Single-Family Credit Insurance Risk Transfer™

The Insurance Opportunity in U.S. Mortgage Credit

March 2020
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Program overview
Who We Are

We are America’s Housing Partner.

Fannie Mae sits at the very heart of the housing industry.

We purchase qualifying mortgages from lenders, bundle them into bonds and sell to investors. Lenders use their replenished cash to originate new mortgages, and we use ours to start the process again. This continuous flow of money promotes a healthy housing market.

We partner with lenders to create home purchase (single-family) and rental (multifamily) opportunities for millions of Americans across the country.

1 in 4* homes are financed by us.

*Single Family, Approximate
Our Single-Family Business
Providing liquidity to the housing market and investment options to rates and credit investors.

Lender
Originates loans

Fannie Mae
Creates guaranteed MBS & non-guaranteed credit risk securities

MBS
Securitizes loans. Guarantees principal & interest on MBS in exchange for guaranty fee

Interest Rate Investor
Purchases MBS & assumes interest rate risk

Credit Investor
Purchases credit risk securities & assumes portion of credit risk

Proceeds from sale of MBS flow back to lender to fund new loans
Our Size and Scale: Single-Family

As of September 2019, U.S. Single-Family 1st Lien mortgage debt outstanding totaled $10.6 trillion. Fannie Mae’s share stood at approximately $3.0 trillion, nearly 28% of the market.

Fannie Mae was the largest issuer of single-family mortgage-related securities in 2019.

2019 Market Share:
New Single-Family Mortgage-Related Securities Issuances

Private-Label Securities 4%
Ginnie Mae 31%
Fannie Mae 37%
Freddie Mac 28%

We provided over $650 billion in mortgage liquidity across the country in 2019.

The U.S. mortgage market is dominated by the 30-year Fixed-Rate Mortgage (FRM).

Source: Federal Reserve’s Flow of Funds

We provided over $650 billion in mortgage liquidity across the country in 2019.
### Credit Risk Transfer Overview

**Program benefits:**
- Benchmark issuer
- Large, geographically diversified loan pools
- Innovative credit-risk management tools
- Program transparency
- Unique online investor tools and resources

We have transferred over $62 billion in single-family credit risk to private market participants since 2013, transferring a portion of the credit risk on $2.0 Trillion of UPB at Issuance*

#### Fannie Mae’s suite of risk sharing programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Description</th>
<th>Issuance</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Connecticut Avenue Securities™ (CAS)</strong></td>
<td>The benchmark for U.S. mortgage credit</td>
<td><strong>$44 billion</strong> issued since program inception*</td>
<td>Covering over <strong>$1.4 Trillion in UPB at issuance</strong></td>
</tr>
<tr>
<td><strong>Credit Insurance Risk Transfer™ (CIRT™)</strong></td>
<td>Attracts diversified insurers/reinsurers</td>
<td><strong>$10.6 billion</strong> committed since program inception*</td>
<td>Covering over <strong>$405 billion in UPB at issuance</strong></td>
</tr>
<tr>
<td><strong>Lender risk sharing vehicles</strong></td>
<td>Customized lender risk sharing transactions</td>
<td><strong>$7.2 billion</strong> issued since program inception*</td>
<td>Covering over <strong>$205 billion in UPB at issuance</strong></td>
</tr>
</tbody>
</table>

* Issuance amount (not outstanding UPB) through January 8, 2020

We have transferred over $62 billion in single-family credit risk to private market participants since 2013, transferring a portion of the credit risk on $2.0 Trillion of UPB at Issuance*
CIRT Program Benefits and Volumes

Fannie Mae has committed to transfer $10.6B of risk on $405B of loans under the CIRT program through January 8, 2020.

- Large, geographically diversified loan pools provide broad exposure to U.S. housing market
- Fannie Mae acts as an intermediary between the lender and investor to set standards, manage quality, mitigate losses, and maximize value
- Ongoing, programmatic issuance and flexible design – can cover various loan types acquired by Fannie Mae
- Transparent pricing provided on our webpage for all transactions – along with key deal documents and transaction data
- Powerful investor resources – including proprietary analytical tool Data Dynamics®
Our Goal: Reducing Credit Losses Through a Fully Digital and Secured Mortgage Process

Improve quality and drive efficiency by using data and eliminating manual processes throughout the entire lifecycle.

- EarlyCheck™
- Single Source Validation
- Desktop Underwriter® & Desktop Originator®
- Application Program Interfaces
- Collateral Underwriter®
- Fannie Mae Connect™
- Loan Quality Connect™
- Pricing & Execution – Whole Loan®/MBS®
- Servicing Execution Tool™
- Servicing Marketplace
- Loan Delivery
- Servicing Management Default Underwriter™
- Default Management Reporting System

PAST
- Lots of paper
- Complex and manual
- Time consuming and costly

FUTURE
- Reduced paper by connecting to source data
- Easier and more efficient
- Streamlined and automated
## Our Credit Risk Management Approach

<table>
<thead>
<tr>
<th>Lender quality</th>
<th>Loan quality</th>
<th>Servicing quality</th>
<th>Property management</th>
</tr>
</thead>
</table>
| - Lenders undergo a rigorous approval process prior to doing business with Fannie Mae and must meet ongoing net worth and business operational requirements. | - Loans must be underwritten in accordance with Fannie Mae guidelines.  
- In 2019, 90+%\(^{(1)}\) of loans that we acquire are evaluated through Desktop Underwriter\textsuperscript{®} (DU\textsuperscript{®}), the industry’s most widely used automated underwriting system.  
- 100% of Fannie Mae’s single family and condominium appraisals are assessed through Collateral Underwriter\textsuperscript{®} (CU\textsuperscript{®}), our proprietary appraisal risk assessment tool. | - Fannie Mae sets loan servicing standards, acts as Master Servicer, and provides oversight of loan Servicers  
- We set standards for loss mitigation and borrower workout options. Our proprietary servicing tool, Servicing Management Default Underwriter\textsuperscript{TM} (SMDU\textsuperscript{TM}), automates our servicing policies. | - We conduct all property management and disposition in-house, managing one of the industry’s largest real-estate owned portfolios – disposing of over 1.7 million homes since 2009.  
- Our strategy is to sell non-distressed homes to owner-occupants, helping to maximize sales proceeds, stabilize neighborhoods, and preserve the value of our guaranty book. |

\(^{(1)}\) Approximate

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Credit Risk Management Highlights

Fannie Mae’s industry-leading technology drives improved loan quality and better outcomes.

Desktop Underwriter®

1,900(1) Lenders/Agents

In 2019, $430 BN in UPB delivered to Fannie Mae had one or more Day 1 Certainty components

Loan deliveries in 2019 through DU®(1)

Collateral Underwriter®

22,000+ Registered Users*

3,200+ Registered Lenders/Agents

6.1+ Million Appraisals viewed by lenders since launch

100% of single-family and condominium appraisals go through CU as part of our QC process

(1) Approximately 1200 lenders actively deliver loans to Fannie Mae through DU on an annual basis. Approximately 700 additional lenders are approved for DU access.

*Since January 2015

Servicing Management Default Underwriter™

~90% of all Delinquencies covered through SMDU®(2)

1-2 hours saved per loan with automated loss mitigation

Over 850 servicers currently benefit from SMDU through B2B integration or through the SMDU User Interface

Provides consistent decisioning for loss mitigation solutions

Real Estate Owned

1.7 million+ Homes disposed of since 2009 (industry’s largest distressed portfolio)

69+ Million Users to date

(2) Approximately 200 servicers currently benefit from SMDU through B2B integration or through the SMDU User Interface

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Reinsurance opportunity
Selection of Acquisitions

- Fully amortizing, generally 25-year and 30-year fixed-rate\(^{(1)}\), 1-4 unit, first lien, conventional
- Not Refi Plus™ / Not HARP\(^{(2)}\)
- 60% < Loan-to-Value ≤ 80%
- 0 x 30 payment history since acquisition

Based upon recent acquisition period (random division)

Current UPB covered in Credit Insurance Risk Transfer Transaction

Other exclusions may apply

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\(^{(1)}\) All loans will have terms greater than 240 months and less than or equal to 360 months. Other minimal exclusion criteria apply.

\(^{(2)}\) Fannie Mae acquires HARP loans under its Refi Plus™ initiative, which provides expanded refinance opportunities for eligible Fannie Mae borrowers.
Insurance Policy Structural Overview

Key Features:

- Simple loss structure
- Structured with retention layer and an aggregate limit of liability
- Fannie Mae retains first loss (retention) layer
- If retention layer is exhausted, reinsurers cover actual losses up to aggregate limit of liability
- Actual loss is determined after property disposition
- Limit may step down on first anniversary and monthly thereafter depending on level of delinquencies and pool paydowns
- Partial collateralization of risk exposure, based upon external ratings of reinsurer
- Termination option at any time on/after Year 5 with a fee paid to reinsurers
- “Clean up” call once covered balance <10% initial covered balance without a termination fee
Limit of Liability Step Down
Expected Scenario - Illustration

- Step down typically begins at Month 12 following the effective date and monthly thereafter
- Remaining limit of liability will be reduced based on the paydown of the covered pool and balance of delinquent loans
- Limit step down beneficial to reinsurers as collateral requirement declines
- Fannie Mae has early termination option at Month 60
## Comparison of Typical CIRT Bulk Deals and Front End Deals

<table>
<thead>
<tr>
<th></th>
<th>Bulk Deal</th>
<th>Front-End Deal*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># of Deals Annually</strong></td>
<td>5 - 8</td>
<td>1 - 2</td>
</tr>
<tr>
<td><strong>Loan Acquisitions Period</strong></td>
<td>2-9 months prior to inclusion in pool</td>
<td>Future acquisition months</td>
</tr>
<tr>
<td><strong>Fill-up Period</strong></td>
<td>N/A</td>
<td>12-15 months</td>
</tr>
<tr>
<td><strong>Covered Loans</strong></td>
<td>15-30 YR FRM</td>
<td>30 YR FRM</td>
</tr>
<tr>
<td><strong>Limit of Liability Determination</strong></td>
<td>At the time of policy execution</td>
<td>Limit % determined at the time of policy execution; limit $ determined at the end of the fill-up period</td>
</tr>
<tr>
<td><strong>Limit of Liability Step Down</strong></td>
<td>May begin 12 months following effective date and monthly thereafter</td>
<td>May begin 18 months following effective date and monthly thereafter</td>
</tr>
<tr>
<td><strong>Monthly Premium</strong></td>
<td>Based on competitive bids; locked in at time of execution</td>
<td>Based on competitive bids for a sample pool of loans, with pricing true-up at end of fill-up period</td>
</tr>
<tr>
<td><strong>Loan Profile Restrictions</strong></td>
<td>Follows standard eligibility; covered loans are disclosed prior to pricing</td>
<td>Follows standard eligibility; pricing based upon an indicative reference pool; may include restrictions on final risk attributes of the pool</td>
</tr>
<tr>
<td><strong>Reinsurer Collateral</strong></td>
<td>Collateral amount due at time of execution</td>
<td>Collateral posted as covered loan pool is delivered</td>
</tr>
</tbody>
</table>

*Front-End Deals may have an initial pool “Bulk-like” component.*
Historical comparative analysis
## Acquisition Profile

### > 60-97 LTV Historical FRM30 Loan Acquisition Profile

<table>
<thead>
<tr>
<th>Orig Year</th>
<th>Original UPB</th>
<th>WA Note Rate</th>
<th>WA FICO</th>
<th>WA DTI</th>
<th>WA OLTV</th>
<th>WA OCLTV</th>
<th>% Purchase</th>
<th>% CA</th>
<th>WA Risk Layers</th>
<th>% Investor</th>
<th>% FICO &lt; 680</th>
<th>% Cash-out</th>
<th>% DTI 46-50</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-2004</td>
<td>$1289.6B</td>
<td>6.50%</td>
<td>712</td>
<td>34.8</td>
<td>79.0</td>
<td>79.6</td>
<td>42%</td>
<td>17%</td>
<td>0.81</td>
<td>4.2%</td>
<td>28.1%</td>
<td>25.8%</td>
<td>22.7%</td>
</tr>
<tr>
<td>2005-2008</td>
<td>$694.8B</td>
<td>6.17%</td>
<td>723</td>
<td>39.2</td>
<td>78.4</td>
<td>80.2</td>
<td>48%</td>
<td>12%</td>
<td>0.94</td>
<td>5.9%</td>
<td>23.4%</td>
<td>32.3%</td>
<td>32.8%</td>
</tr>
<tr>
<td>2009-2013</td>
<td>$1321.2B</td>
<td>4.41%</td>
<td>760</td>
<td>33.3</td>
<td>78.1</td>
<td>79.0</td>
<td>45%</td>
<td>24%</td>
<td>0.34</td>
<td>6.0%</td>
<td>3.7%</td>
<td>16.2%</td>
<td>7.6%</td>
</tr>
<tr>
<td>2014-2017</td>
<td>$1146.6B</td>
<td>4.18%</td>
<td>746</td>
<td>34.8</td>
<td>81.7</td>
<td>82.2</td>
<td>65%</td>
<td>20%</td>
<td>0.36</td>
<td>6.4%</td>
<td>9.2%</td>
<td>15.1%</td>
<td>5.6%</td>
</tr>
<tr>
<td>2018</td>
<td>$245.7B</td>
<td>4.81%</td>
<td>743</td>
<td>37.9</td>
<td>82.7</td>
<td>83.0</td>
<td>75%</td>
<td>16%</td>
<td>0.58</td>
<td>6.5%</td>
<td>10.5%</td>
<td>16.6%</td>
<td>24.1%</td>
</tr>
</tbody>
</table>

### CAS/CIRT Eligible Loan Acquisition Profile

<table>
<thead>
<tr>
<th>Orig Year</th>
<th>Original UPB</th>
<th>WA Note Rate</th>
<th>WA FICO</th>
<th>WA DTI</th>
<th>WA OLTV</th>
<th>WA OCLTV</th>
<th>% Purchase</th>
<th>% CA</th>
<th>WA Risk Layers</th>
<th>% Investor</th>
<th>% FICO &lt; 680</th>
<th>% Cash-out</th>
<th>% DTI 46-50</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q2019</td>
<td>$54.5B</td>
<td>4.81%</td>
<td>742</td>
<td>37.8</td>
<td>83.6</td>
<td>83.8</td>
<td>72%</td>
<td>17%</td>
<td>0.51</td>
<td>5.5%</td>
<td>9.1%</td>
<td>15.3%</td>
<td>21.5%</td>
</tr>
<tr>
<td>2Q2019</td>
<td>$97.9B</td>
<td>4.43%</td>
<td>747</td>
<td>36.9</td>
<td>83.8</td>
<td>84.0</td>
<td>71%</td>
<td>16%</td>
<td>0.43</td>
<td>4.4%</td>
<td>7.3%</td>
<td>12.4%</td>
<td>18.6%</td>
</tr>
<tr>
<td>3Q2019</td>
<td>$127.0B</td>
<td>4.02%</td>
<td>751</td>
<td>36.0</td>
<td>82.3</td>
<td>82.6</td>
<td>56%</td>
<td>18%</td>
<td>0.39</td>
<td>3.6%</td>
<td>5.6%</td>
<td>13.6%</td>
<td>16.2%</td>
</tr>
<tr>
<td>4Q2019</td>
<td>$106.0B</td>
<td>3.94%</td>
<td>751</td>
<td>36.0</td>
<td>81.1</td>
<td>81.4</td>
<td>49%</td>
<td>20%</td>
<td>0.42</td>
<td>4.1%</td>
<td>5.0%</td>
<td>17.3%</td>
<td>15.8%</td>
</tr>
</tbody>
</table>

Only loans with LTV between 60-97 are included. Excludes loans with CLTV >97
Statistics weighted by origination UPB

1. Risk Layers defined as: Investor Property, DTI 46-50 (rounded to the nearest integer), FICO<680, & Cash-out Refinance
2. Rounded to the nearest integer

Source: Fannie Mae Data, as of December 2019 activity date
# Acquisition Profile

## 60.01-80.00 LTV CAS/CIRT Eligible Loan Acquisition Profile

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Original UPB ($M)</td>
<td>$12,319</td>
<td>$11,779</td>
<td>$11,928</td>
<td>$10,455</td>
<td>$13,542</td>
<td>$16,048</td>
<td>$17,017</td>
<td>$22,124</td>
<td>$24,249</td>
<td>$25,818</td>
<td>$26,709</td>
<td>$23,633</td>
<td>$25,185</td>
<td></td>
</tr>
<tr>
<td>WA Note Rate</td>
<td>5.0%</td>
<td>5.1%</td>
<td>5.1%</td>
<td>5.0%</td>
<td>4.9%</td>
<td>4.7%</td>
<td>4.6%</td>
<td>4.5%</td>
<td>4.3%</td>
<td>4.2%</td>
<td>4.1%</td>
<td>3.9%</td>
<td>3.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td>WA FICO</td>
<td>743</td>
<td>743</td>
<td>744</td>
<td>741</td>
<td>743</td>
<td>744</td>
<td>747</td>
<td>750</td>
<td>751</td>
<td>752</td>
<td>753</td>
<td>755</td>
<td>754</td>
<td>752</td>
</tr>
<tr>
<td>WA DTI</td>
<td>37.7%</td>
<td>37.9%</td>
<td>37.9%</td>
<td>37.8%</td>
<td>37.3%</td>
<td>37.0%</td>
<td>36.5%</td>
<td>36.2%</td>
<td>35.9%</td>
<td>35.7%</td>
<td>35.4%</td>
<td>35.2%</td>
<td>35.2%</td>
<td>35.6%</td>
</tr>
<tr>
<td>WA OLTV</td>
<td>75.8%</td>
<td>75.8%</td>
<td>75.7%</td>
<td>75.5%</td>
<td>75.5%</td>
<td>75.6%</td>
<td>75.6%</td>
<td>75.6%</td>
<td>75.3%</td>
<td>75.1%</td>
<td>74.7%</td>
<td>74.7%</td>
<td>74.7%</td>
<td>74.7%</td>
</tr>
<tr>
<td>WA CLTV</td>
<td>76.3%</td>
<td>76.3%</td>
<td>76.2%</td>
<td>76.0%</td>
<td>76.0%</td>
<td>76.0%</td>
<td>76.0%</td>
<td>75.9%</td>
<td>75.9%</td>
<td>75.8%</td>
<td>75.4%</td>
<td>75.1%</td>
<td>75.1%</td>
<td>75.2%</td>
</tr>
<tr>
<td>% Purchase</td>
<td>64.7%</td>
<td>64.0%</td>
<td>64.0%</td>
<td>56.8%</td>
<td>56.1%</td>
<td>53.4%</td>
<td>57.1%</td>
<td>53.9%</td>
<td>47.8%</td>
<td>42.1%</td>
<td>34.3%</td>
<td>34.6%</td>
<td>36.0%</td>
<td>36.0%</td>
</tr>
<tr>
<td>% CA</td>
<td>16.5%</td>
<td>16.1%</td>
<td>17.9%</td>
<td>18.6%</td>
<td>20.8%</td>
<td>21.5%</td>
<td>22.2%</td>
<td>20.4%</td>
<td>21.1%</td>
<td>21.7%</td>
<td>22.7%</td>
<td>23.1%</td>
<td>22.2%</td>
<td>22.8%</td>
</tr>
<tr>
<td>WA Risk Layers&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.75</td>
<td>0.74</td>
<td>0.74</td>
<td>0.75</td>
<td>0.71</td>
<td>0.68</td>
<td>0.62</td>
<td>0.57</td>
<td>0.55</td>
<td>0.53</td>
<td>0.52</td>
<td>0.50</td>
<td>0.53</td>
<td>0.56</td>
</tr>
<tr>
<td>% Investor</td>
<td>11.1%</td>
<td>9.8%</td>
<td>10.5%</td>
<td>10.3%</td>
<td>9.9%</td>
<td>9.4%</td>
<td>8.9%</td>
<td>7.7%</td>
<td>7.2%</td>
<td>6.5%</td>
<td>6.2%</td>
<td>5.8%</td>
<td>6.6%</td>
<td>6.3%</td>
</tr>
<tr>
<td>% FICO &lt; 680</td>
<td>11.3%</td>
<td>11.4%</td>
<td>11.1%</td>
<td>10.7%</td>
<td>10.1%</td>
<td>8.8%</td>
<td>7.8%</td>
<td>7.5%</td>
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<td>6.1%</td>
<td>5.1%</td>
<td>5.4%</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>% Cashout</td>
<td>26.4%</td>
<td>27.2%</td>
<td>26.1%</td>
<td>28.9%</td>
<td>28.1%</td>
<td>27.7%</td>
<td>25.6%</td>
<td>22.9%</td>
<td>23.5%</td>
<td>23.0%</td>
<td>24.0%</td>
<td>24.7%</td>
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<td>28.3%</td>
</tr>
<tr>
<td>% DTI 46-50</td>
<td>26.0%</td>
<td>26.1%</td>
<td>26.0%</td>
<td>24.8%</td>
<td>21.9%</td>
<td>20.3%</td>
<td>19.0%</td>
<td>18.1%</td>
<td>17.1%</td>
<td>16.6%</td>
<td>15.8%</td>
<td>14.3%</td>
<td>15.0%</td>
<td>15.8%</td>
</tr>
</tbody>
</table>

## 80.01-97.00 LTV CAS/CIRT Eligible Loan Acquisition Profile

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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<tbody>
<tr>
<td>Original UPB ($M)</td>
<td>$10,766</td>
<td>$10,483</td>
<td>$10,923</td>
<td>$8,147</td>
<td>$8,939</td>
<td>$12,264</td>
<td>$14,191</td>
<td>$15,508</td>
<td>$19,294</td>
<td>$19,539</td>
<td>$18,642</td>
<td>$17,526</td>
<td>$14,781</td>
<td>$15,852</td>
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<tr>
<td>WA Note Rate</td>
<td>4.9%</td>
<td>5.1%</td>
<td>5.1%</td>
<td>4.9%</td>
<td>4.8%</td>
<td>4.7%</td>
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<td>4.3%</td>
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<td>3.9%</td>
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<tr>
<td>WA FICO</td>
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<td>741</td>
<td>742</td>
<td>740</td>
<td>741</td>
<td>743</td>
<td>743</td>
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<td>746</td>
<td>748</td>
<td>749</td>
<td>747</td>
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<tr>
<td>WA DTI</td>
<td>38.6%</td>
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<td>38.9%</td>
<td>38.5%</td>
<td>38.1%</td>
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<td>37.6%</td>
<td>37.5%</td>
<td>37.3%</td>
<td>37.1%</td>
<td>36.7%</td>
<td>36.7%</td>
<td>37.1%</td>
</tr>
<tr>
<td>WA OLTV</td>
<td>92.8%</td>
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<td>92.9%</td>
<td>92.8%</td>
<td>92.8%</td>
<td>92.7%</td>
<td>92.6%</td>
<td>92.5%</td>
<td>92.3%</td>
<td>92.1%</td>
<td>91.6%</td>
<td>91.5%</td>
<td>91.6%</td>
<td>91.6%</td>
</tr>
<tr>
<td>WA CLTV</td>
<td>92.8%</td>
<td>92.8%</td>
<td>92.9%</td>
<td>92.8%</td>
<td>92.8%</td>
<td>92.8%</td>
<td>92.8%</td>
<td>92.7%</td>
<td>92.7%</td>
<td>92.6%</td>
<td>92.3%</td>
<td>92.2%</td>
<td>91.6%</td>
<td>91.5%</td>
</tr>
<tr>
<td>% Purchase</td>
<td>95.7%</td>
<td>95.7%</td>
<td>95.3%</td>
<td>92.7%</td>
<td>90.7%</td>
<td>90.5%</td>
<td>87.8%</td>
<td>89.1%</td>
<td>86.3%</td>
<td>81.1%</td>
<td>77.9%</td>
<td>69.2%</td>
<td>68.9%</td>
<td>71.1%</td>
</tr>
<tr>
<td>% CA</td>
<td>9.9%</td>
<td>9.7%</td>
<td>11.1%</td>
<td>11.6%</td>
<td>12.5%</td>
<td>13.4%</td>
<td>12.6%</td>
<td>11.7%</td>
<td>12.4%</td>
<td>12.5%</td>
<td>14.2%</td>
<td>12.9%</td>
<td>14.4%</td>
<td>14.4%</td>
</tr>
<tr>
<td>WA Risk Layers&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.32</td>
<td>0.32</td>
<td>0.32</td>
<td>0.33</td>
<td>0.30</td>
<td>0.28</td>
<td>0.27</td>
<td>0.26</td>
<td>0.26</td>
<td>0.24</td>
<td>0.23</td>
<td>0.21</td>
<td>0.21</td>
<td>0.21</td>
</tr>
<tr>
<td>% Investor</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.3%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
<tr>
<td>% FICO &lt; 680</td>
<td>8.3%</td>
<td>8.2%</td>
<td>8.1%</td>
<td>8.4%</td>
<td>7.5%</td>
<td>7.0%</td>
<td>6.6%</td>
<td>6.6%</td>
<td>6.5%</td>
<td>6.1%</td>
<td>5.9%</td>
<td>4.7%</td>
<td>4.5%</td>
<td>4.4%</td>
</tr>
<tr>
<td>% Cashout</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
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<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>% DTI 46-50</td>
<td>23.0%</td>
<td>23.1%</td>
<td>23.5%</td>
<td>23.8%</td>
<td>22.2%</td>
<td>20.3%</td>
<td>20.0%</td>
<td>19.2%</td>
<td>18.8%</td>
<td>18.0%</td>
<td>17.2%</td>
<td>16.0%</td>
<td>16.1%</td>
<td>16.3%</td>
</tr>
</tbody>
</table>

---

(1) Risk Layers defined as: Investor Property, Cash-out Refinance, DTI 46-50 (rounded to the nearest integer), & FICO < 680
(2) Rounded to the nearest integer

Source: Fannie Mae Data, as of December 2019 activity date

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Total Mortgage Origination Volume and FICO

- When origination capacity is tight, credit profile is strongest.
- Lower origination volumes mean lenders have more capacity to underwrite to the full credit box.
- Overall profile is heavily levered to profile of refinancings, as purchase profile is more stable.

Credit profile typically fluctuates with the origination cycle.

Source: Fannie Mae. Origination estimates for aggregate market.
DU Model Updates

DU Timeline

July 2017: DU 10.1
- Enabled loans with DTI ratios above 45% (up to 50%) to rely on DU’s comprehensive risk assessment
- Removed DU model overlays with set maximum LTV ratio and minimum reserves requirements for those loans

Dynamic Credit Management

March 2018: DU 10.2
- Revised DU’s risk assessment to limit risk layering
- Fewer DU Approve recommendations on loans that have multiple higher-risk characteristics

December 2018: DU 10.3
- Enhanced DU’s management of multiple risk layers
- Six months of reserves for cash-out refinances with DTI over 45% to address increase in high DTI acquisitions

July 2019
- Certain new loan casefiles submitted to DU will receive an Ineligible recommendation when multiple high-risk factors are present
- We updated the DU eligibility assessment to better align the mix of business delivered to Fannie Mae with the composition of business in the overall market

(1) Rounded to the nearest integer
### HomeReady Impact on MI Coverage

- The key attribute of the HomeReady® program is the lower-than-standard MI levels required for loans with LTV greater than 90%.

<table>
<thead>
<tr>
<th>LTV Range (%)</th>
<th>Standard MI Coverage (%)</th>
<th>Home Ready MI Coverage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>95.01 – 97.00%</td>
<td>35.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>90.01 – 95.00%</td>
<td>30.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>85.01 – 90.00%</td>
<td>25.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>80.01 – 85.00%</td>
<td>12.0%</td>
<td>12.0%</td>
</tr>
</tbody>
</table>

*Note: most loans have “standard” coverage; however, levels may differ on some loans – this is disclosed on the loan-level deal file.*

- Although chart above shows MI levels that are considered “standard”, we have historically acquired loans with varying levels of MI coverage.

- Fannie Mae’s historical data release provides insights into the historical severities of loans with different levels of MI coverage.

- Reinsurers and investors must estimate loss exposure based upon loan-level attributes of the covered loans, including loan-level MI coverage.

- Effective July 20, 2019, Borrower’s income must be less than or equal to 80% of area median income (AMI). Prior to that, Borrower’s income had to be less than or equal to 100% of AMI or the property had to be located in a low income census tract (31% of census tracts as of 2017).

### Historical Loan Count by Mortgage Insurance (MI) %

<table>
<thead>
<tr>
<th>OLTV</th>
<th>Mi Pct</th>
<th>1999-2004</th>
<th>2005-2008</th>
<th>2009-2013</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>91-95</td>
<td>18</td>
<td>3,724</td>
<td>1,096</td>
<td>199</td>
<td>5,019</td>
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<tr>
<td></td>
<td>25</td>
<td>371,520</td>
<td>117,830</td>
<td>44,456</td>
<td>533,806</td>
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<tr>
<td></td>
<td>30</td>
<td>551,240</td>
<td>146,715</td>
<td>447,447</td>
<td>1,145,402</td>
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<tr>
<td></td>
<td>35</td>
<td>11,850</td>
<td>9,678</td>
<td>2,020</td>
<td>23,548</td>
</tr>
<tr>
<td>96-97</td>
<td>18</td>
<td>64,318</td>
<td>4,137</td>
<td>2,027</td>
<td>70,482</td>
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<tr>
<td></td>
<td>25</td>
<td>1,008</td>
<td>565</td>
<td>629</td>
<td>2,202</td>
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<tr>
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<td>30</td>
<td>39,538</td>
<td>861</td>
<td>27,401</td>
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<tr>
<td></td>
<td>35</td>
<td>79,228</td>
<td>25,355</td>
<td>43,791</td>
<td>148,374</td>
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<tr>
<td>All</td>
<td></td>
<td>1,122,426</td>
<td>306,237</td>
<td>567,970</td>
<td>1,996,633</td>
</tr>
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</table>

### Historical Severity by Mortgage Insurance (MI) %

<table>
<thead>
<tr>
<th>OLTV</th>
<th>Mi Pct</th>
<th>1999-2004</th>
<th>2005-2008</th>
<th>2009-2013</th>
<th>All</th>
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</thead>
<tbody>
<tr>
<td>91-95</td>
<td>18</td>
<td>27.2%</td>
<td>30.1%</td>
<td>11.7%</td>
<td>28.6%</td>
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<tr>
<td></td>
<td>25</td>
<td>21.9%</td>
<td>26.2%</td>
<td>14.3%</td>
<td>24.5%</td>
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<tr>
<td></td>
<td>30</td>
<td>20.2%</td>
<td>26.1%</td>
<td>8.2%</td>
<td>23.1%</td>
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<tr>
<td></td>
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<td>23.5%</td>
<td>19.2%</td>
<td>6.5%</td>
<td>19.8%</td>
</tr>
<tr>
<td>96-97</td>
<td>18</td>
<td>25.5%</td>
<td>42.5%</td>
<td>16.0%</td>
<td>32.0%</td>
</tr>
<tr>
<td></td>
<td>25</td>
<td>20.8%</td>
<td>17.9%</td>
<td>3.5%</td>
<td>18.2%</td>
</tr>
<tr>
<td></td>
<td>30</td>
<td>20.2%</td>
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<td>4.0%</td>
<td>20.3%</td>
</tr>
<tr>
<td></td>
<td>35</td>
<td>22.0%</td>
<td>22.0%</td>
<td>3.1%</td>
<td>21.4%</td>
</tr>
<tr>
<td>All</td>
<td></td>
<td>21.2%</td>
<td>25.9%</td>
<td>9.2%</td>
<td>23.5%</td>
</tr>
</tbody>
</table>

*Source: Fannie Mae Single Family December 2019 Data Release*

Light blue cells indicate standard MI% for respective OLTV bucket, while orange cells indicate HomeReady MI%
Historical Loss Performance

Comped Loss of CIRT 2020-1 (>60-80 LTV) Across Vintage Years

- Bars reflect historical cumulative loss performance re-weighted to the CIRT 2020-1 profile across FICO/CLTV/Risk Layer distribution.
- Pipeline loss rate is equal to 25% of the pipeline loss re-weighted across the FICO/CLTV/Risk Layer distribution. Pipeline loss is defined as the sum of defaulted UPB on foreclosed loans that have not been disposed and the last UPB for loans that were in D180+ delinquency as of the last activity period.
- Terminal DLQ Loss Rate is the historical cumulative loss performance for loans in the origination vintage that were reported as delinquent in the 150th month since origination (note: loss performance excludes loans that cured after month 150, but still resulted in a credit event).

Source: Fannie Mae Data Dynamics. www.fanniemae.com/DataDynamics
Historical Loss Performance

>60-80 LTV Total Loss Re-Weighted to 2006 Performance. Dots reflect historical total loss performance re-weighted to all CIRT profiles across FICO/CLTV/Risk Layer distribution

Note: Total Loss Rate is the aggregate loss rate or the loss rate estimated over the term of the CIRT deal.
Source: Fannie Mae Data Dynamics. www.fanniemae.com/DataDynamics
Loan Performance Compared to 2001 Vintage

CIRT deals through December 31, 2019 are outperforming the strong 2001 vintage

CIRT Low LTV (61-80 LTV) Ever D90 Performance

CIRT High LTV (81-97 LTV) Ever D90 Performance

- "Ever" D90 Performance reflects the unpaid principal balance of all covered loans when they first become 90 day delinquent, divided by the initial balance of the covered pool.
- "Comped" line represents 90-day delinquency performance of 2001 acquisitions after removing loans that became delinquent within 6 months of origination and re-weighting the actual experience to the CIRT 2019-1 and 2019-2 profiles across FICO/CLTV/Risk Layer distribution. Risk layers defined as Investor Property, DTI>46 (rounded to the nearest integer), single borrower, and cash-out refinance.
- The colored lines reflect the actual performance of the CIRT deals to date.

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**Loan Performance– Harvey, Irma, Maria, Florence, and Michael Removed**

CIRT Low LTV (61-80 LTV) Ever D90 Performance

CIRT High LTV (81-97 LTV) Ever D90 Performance

*“Ever" D90 Performance reflects the unpaid principal balance of all covered loans when they first become 90 day delinquent, divided by the initial balance of the covered pool.

*“Comped” line represents 90-day delinquency performance of 2001 acquisitions after removing loans that became delinquent within 6 months of origination and re-weighting the actual experience to the CIRT 2019-1 and 2019-2 profiles across FICO/CLTV/Risk Layer distribution. Risk layers defined as Investor Property, DTI>46 (rounded to the nearest integer), single borrower, and cash-out refinance.

*The colored lines reflect the actual performance of the CIRT deals to date.

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Investor resources
Historical loan-level performance data

Gain insights into historical performance trends and relationships to credit performance via our dataset

Access our historical monthly loan performance data on a portion of our single-family mortgage loans

- Includes a subset of our 30-year and less, fully amortizing, full documentation, conventional fixed-rate mortgage acquisitions since January 2000
- Updated on a quarterly basis to include a new quarter of acquisitions and performance
- Inclusive of loans modified through HARP®, supporting market analysis of high loan-to-value refinance assistance programs

Key features:

- Utilize Data Dynamics to see aggregated loan-level data
- Download the entire dataset with one-click, capturing over 50 data elements per loan
- Self-serve with abundant investor resources including file layout, glossary, FAQs, web tutorials, and statistical summaries to support download of dataset
- Multifamily Loan Performance Data has been added in August 2019

www.fanniemae.com/loanperformance
## CIRT Loan-Level Data Disclosure

- Fannie Mae makes over 100 loan-level disclosure fields available to support CIRT analysis.
- Fields include key loan risk factors, loan term characteristics, collateral characteristics, servicing data, and disposition data, such as (not limited to):

<table>
<thead>
<tr>
<th>Loan and Borrower Characteristics</th>
<th>HomeReady Program Indicator, and First Time Home Buyer Indicator</th>
<th>High Loan-to-Value Refinance Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Borrowers</td>
<td>Original Debt to Income Ratio</td>
<td>Borrower FICO and Co-Borrower FICO scores (at origination, deal issuance, and ongoing)</td>
</tr>
<tr>
<td>Collateral Characteristics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Units</td>
<td>Original Loan to Value Ratio (LTV) and Combined LTV Ratio (CLTV)</td>
<td>Three digit zip code</td>
</tr>
<tr>
<td>Occupancy Type</td>
<td>Metropolitan Statistical Area</td>
<td>Property Inspection Waiver Flag$^{(1)}$</td>
</tr>
<tr>
<td>Servicing Data</td>
<td>Loan Payment History</td>
<td>Reason and Date as to why a loan balance went to zero</td>
</tr>
<tr>
<td>Servicer Name</td>
<td>Modification Flag</td>
<td>Current Loan Delinquency Status</td>
</tr>
<tr>
<td>Mortgage Insurance Cancellation Indicator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Term Characteristics</td>
<td>Original and Current Interest Rate</td>
<td>Loan Age</td>
</tr>
<tr>
<td>Original and Current UPB</td>
<td>Original Loan Term</td>
<td></td>
</tr>
<tr>
<td>Disposition Data</td>
<td>Origination Date</td>
<td>Maturity Date</td>
</tr>
<tr>
<td>Last Paid Installment Date</td>
<td>Foreclosure Date</td>
<td>Detailed Proceed Fields</td>
</tr>
<tr>
<td>Original and Current List Price and Date</td>
<td>Disposition Date</td>
<td>Detailed Expense Fields</td>
</tr>
</tbody>
</table>

(1) Available beginning with CIRT 2017-7 and forward
Data Dynamics®

The only free platform that allows investors to gain insights into historical loan performance trends, issuance profiles, and monthly performance – exclusively for Fannie Mae’s CAS and CIRT programs.

NEW: Access at-issuance and ongoing monthly performance data directly through new API (application programming interface) functionality

Access
- Available 24x7 at no cost
- Support and training via 1:1 demos, webinars, and investor relations helpline

Transparency
- View all CAS and CIRT data, and our historical loan performance dataset supporting the programs
- Export/download data or charts to combine with other tools or share with portfolio managers and risk departments

Insights
- Unique insight into risk and performance trends through dynamic, drillable analysis
- Quick access to potential impacts of events (e.g., natural disasters)

Access today at www.fanniemae.com/datadynamics
Powerful insights and capabilities

Dynamic drillable analysis enables investors to keep abreast of their investments and emerging trends

- Aggregate performance of a specific portfolio
- Compare credit profile of a new deal to outstanding deals
- View delinquency performance of credit tails and how loans move between states of delinquency from period to period
- Observe loan disposition characteristics and trends
- Analyze potential impacts of market events (e.g. natural disasters)
- Export data for additional analysis
- …and much more.
CRT News & Commentary

Take a look through recent commentaries and news to learn more about the latest deals, policy changes, and analysis.

- Fannie Mae Introduces Multifamily Credit Risk Transfer Resources
- Updated Overview of Fannie Mae’s Single-Family Credit Risk Management
- Two Years Later: Performance Update for Loans in Hurricane-Affected Regions
- Data Dynamics Provides Insight into Hurricane Florence
- Introducing the MI Factor
- Understanding the Impact of Mortgage Insurance Coverage on Credit Risk Transfer
- Fannie Mae’s Enterprise-Paid Mortgage Insurance Option

Sign up to receive the latest news and insights via email
# 2020 CIRT Deal Calendar

Calendar highlights periods during which Fannie Mae may issue deals, subject to market conditions.

<table>
<thead>
<tr>
<th>Month</th>
<th>Benchmark CIRT</th>
<th></th>
<th>Seasoned Loan Deal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bulk Deal</td>
<td>Front-end Deal</td>
<td></td>
</tr>
<tr>
<td>January / February</td>
<td>✓*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March / April</td>
<td></td>
<td>✓*</td>
<td>✓</td>
</tr>
<tr>
<td>May / June</td>
<td></td>
<td></td>
<td>✓*</td>
</tr>
<tr>
<td>July / August</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>September / October</td>
<td></td>
<td>✓*</td>
<td></td>
</tr>
<tr>
<td>November / December</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Execution of Insurance Policy windows in which Fannie Mae may issue up to two deals, subject to market conditions.
Appendix
Enterprise Paid Mortgage Insurance (EPMI)

- Mortgage insurance option available for lenders in lieu of the lender acquiring borrower-paid (BPMI) or lender-paid mortgage insurance (LPMI)

- Enables lenders to deliver a loan with an LTV >80% to Fannie Mae without the lender-acquired mortgage insurance, in return for an additional loan-level price adjustment fee paid by the lender to Fannie Mae

- Loans delivered under this option would be covered under a forward insurance agreement, secured by Fannie Mae from an approved insurance provider that may be:
  - A qualified insurer, approved to write EPMI coverage directly to Fannie Mae, which is required to transfer risk to panel of Fannie Mae-approved reinsurers (the “reinsurance structure”), or
  - A traditional mortgage insurer that is also approved by Fannie Mae pursuant to the Private Mortgage Insurer Eligibility Requirements (PMIERs)

- Term of the coverage is 10 years, but policy remains in effect for all loans that are delinquent as of the 120th month of the policy until they fully cure

- As with all loans covered by primary MI and included in CAS or CIRT reference pool, Fannie Mae holds Credit Risk Transfer investors harmless from any losses resulting from the financial inability of a mortgage insurance provider (including providers of EPMI) to pay claims
MI Factor

Streamline calculation of MI claims, accelerate payment, and reduce uncertainty

- Investors in CAS and CIRT transactions can now expect timelier, more predictable settlement of MI claims with no expected material impact on aggregate proceeds received
- MI Factor is used to determine only the foreclosure/property preservation cost component of an MI claim, which typically represents *approximately 5%* of the claim but requires the most work for all parties involved
  - Current practice of using actual foreclosure/property preservation costs to determine a claim amount is replaced by a calculation that applies a numerical factor to the property value or default UPB (shown below)(1)
- Factor applied to a given loan determined by using a grid that allows consideration of relevant loan characteristics that impact foreclosure/property preservation costs
- Factor was developed by back-testing against 13 years of claim data covering a number of economic environments. We found costs can be predicted with great accuracy using four loan attributes: disposition types, geography clusters, statistically-derived home value buckets, and property type buckets
- To capture changing market dynamics, Fannie Mae will evaluate the selection of loan attributes and determination of factors annually

**MI Factor Calculation of Foreclosure/Property Preservation Costs**

\[
\text{Fixed Foreclosure Costs} = \text{Property Value or Defaulted UPB} \times \text{Fixed Cost Factor} \\
\text{Variable Foreclosure Costs} = \text{Property Value or Defaulted UPB} \times \text{Min(Days between LPI Date and Foreclosure Date, Allowable Days)} \times \text{Variable Cost Factor}
\]

(1) Property value is used for Short Sales whereas default UPB is used for REO and Third Party Sales claims.
Above is a summary of CIRT deal terms that, in some cases, may approximate the definitive terms of CIRT transactions posted on the Fannie Mae website: https://www.fanniemae.com/resources/file/credit-risk/pdf/cirt-deal-pricing-information.pdf.
Definitive deal terms are included in the published deal documents for each CIRT transaction.

*Total Initial Principal Balance, Aggregate Retention, Limit of Liability and Annual Premium reflect completion of fill up period.
** Total Amount of UPB for the deal is not to exceed stated UPB, this disclosure will be updated to show the exact UPB amount after the fill-up period has finished.
# Insurance Policy Key Terms – Sample

(CIRT 2020-1)

<table>
<thead>
<tr>
<th><strong>Insurance Structure:</strong></th>
<th>Aggregate excess of loss credit insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Covered Loans:</strong></td>
<td>Portfolio of 21 to 30-year fixed-rate residential mortgage loans acquired between July 1, 2019 and October 31, 2019</td>
</tr>
<tr>
<td><strong>Initial Principal Balance:</strong></td>
<td>$18.5 Billion</td>
</tr>
<tr>
<td><strong>Limit of Liability:</strong></td>
<td>3.00% of the total Initial Principal Balance ($553.6M)</td>
</tr>
<tr>
<td><strong>Retention / First Loss Risk:</strong></td>
<td>0.35% of the total Initial Principal Balance ($64.6M)</td>
</tr>
<tr>
<td><strong>Monthly Premium Rate:</strong></td>
<td>0.0113% of remaining UPB</td>
</tr>
</tbody>
</table>
| **Step-Down of Limit Liability:** | At 12 month following effective date, and each month thereafter, limit of liability shall be reduced to the lesser of:

  a) the Remaining Limit of Liability at such date, or
  b) the greater of:

 i. At initial step down, total current UPB x 115% of limit of liability %; thereafter, total current UPB x limit of liability%, or
 ii. 650% of (SDQ+REO) UPB at year 1 or
 iii. 425% of (SDQ+REO) UPB at year 2, or
 iv. 300% of (SDQ+REO) UPB at years 3 and 4, or
 v. 200% of (SDQ+REO) UPB at year 5 – Term |
| **Cancellation:**         | 12.5-year term. Fannie Mae may terminate coverage on/after the 5-year anniversary, and early termination fee paid if early termination option exercised between 5-year and 10-year anniversary. |
Example of Loan Level Overview of Covered Loss

- Default (2 missed payments)
- Mediation
- Foreclosure Date
- Property Disposition Date

Equity
- Default
- Mediation
- Foreclosure Date
- Property Disposition Date

$100k Home (95% LTV)
- Equity
- $95k Unpaid Principal Balance (UPB)
- $15k Interest and expenses

$108k Sale Proceeds + MI Recovery
- $2k Net Loss
- $75k Sale Proceeds
- $33k Primary MI Recovery (30% of (UPB + DQ Int + Expenses))

- Delinquent Accrued Interest
- Maintenance & Preservation
- Legal Costs
- Real Estate Taxes/Fees

(1) Loss covered by Mortgage Insurance
(2) The covered loss may be curtailed based upon eligibility under MI policy
(3) The covered loss may be estimated under MI factor
How MI Works: Typical Loan

- MI Coverage acquired by Lender
- Fannie Mae’s requirement for MI Coverage Percent determined by Original LTV

Servicer Informs MI of 60-day DQ

Servicer files claim within 60 days of Foreclosure

Foreclosure Expenses Accrued
- DQ Interest*
- Foreclosure Costs **
- Asset Recovery Costs **
- Associated Taxes **
- Misc.**

Dispersion Expenses Accrued
- Property Preservation
- Associated Taxes
- Misc.

Residual loss (net of MI Benefit) applied to CIRT structure 90 days after property disposition

The claim must be “perfected” (received all required documentation) within 120 days of claim filing, and settled within 180 days of the “perfect date”.

* The covered loss may be curtailed based upon eligibility under MI policy
** The covered loss may be estimated under MI factor

Potential MI Cancellation due to:
- Loan amortizes to 78% of original home value (automatic)
- Property balance reduced to 80% of original value (borrower-initiated)
- Current property valuation (borrower-initiated)
- Loan must be current and meet other requirements

MI Benefit
Settled with the “Percentage Option”

= (Default UPB + DQ Interest + Allowable Expenses) x MI Coverage %

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How MI Works

Disaster event
Under MI Master policies, an MI claim can be denied if there is material physical damage to the property caused by disaster (flood, earthquake, and any event declared so by the Federal Emergency Management Agency (FEMA))

The determination as to whether a disaster event was the principal cause of default is made by:

- Direct evidence
- If certain additional criteria are met in totality, some of which may include, but not limited to:
  - The property has not been restored to its condition on the commitment date, reasonable (wear and tear excepted),
  - The property is uninhabitable,
  - The default occurred on or after the date that the physical damage occurred.

Other physical damage
Claim can be denied in full or result in a reduced benefit if:

- As of the claim submission date, the property has not been restored to its condition that existed on the commitment date, reasonable wear and tear excepted.
- The mortgage insurance company reasonably determined that the estimated cost to restore the property to its condition on the commitment date exceeds $5,000
## Comparing MI Options

<table>
<thead>
<tr>
<th>Key Feature</th>
<th>BPMI</th>
<th>LPMI</th>
<th>EPMI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buyer of MI</strong></td>
<td>Lender</td>
<td>Lender</td>
<td>Fannie Mae</td>
</tr>
<tr>
<td><strong>MI Premium Paid By</strong></td>
<td>Borrower</td>
<td>Lender</td>
<td>Fannie Mae</td>
</tr>
<tr>
<td><strong>Can borrower lower mortgage payment through MI cancellation?</strong></td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
| **MI cancellation provision**                    | - Must be automatically canceled, e.g., when LTV ratio scheduled to reach 78%  
- May be canceled by borrower based upon paydown of loan or property appreciation | None – coverage exists for life of loan | None, although coverage is for a 10-year term |
| **Length / term of coverage**                    | Terminates upon cancellation (see MI cancellation provisions above) | Life of Loan                            | 10 years, but the policy remains in effect for all loans that are delinquent as of the 120th month of the policy until they fully cure |
| **Policy**                                       | Approved MI companies, selected by borrower/lender | Approved MI Companies, selected by borrower/lender | Negotiated policy, insurer selected by Fannie Mae |
| **Origination Guidelines**                       | Fannie Mae and MI guidelines             | Fannie Mae and MI guidelines             | Fannie Mae guidelines                     |
| **Loan Quality Reviews**                         | Fannie Mae and MI guidelines             | Fannie Mae and MI guidelines             | Fannie Mae guidelines                     |
| **Claim Filing**                                 | Servicer files claims                    | Servicer files claims                    | Fannie Mae files claims                   |
Fannie Mae’s flagship affordable lending product

- Designed to serve creditworthy borrowers and to help fulfill our affordable housing mission and regulatory housing goals while maintaining strong, sustainable credit standards

HomeReady helps to improve housing affordability by reducing borrower costs:

- Reduced MI requirements for LTV>90 result in lower monthly payment
- Lower loan-level price adjustments (LLPAs) help to reduce the rate and/or fees charged to the borrower

**Borrower Eligibility Changes – July 2019**

Fannie Mae announced changes to the income limits for eligible HomeReady borrowers, beginning with new casefiles submitted to Desktop Underwriter on or after July 20, 2019:

<table>
<thead>
<tr>
<th>Borrower income limit requirements</th>
<th>Prior to July 20, 2019</th>
<th>New applications on or after July 20, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowers’ total annual qualifying income may not exceed 100% of the area median income (AMI) for the property’s location</td>
<td>Borrowers’ total annual qualifying income may not exceed 80% of the area median income (AMI) for the property’s location</td>
<td></td>
</tr>
<tr>
<td>Properties in low-income census tracts</td>
<td>No limitation on borrower income if subject property is located in a low-income census tract</td>
<td>Borrowers’ total annual qualifying income may not exceed 80% of the area median income (AMI) for the property’s location</td>
</tr>
<tr>
<td>Share of CAS 2020-R02 HomeReady UPB</td>
<td>94.8%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>
The high LTV refinance offering provides limited cash-out refinance opportunities to borrowers with existing Fannie Mae mortgages who are making their mortgage payments on time, but whose LTV ratio for a new mortgage exceeds 97% for a one-unit principal residence\(^{(1)}\). Without the high LTV refinance offering, borrowers generally may not otherwise have the ability to refinance.

The offering applies to mortgage loans acquired by Fannie Mae that were originated on or after October 1, 2017.

For the loan to be eligible for the offering, at least 15 months must have passed from the note date of the loan being refinanced to the note date of the new loan.

The refinance must provide one or more of these borrower benefits:

- Reduced monthly payment
- Lower interest rate
- Shorter amortization term
- More stable mortgage product, such as moving from an adjustable-rate mortgage to a fixed-rate mortgage

\(^{(1)}\) or exceeds the maximum allowable LTV ratio for a limited cash-out refinance for other segments as listed in Fannie Mae’s Eligibility Matrix.
Fannie Mae’s appraisal waiver, formerly known as Property Inspection Waiver, leverages Desktop Underwriter (DU®) and Collateral Underwriter (CU®) in an integrated fashion to offer appraisal waivers for certain lower-risk eligible loans.

- The subject property must have a prior appraisal that was previously submitted through CU.
- CU will evaluate the quality of the prior appraisal, including a review for overvaluation issues. If the prior appraisal had an overvaluation flag, a waiver will not be offered.
- If the estimated property value is reasonably supported, the loan may be eligible for a waiver, subject to additional eligibility requirements.
- The majority of transactions will continue to require an appraisal.
- Property Inspection Waiver Indicator has been included on CIRT deal files as a loan-level field since October 2017.
- In March 2020, Fannie Mae enhanced its Uniform Mortgage Backed Securities (UMBS) and Mortgage-Backed Securities (MBS) disclosures to include a new attribute, “Property Valuation Method,” which indicates the method by which the value of the subject mortgaged property was obtained, including appraisal waivers. The new attribute will apply to all Fannie Mae single-family securities – both fixed-rated and adjustable-rate – with issue dates on or after January 1, 2017.