        |        |        |                  |        |        |        | 4.9%   | 1.1%   | 4.3%   | 4.6%   |
| Total Home Sales (new + existing)              | 4,963            | 5,148  | 5,681  | 6,343  | 5,500            | 5,946  | 5,224  | 5,629  | 5,819            | 5,965  | 6,079  | 6,144  | 6,230            | 6,367  | 6,624  | 6,692  | 5,530  | 5,575  | 6,002  | 6,478  |
| percent change                                 |                  |        |        |        |                  |        |        |        |                  |        |        |        |                  |        |        |        | 2.4%   | 0.8%   | 7.7%   | 7.9%   |
| <b>Home Prices (NSA, thous. \$)</b>            |                  |        |        |        |                  |        |        |        |                  |        |        |        |                  |        |        |        |        |        |        |        |
| Median New                                     | 207.8            | 218.7  | 212.6  | 218.8  | 221.6            | 211.9  | 206.7  | 213.3  | 218.3            | 210.1  | 206.4  | 214.9  | 222.0            | 215.6  | 213.7  | 224.3  | 215.6  | 213.4  | 212.4  | 218.9  |
| Median Total Existing                          | 167.6            | 174.4  | 178.1  | 170.8  | 166.4            | 176.9  | 173.2  | 166.5  | 163.9            | 175.4  | 172.9  | 167.7  | 166.6            | 180.0  | 179.0  | 175.1  | 172.5  | 170.7  | 170.0  | 175.2  |
| FHFA Index (YOY % change Purchase Only)        | -7.1%            | -5.9%  | -3.8%  | -1.5%  | -3.1%            | -3.4%  | -3.5%  | -1.6%  | 0.4%             | 0.6%   | 1.1%   | 1.6%   | 2.4%             | 3.1%   | 3.7%   | 4.4%   | -1.5%  | -1.6%  | 1.6%   | 4.4%   |
| <b>Interest Rates, Percent</b>                 |                  |        |        |        |                  |        |        |        |                  |        |        |        |                  |        |        |        |        |        |        |        |
| Yield on 10-yr Treasury Notes (%)              | 2.7              | 3.3    | 3.5    | 3.5    | 3.7              | 3.5    | 2.9    | 2.9    | 3.0              | 3.1    | 3.2    | 3.3    | 3.4              | 3.5    | 3.5    | 3.6    | 3.3    | 3.2    | 3.2    | 3.5    |
| 30-year fixed mortgage rate (%)                | 5.1              | 5.0    | 5.2    | 4.9    | 5.0              | 4.9    | 4.5    | 4.5    | 4.5              | 4.6    | 4.7    | 4.8    | 4.9              | 5.0    | 5.0    | 5.1    | 5.0    | 4.7    | 4.7    | 5.0    |
| 1-year mortgage rate (%)                       | 4.9              | 4.8    | 4.7    | 4.4    | 4.3              | 4.0    | 3.7    | 3.6    | 3.6              | 3.7    | 3.7    | 3.8    | 3.9              | 3.9    | 4.0    | 4.1    | 4.7    | 3.9    | 3.7    | 4.0    |
| <b>Originations (NSA, bil. \$)</b>             |                  |        |        |        |                  |        |        |        |                  |        |        |        |                  |        |        |        |        |        |        |        |
| Mortgage Originations                          | 476              | 596    | 444    | 406    | 323              | 379    | 408    | 340    | 267              | 318    | 310    | 278    | 261              | 343    | 353    | 321    | 1,922  | 1,450  | 1,173  | 1,277  |
| Purchase                                       | 111              | 157    | 177    | 161    | 105              | 174    | 152    | 136    | 122              | 208    | 211    | 184    | 161              | 247    | 259    | 228    | 606    | 568    | 726    | 895    |
| Refi   | 365              | 439    | 267    | 245    | 217              | 205    | 256    | 203    | 144              | 109    | 99     | 94     | 100              | 96     | 94     | 92     | 1,316  | 882    | 447    | 382    |
| Refi Share (%)                                 | 77%              | 74%    | 60%    | 60%    | 67%              | 54%    | 63%    | 60%    | 54%              | 34%    | 32%    | 34%    | 38%              | 28%    | 27%    | 29%    | 68%    | 61%    | 38%    | 30%    |
| Liquidations                                   | 469              | 623    | 509    | 451    | 413              | 416    | 477    | 498    | 433              | 390    | 348    | 319    | 306              | 338    | 336    | 311    | 2,052  | 1,803  | 1,490  | 1,291  |
| <b>Mortgage Debt Outstanding (NSA, bil.\$)</b> |                  |        |        |        |                  |        |        |        |                  |        |        |        |                  |        |        |        |        |        |        |        |
| MDO Single-Family First Lien                   | 9,963            | 9,937  | 9,872  | 9,827  | 9,737            | 9,700  | 9,631  | 9,473  | 9,307            | 9,235  | 9,197  | 9,156  | 9,111            | 9,115  | 9,132  | 9,141  | 9,827  | 9,473  | 9,156  | 9,141  |
| % Change                                       | 0.3%             | -1.1%  | -2.6%  | -1.8%  | -3.6%            | -1.5%  | -2.8%  | -6.4%  | -6.8%            | -3.0%  | -1.6%  | -1.8%  | -2.0%            | 0.2%   | 0.7%   | 0.4%   | -1.3%  | -3.6%  | -3.3%  | -0.2%  |
| MDO Total Single-Family                        | 11,060           | 11,012 | 10,923 | 10,859 | 10,749           | 10,709 | 10,633 | 10,458 | 10,275           | 10,195 | 10,154 | 10,108 | 10,058           | 10,063 | 10,082 | 10,092 | 10,859 | 10,458 | 10,108 | 10,092 |
| % Change                                       | -0.4%            | -1.7%  | -3.2%  | -2.4%  | -4.0%            | -1.5%  | -2.8%  | -6.4%  | -6.8%            | -3.0%  | -1.6%  | -1.8%  | -2.0%            | 0.2%   | 0.7%   | 0.4%   | -1.9%  | -3.7%  | -3.3%  | -0.2%  |
| ARM Share of Applications (% of conv#)         | 2.5%             | 2.9%   | 6.3%   | 5.5%   | 4.9%             | 6.0%   | 5.9%   | 7.2%   | 8.5%             | 10.9%  | 11.9%  | 12.2%  | 12.0%            | 13.3%  | 13.7%  | 13.7%  | 6%     | 6%     | 8%     | 12%    |

August 10, 2010

Notes: Interest rate forecasts are based on rates from July 30, 2010.

Note: Unshaded areas denote actuals. Shaded areas denote forecasts.

Source: Actuals: Census, Bureau of Labor Statistics, Federal Reserve, Mortgage Bankers Association, National Association of REALTORS®, FHFA; Forecasts: Fannie Mae Economics and Mortgage Market Analysis

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