Whole Loan Conduit Primer

Fannie Mae’s Single-Family Whole Loan Conduit provides liquidity to the mortgage market while offering investors diversified pools of mortgages to meet their portfolio criteria. The Whole Loan Conduit (WLC) purchases whole loans directly from over 1,200 single family lenders and securitizes them into Fannie Mae MBS or delivers them into a Fannie Majors pool. These securities may then be sold into the secondary market. In 2018, the WLC made up about 40% of total Fannie Mae MBS issuance. The WLC provides favorable execution conditions by offering competitive pricing and flexibility in committing. The conduit also offers lenders the unique opportunity to retain or release servicing rights for the loans they deliver.

Here, we’ll outline:

- Lender approval process to do business with Fannie Mae
- Benefits for lenders and investors
- Ways to access data about the Whole Loan Conduit

Fannie Mae establishes for all Single-Family mortgage sellers/servicers who wish to do business with us certain counterparty requirements. Approval or rejection of a lender’s application is at Fannie Mae’s sole discretion and is based on our business judgment with respect to the totality of the lender’s circumstances. All approved seller/servicers in good standing are eligible to sell loans through the Conduit. Requirements to be a Fannie Mae approved seller/servicer are detailed in our Single-Family Selling Guide. All loans delivered to the Conduit must be eligible for delivery per the Selling Guide.

**Lender Benefits**

Fannie Mae’s Whole Loan Conduit offers flexible execution options to address the scalability and capacity needs of lenders.

| **Committing** | The Conduit offers a web-based interface with customizable commitment periods, pricing independent of volume. Lenders have the option to commit on a mandatory or best efforts basis. Further, lenders can take advantage of specified product grids, offering market-based pay-ups for loan balance and other characteristics for 30-year and 15-year terms. |
| **Immediate Funding** | Lenders are typically funded the day after a certified loan delivery that meets the terms of the whole loan commitment. |
| **Flex Range Commitments** | Mandatory commitments allow for a 50 basis point pass-through range, offering greater flexibility in event of changes to the rate on committed loans. |
| **Extensions & Pair-offs** | Lenders can extend a whole loan commitment and pair-off partial or entire commitments. |
| **Remittance** | The Conduit allows for both scheduled/scheduled and actual/actual remittance options. |
Lender Benefits Continued

| Pricing | Whole loan pricing is based on MBS pricing and updated throughout the day, offering a competitive execution option. Pricing is constructed on a whole loan pass-through basis (gross note rate less servicing), which eliminates the need to buy up or buy down the note rate, thus eliminating excess servicing. |
| Delivery Tolerance | Mandatory commitments have a delivery tolerance of 2.5% or $10,000, whichever is greater, providing flexibility to lenders when dealing with unexpected volatility in deliveries. |

Pricing and Execution - Whole Loan and Servicing Marketplace

Lenders committing loans to Fannie via the PE-Whole Loan platform can either sell or retain servicing rights with the Servicing Marketplace (SMP) tool. Once Fannie Mae activates access for Servicing Marketplace, a seller can request partnership with any of the Servicing Marketplace servicers. To get access to the tool and learn more about how to use SMP visit our website.

Investor Benefits

The Conduit issued 2,054 pools in 2018 with a total UPB issuance of approximately $182 billion of fixed rate mortgages. The pools included a mix of collateral, with various loan terms and balances. Conduit MBS provide investors with options for pool type and size. The WLC also contributes into the Majors program, which further lends to the diversity of Fannie Mae MBS.

<table>
<thead>
<tr>
<th>2018 TOTAL ISSUANCE</th>
<th>$182B</th>
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<tr>
<td>2018 POOLS CREATED</td>
<td>2,054</td>
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2018 BREAKDOWN BY TYPE

- New Product: 43%
- Loan Balance: 25%
- Other*: 28%

2018 BREAKDOWN BY PRODUCT

- 30 Year: 88%
- 20 Year: 3%
- 15 Year: 9%
- 10 Year: <1%

* Other products include 10-year and 15-year loans grouped by a unique characteristic.
** Off-the-Run products include any non-30- or non-15-year loans.
Investor Benefits Continued

| Pool size and characteristic flexibility | The Conduit can create a wide range of SPEC and STIP MBS stories to meet investor needs. |
| Settlement date flexibility | The Conduit has the ability to securitize, trade, and settle any business day of the month. Turnaround time to receive a pool number is as little as one business day. |
| Tailored CRA options | The Conduit can create CRA MBS, supported by appropriate disclosures that may meet an investor’s CRA investment test needs. |

Hybrid ARM Pooling
In 2018, The Conduit began securitizing hybrid ARM loans. Similar to our fixed rate pools, the Conduit aggregates and securitizes ARM loans and sells them in the secondary market.

Identifying MBS Created from the Whole Loan Conduit
MBS created through Fannie Mae’s Whole Loan Conduit do not have distinct pool prefixes. The Conduit created pools starting with "AS" in June 2013. After exhausting all "AS" pool numbers, the Conduit began issuing MBS using the "CA" series in June 2017. Market participants can analyze Fannie Mae MBS in a variety of ways, using various third party vendors and our PoolTalk® application, which provides additional pool level information.

Since March 2012, Fannie Mae has published at-issuance loan level disclosures. You can browse security details, issuance and monthly statistics, and review any other disclosure documents relevant to the security on Bloomberg.
Users can also review specific pool information within Bloomberg and see collateral information, prepay history, and balance information. To view this detailed information, users can search for FN CA MTGE Go and then click into a specific pool. Loan level details for pools can be accessed by clicking in option 14 (# Loans) on the pool description page.

![Figure 3. Pool Level Balance Information in Bloomberg](image-url)
**Single Security Evolution**
Under the direction of our regulator and conservator, the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac are working together to create a new MBS to be issued and guaranteed by either Fannie Mae or Freddie Mac and backed by TBA-eligible loans: 30-, 20-, 15- and 10-year fixed-rate single-family mortgages. This new MBS will be called Uniform Mortgage-Backed Securities, or UMBS. Single-class re-securitizations will be called Supers (referred to as Megas for Fannie Mae and Giants for Freddie Mac today). Re-securitizations will permit the commingling of Fannie Mae UMBS and Freddie Mac UMBS so the Enterprise that issues (wraps) the re-securitization is the guarantor. The goal of the Single Security initiative is for Fannie Mae UMBS and Freddie Mac UMBS to be fungible for deliveries into a single TBA market. For more information, visit our single security website.

**Monitoring Pool Performance**
We assess performance of loans delivered to Fannie Mae on a lender by lender basis, through the WLC and MBS swap programs. We evaluate performance independently, but also in comparison to other lenders with similar delivery profiles.

Additionally, we specifically monitor prepayments of pools created from the WLC and compare their performance to pools of similar characteristics. When performance shows faster than cohort speeds, a conversation may occur with the lender to better understand the nature and rationale for speeds. We may also share best practices for reducing speeds including working with lenders on their internal policies and suggesting ways to monitor sales channels, or their sales force.

Fannie Mae reminds lenders about specific sections from the Fannie Mae Selling Guide which outline the company’s principles regarding speeds, including A2-1-03 (indemnification of losses), B2-1-2-04 (prohibited refinances), C1-1-01 (premium pricing recapture), and C3-3-02 (buy-up payment recapture). Fannie Mae, in its sole discretion, may limit or discontinue a lender’s activity through the Conduit and/or the MBS swap program should it be deemed appropriate to do so.

**Investor Considerations**
Those considering MBS purchases should refer to the prospectus documents posted on the Mortgage-Backed Securities section of our website. There are certain risks involved with investing in MBS which can impact returns. These risks include but are not limited to:

- The risk someone will pay their mortgage off faster than the full term of the loan (prepayment), can impact the yield of the security.
- Interest rate fluctuations can impact the price and return of the security.
- Volatility in currency exchange rates can impact the return on the security as principal and interest payments are made in U.S. dollars.
- Fannie Mae repurchase practices can result in the removal of a loan from a pool, which would result in a prepayment of principal and impact the yield.
Investor Inquiries
Please contact Fannie Mae’s Fixed-Income Securities Marketing Help Line at 1-800-2FANNIE or email us.

- **PE Whole Loan** – committing platform that provides ease of use, flexibility, and certainty for sellers.
- **Servicing Marketplace (SMP)** – servicing rights platform that allows users to sell servicing rights
- **Basics of Single-Family MBS** – information on Mortgage-Backed Securities
- **PoolTalk** - data on MBS pools, including at-issuance loan level data
- **Pool Prefix Glossary** - information on the underlying loans in a given pool prefix

Contact Us
For additional information or assistance, please call the Fannie Mae Fixed Income Investor Helpline at 1-800-2FANNIE, or email us at Fixedincome_marketing@fanniemae.com. Investors can also obtain Single-Family MBS documents from our website.