

FIXED-INCOME
INVESTOR
DAY ———••••• 2023



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The Economy and Housing





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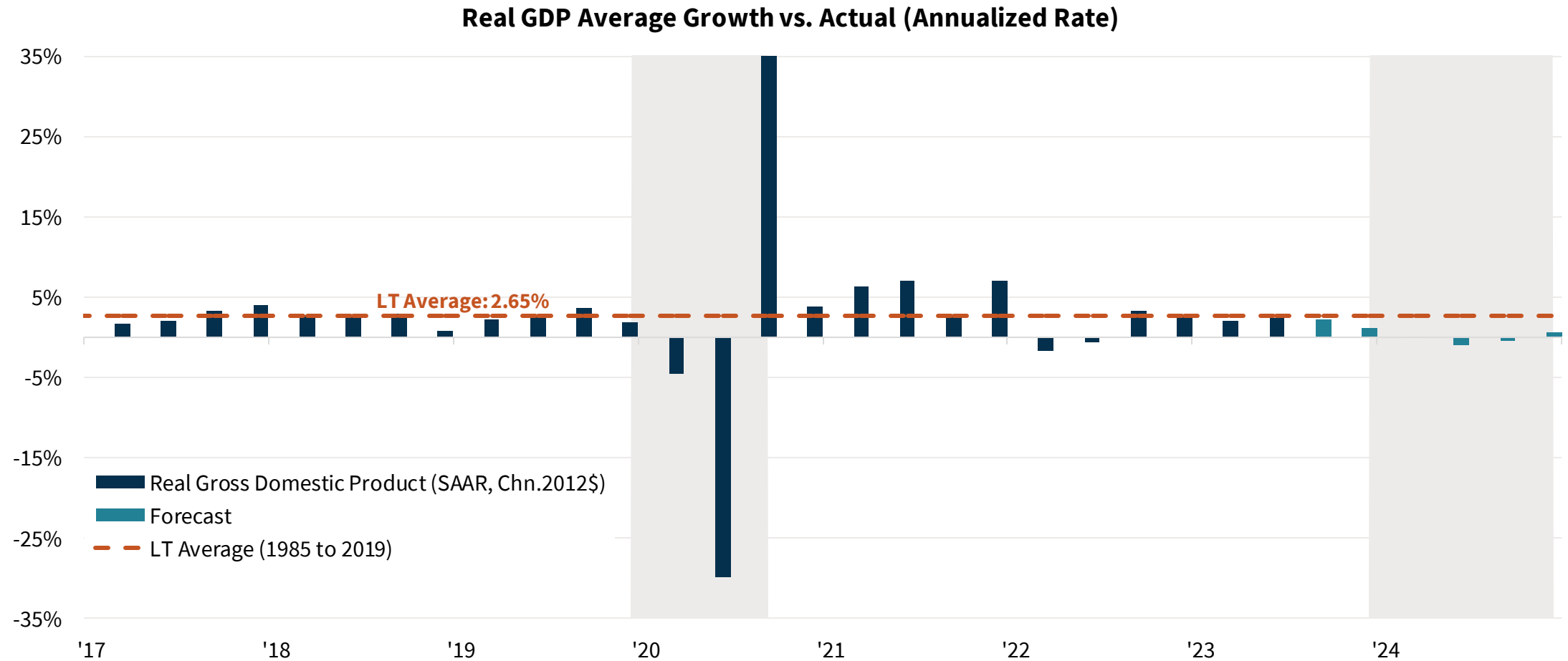
Awaiting Improvements in Affordability

Doug Duncan, Senior Vice President and Chief Economist

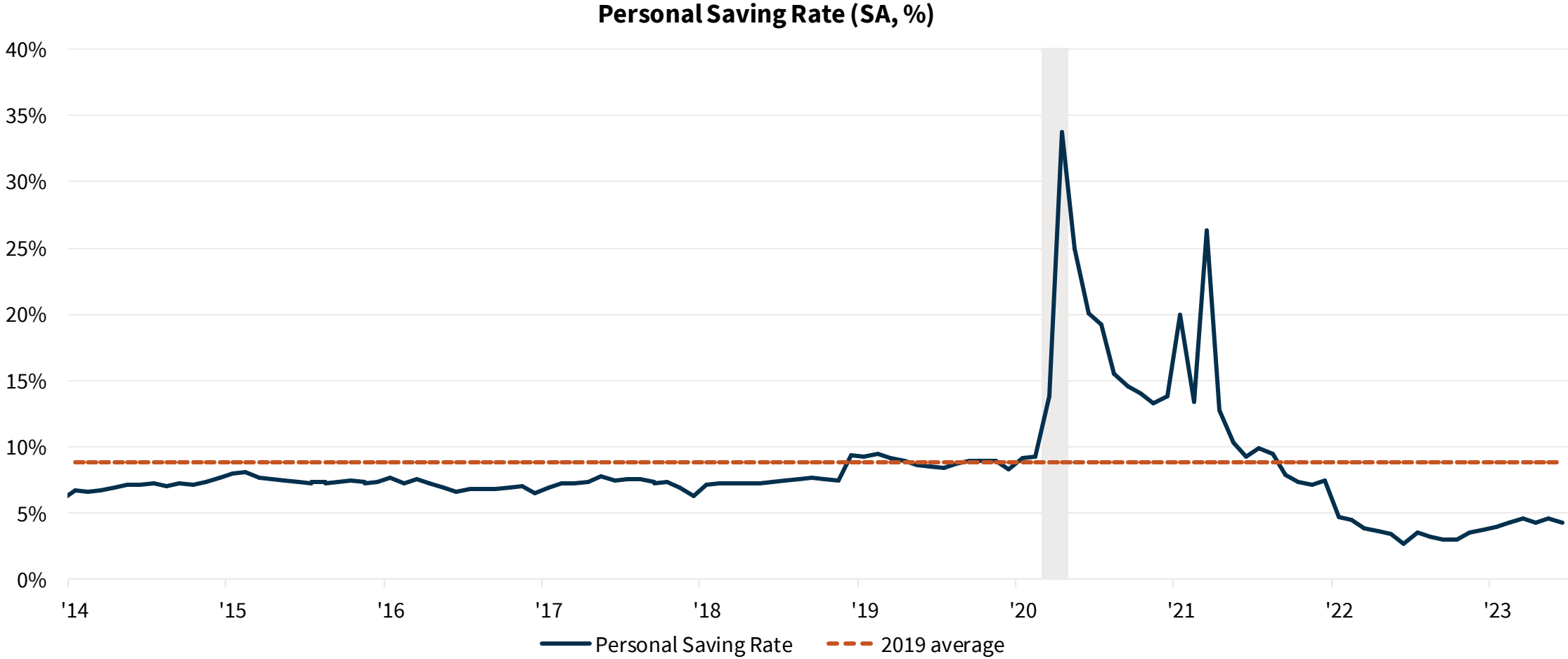
September 14, 2023

Growth remained resilient in Q2

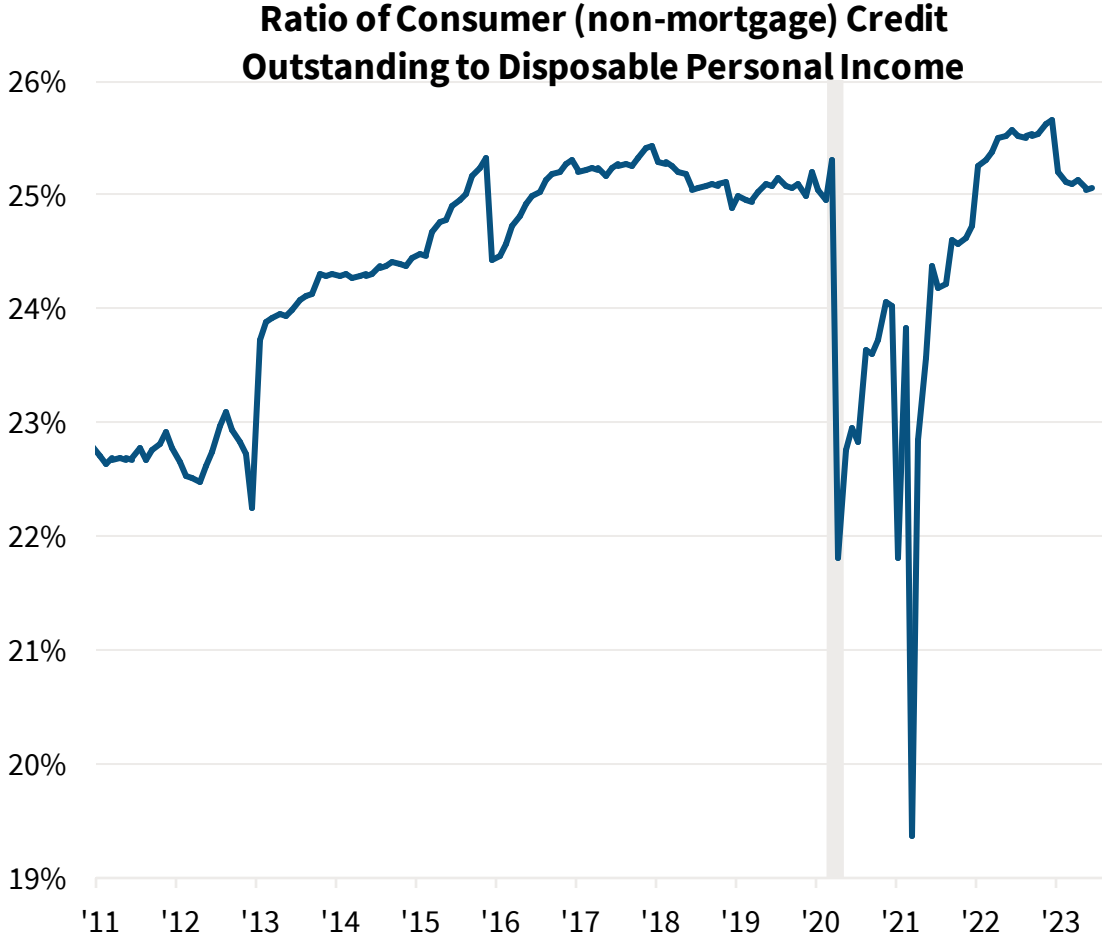
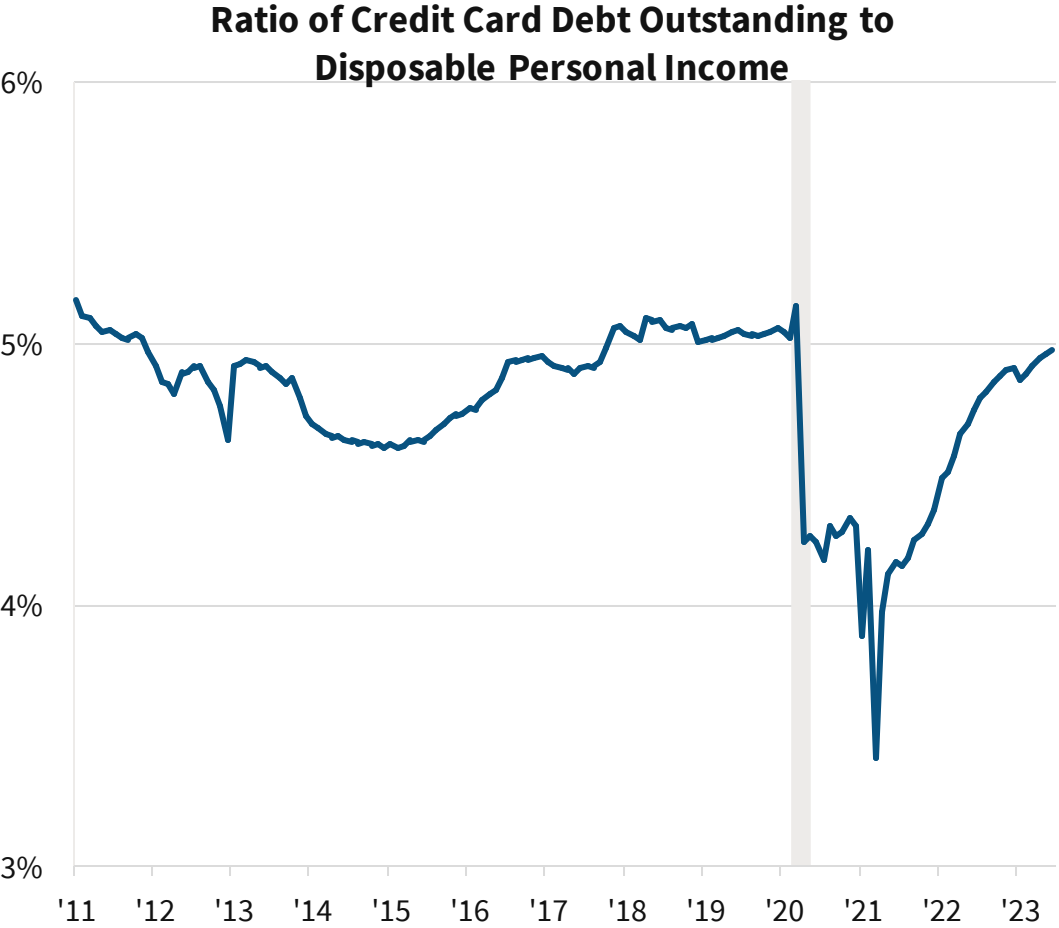
Strength of the economy means we now expect a modest recession will begin in the first half of 2024



Saving rate remains well below pre-pandemic level

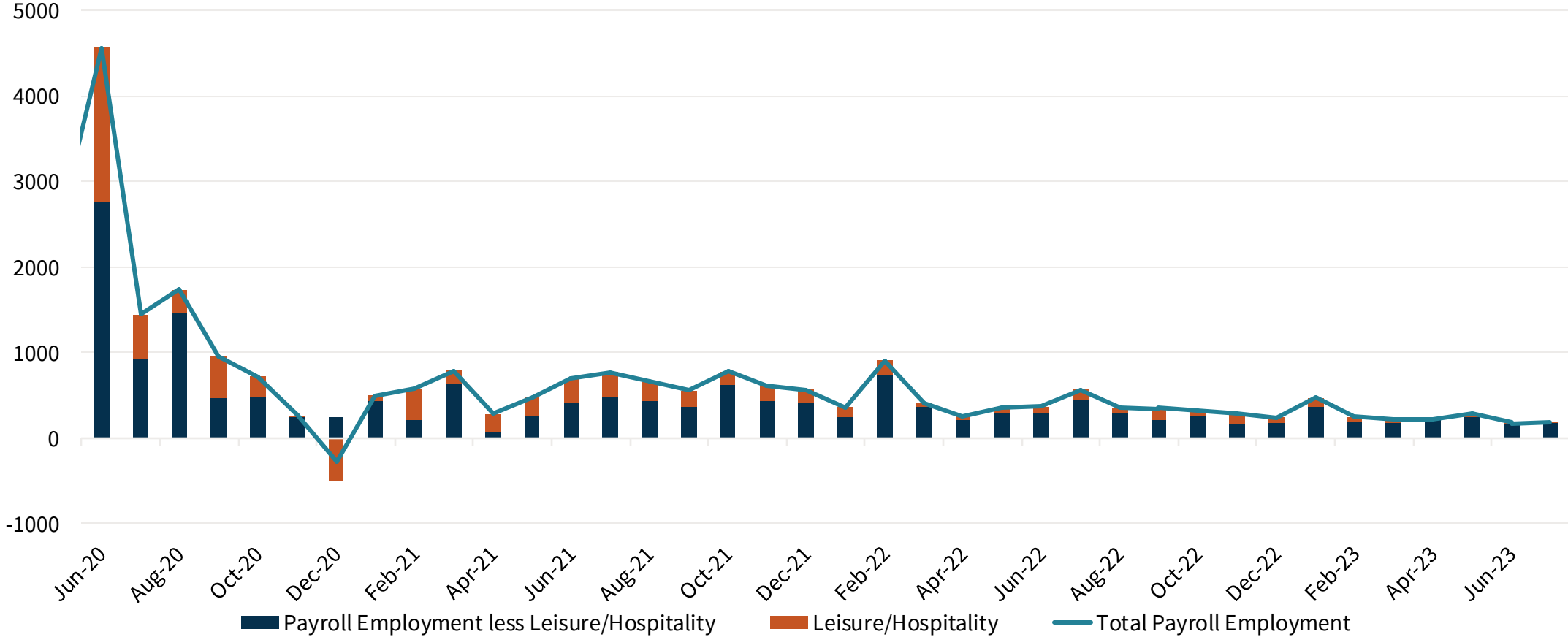


While outstanding debt has been growing, it is similar to pre-pandemic levels as a ratio of income

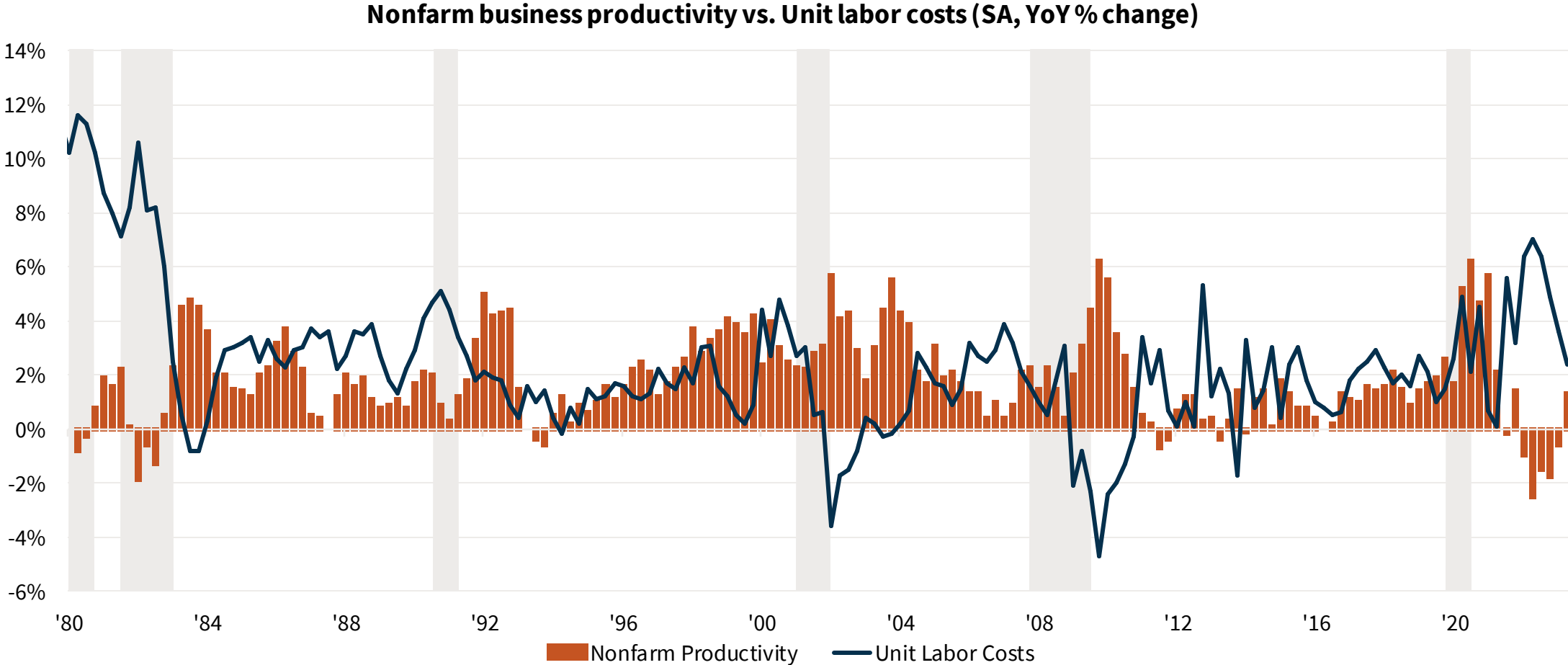


Payroll growth remains robust but is beginning to slow, though wage gains remain too strong for the Fed's liking

Change in payroll employment (SA, Thous.)

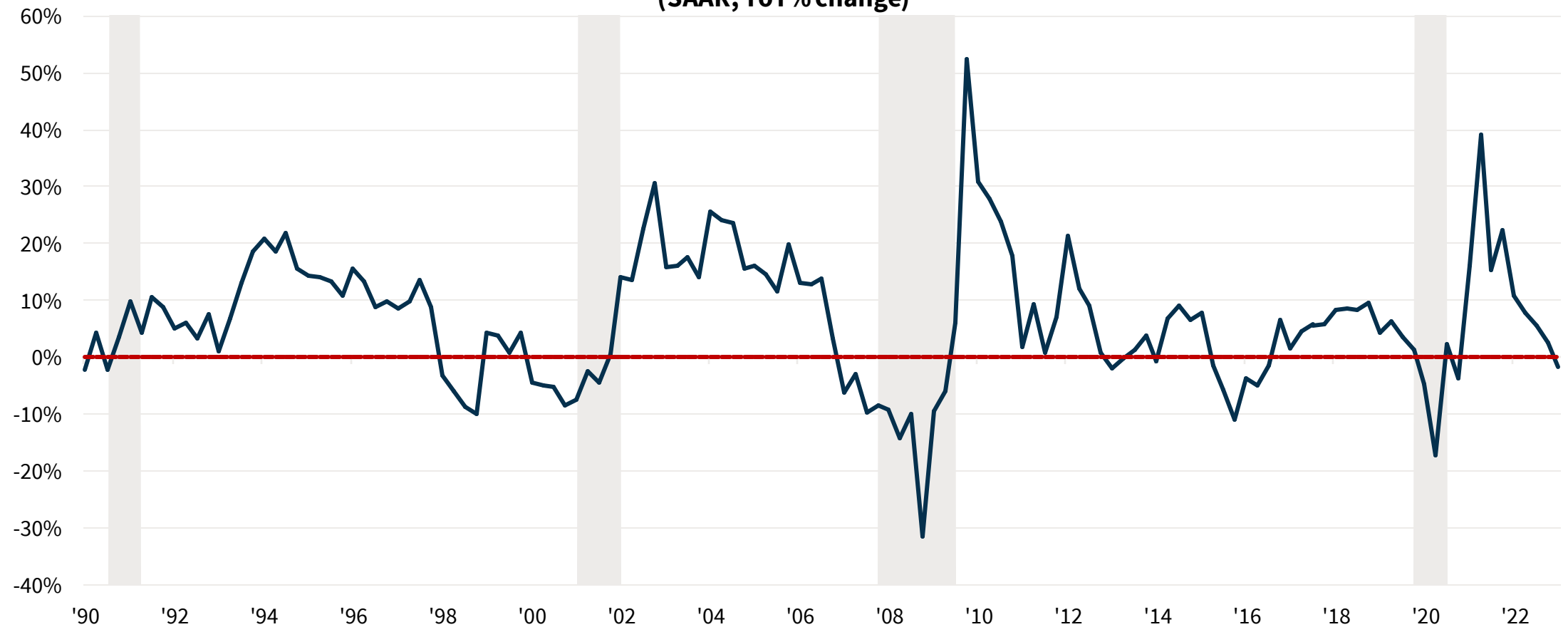


Nonfarm productivity remains poor; unit labor costs remain elevated but are decelerating

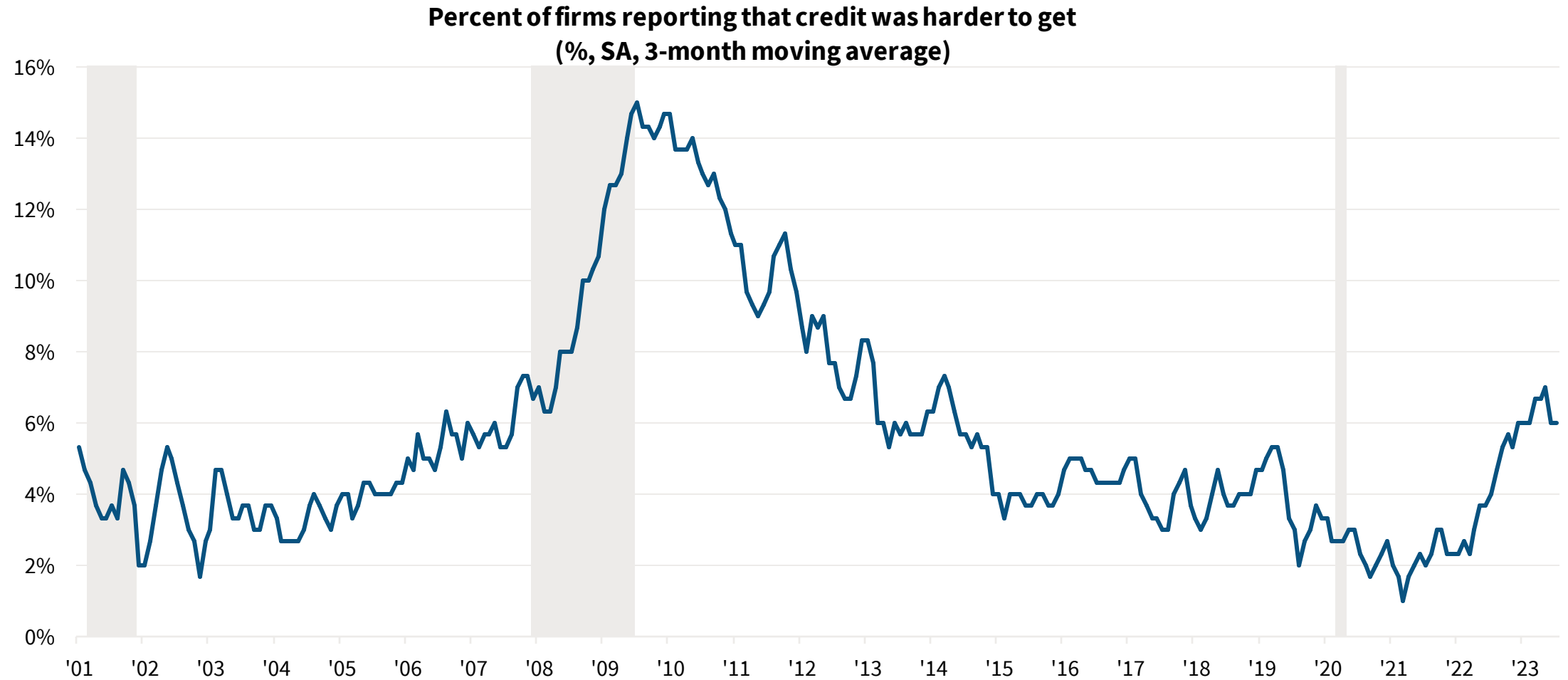


Pre-tax corporate profits are now falling from year-ago levels

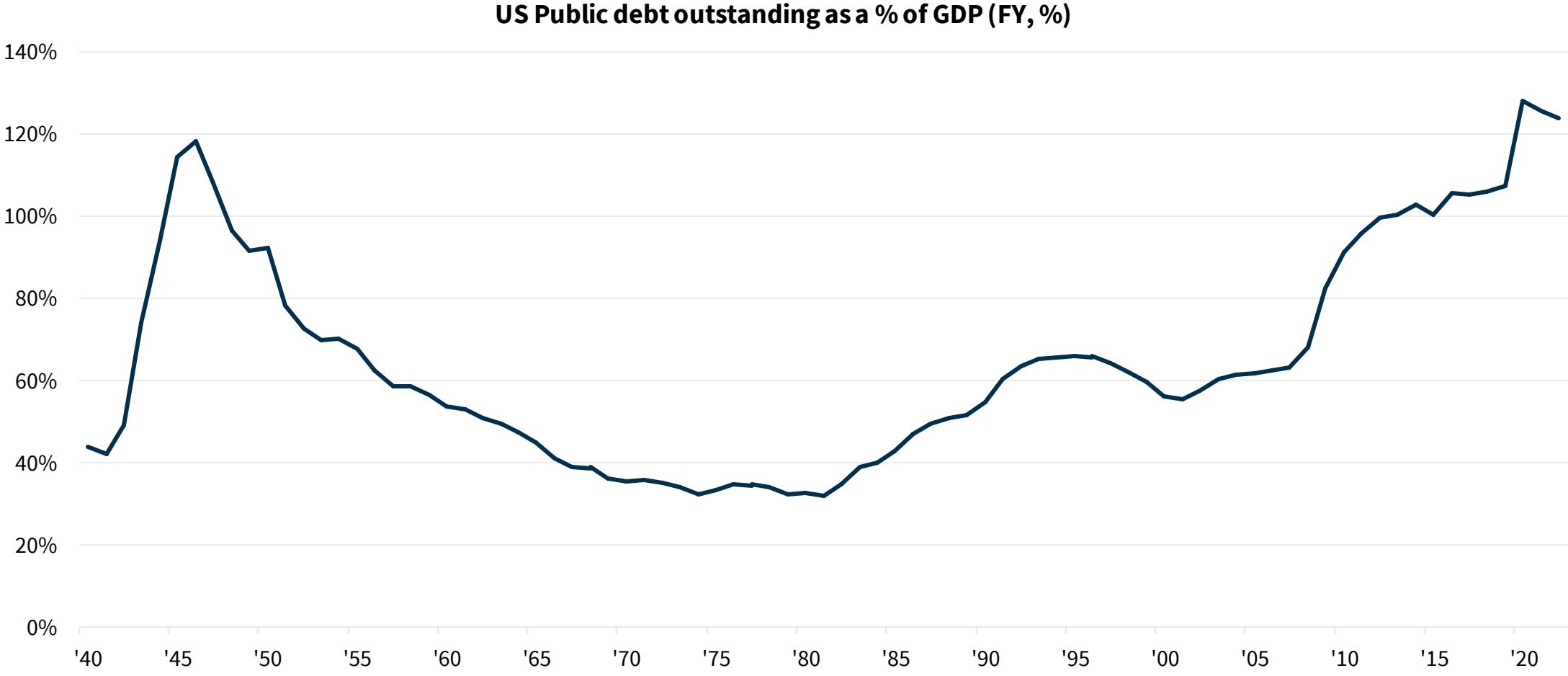
Pre-tax corporate profits with inventory valuation and capital consumption adjustments
(SAAR, YoY% change)



Credit tightening will add a further drag to the economy



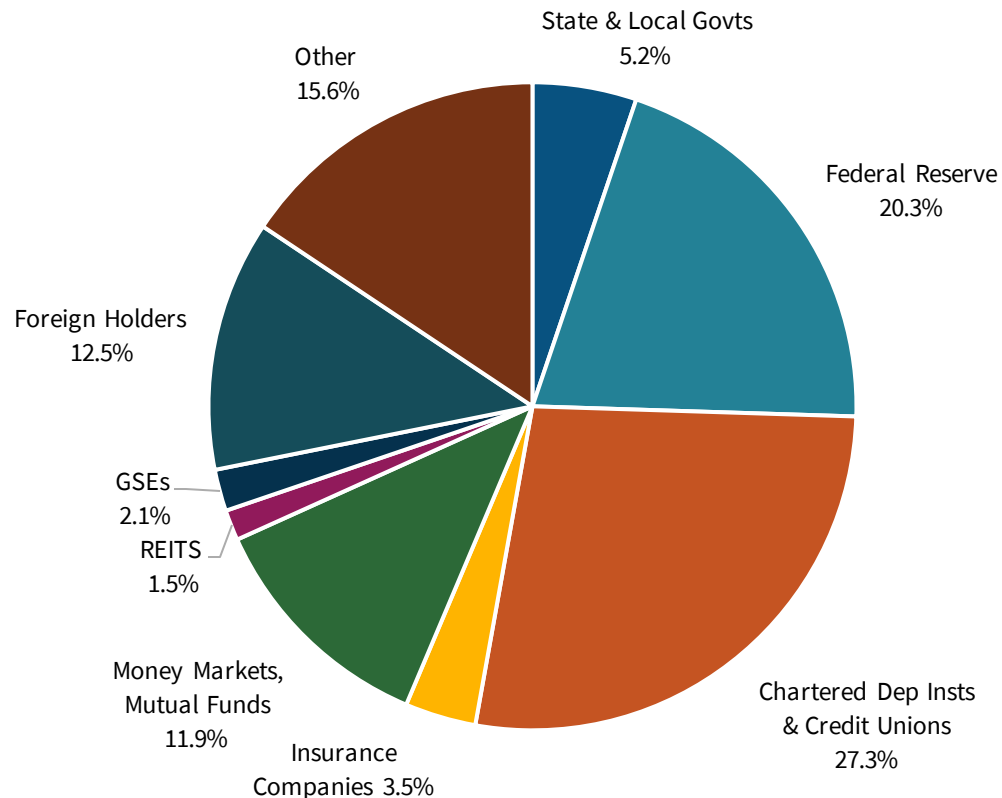
Debt as a share of GDP sits near record levels



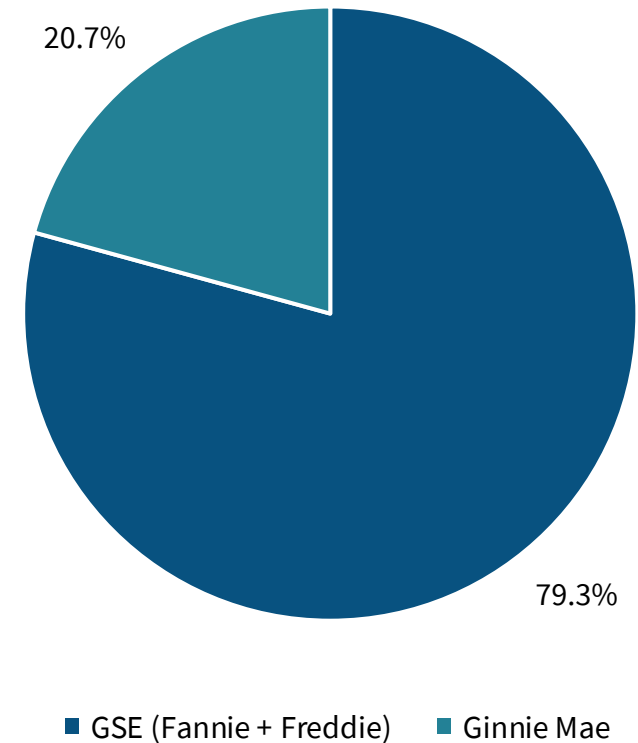
Holders of Agency and GSE MBS

The Fed currently holds just over one-fifth of outstanding securities

Holders of Outstanding Agency & GSE-backed Securities, 2023 Q1 (%)*



Share of Fed MBS Holdings by Agency

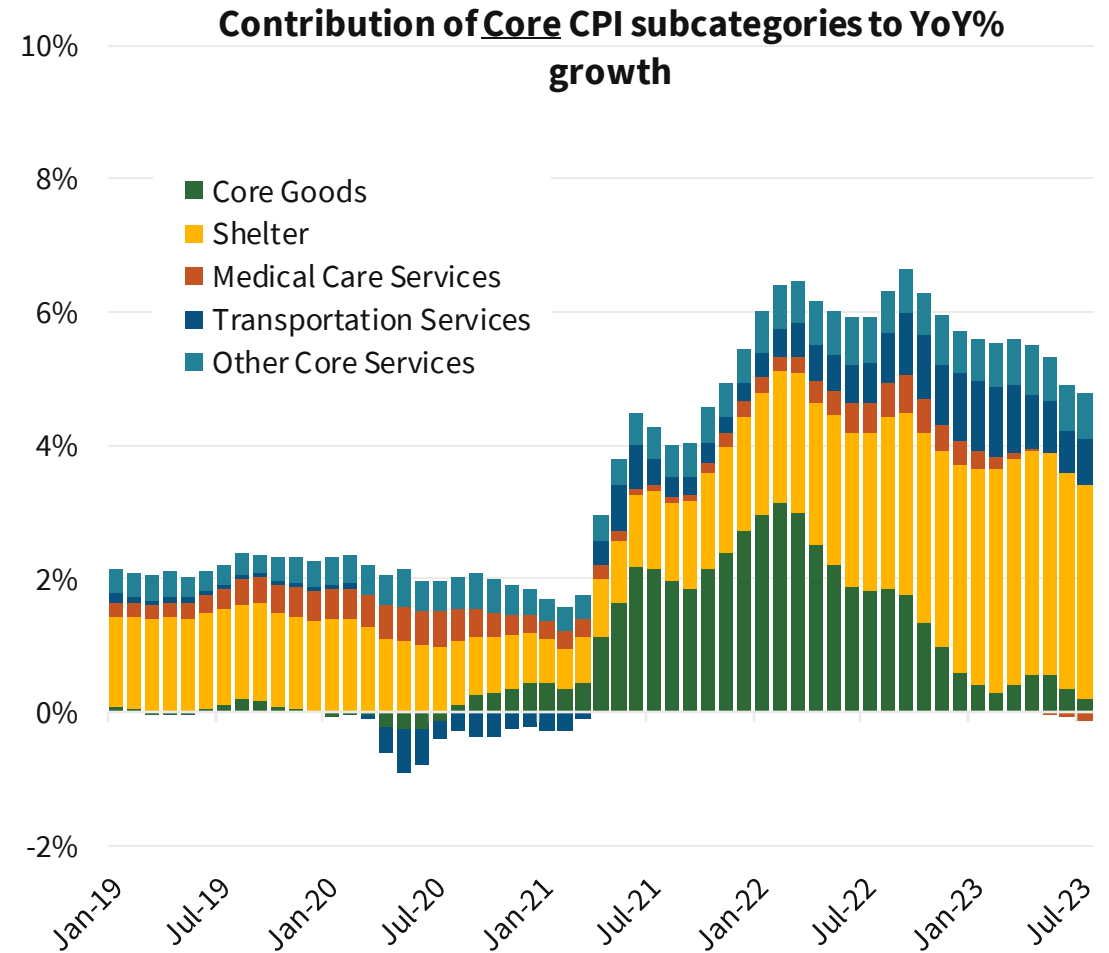
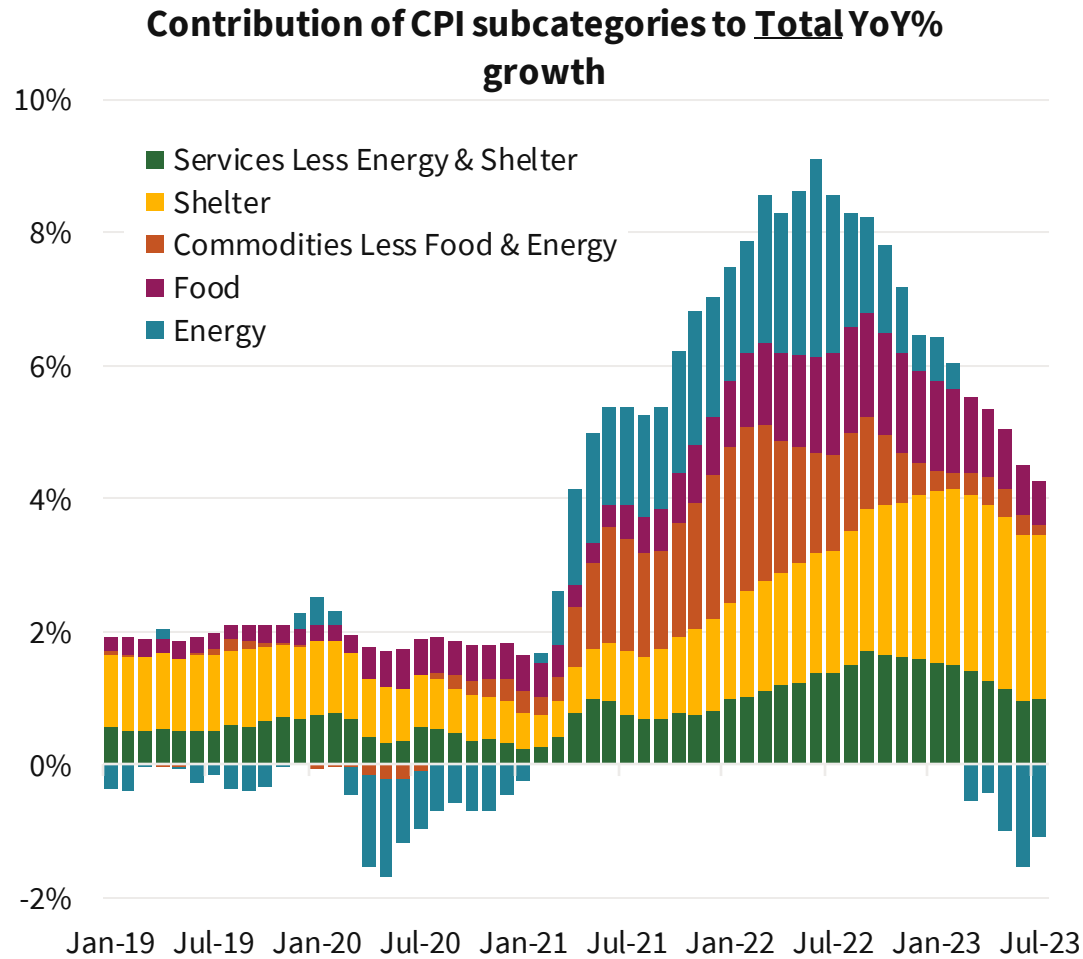


*As of March 31, 2023, includes debt and MBS securities from agencies including Fannie Mae, Freddie Mac, Ginnie Mae, Farmers Home Administration, FHLBs, TVA, etc)



Both headline and core inflation expected to continue declining

Core inflation is more resilient, but over half of core CPI gains are shelter-related, which are expected decelerate in coming months



Macroeconomic outlook

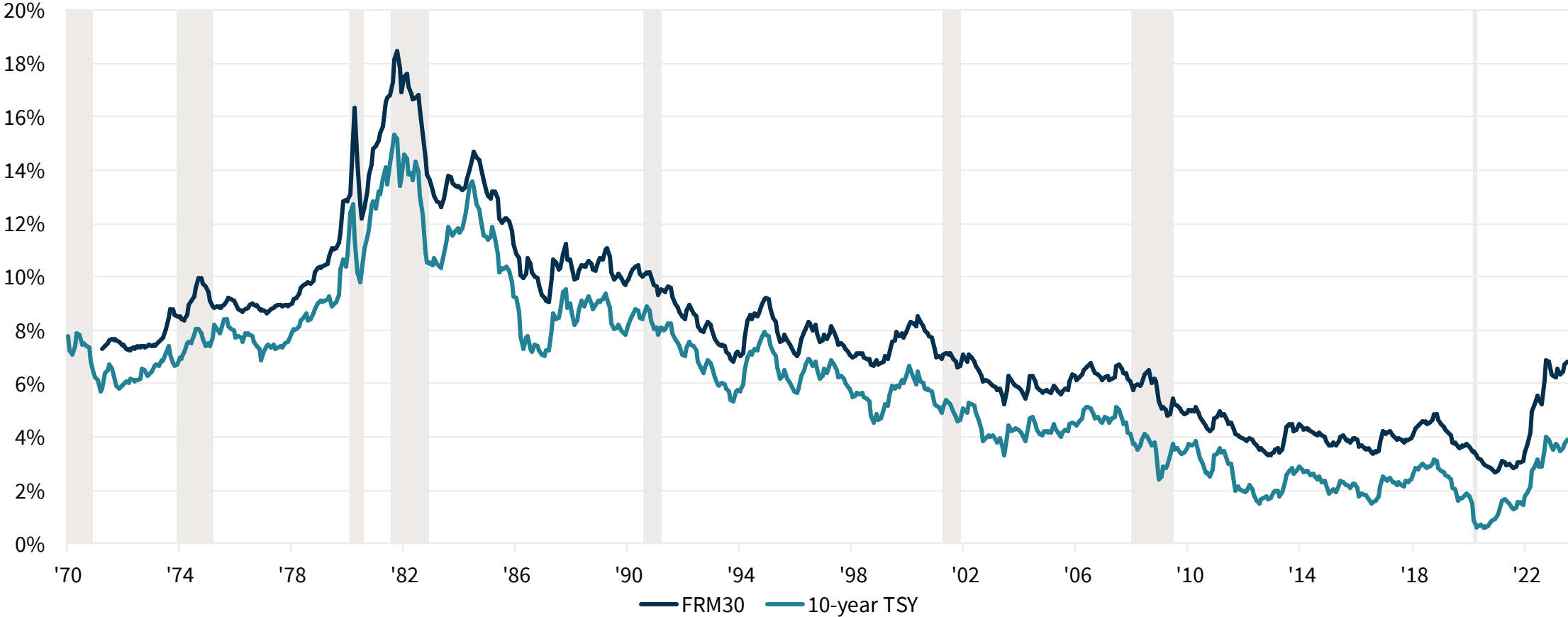
	Forecast			
	2021	2022	2023	2024
Real GDP annual growth (% Q4-over-Q4)	5.7	0.9	1.9	-0.2
Unemployment rate (% , Q4)	4.2	3.6	3.5	4.3
Core CPI (year-end, % year-over-year)	5.0	6.0	4.2	2.8
10-year Treasury bond yield (% , Annual average)	1.4	3.0	3.8	3.8
30-Year Fixed-Rate Mortgage (% , Annual average)	3.0	5.3	6.6	6.3

For the full forecast and economic commentary, visit: <https://www.fanniemae.com/research-and-insights/forecast>



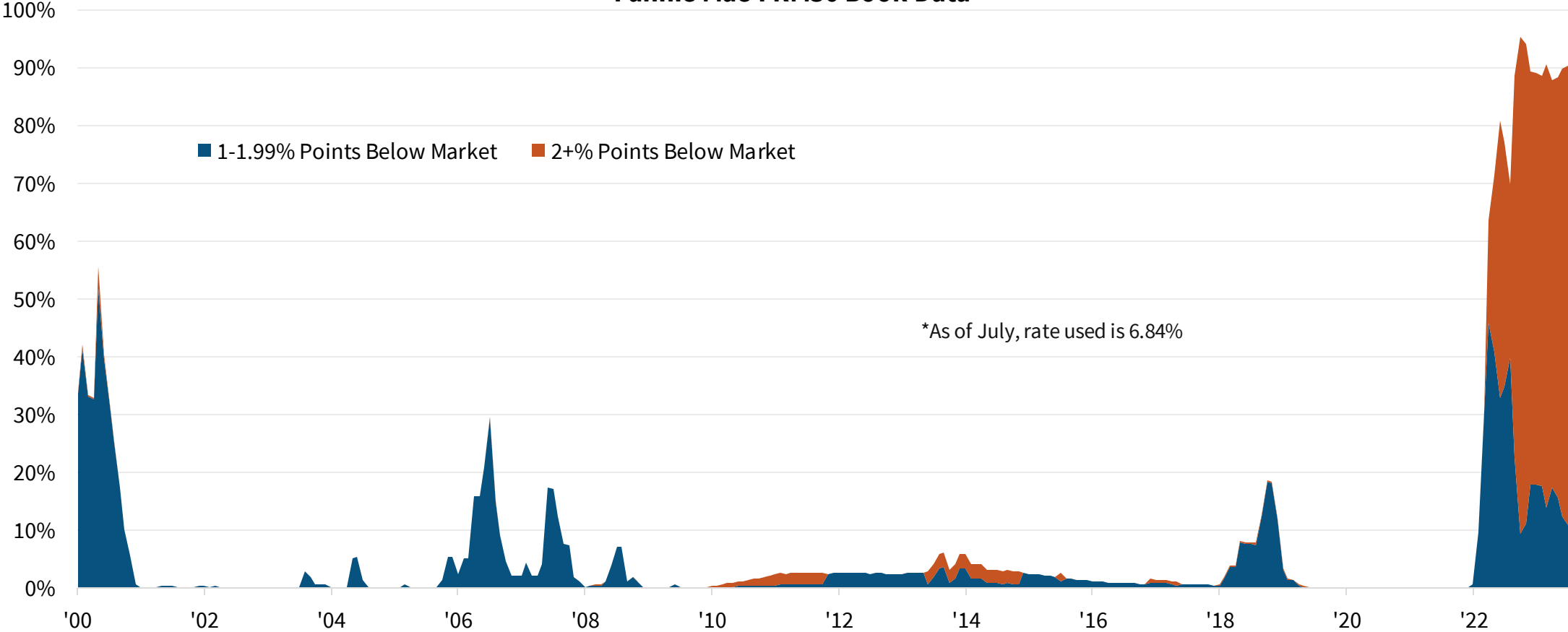
Current rise in mortgage rates expected to moderate recent optimism around housing

Nominal FRM30 and 10-year TSY (Monthly averages)



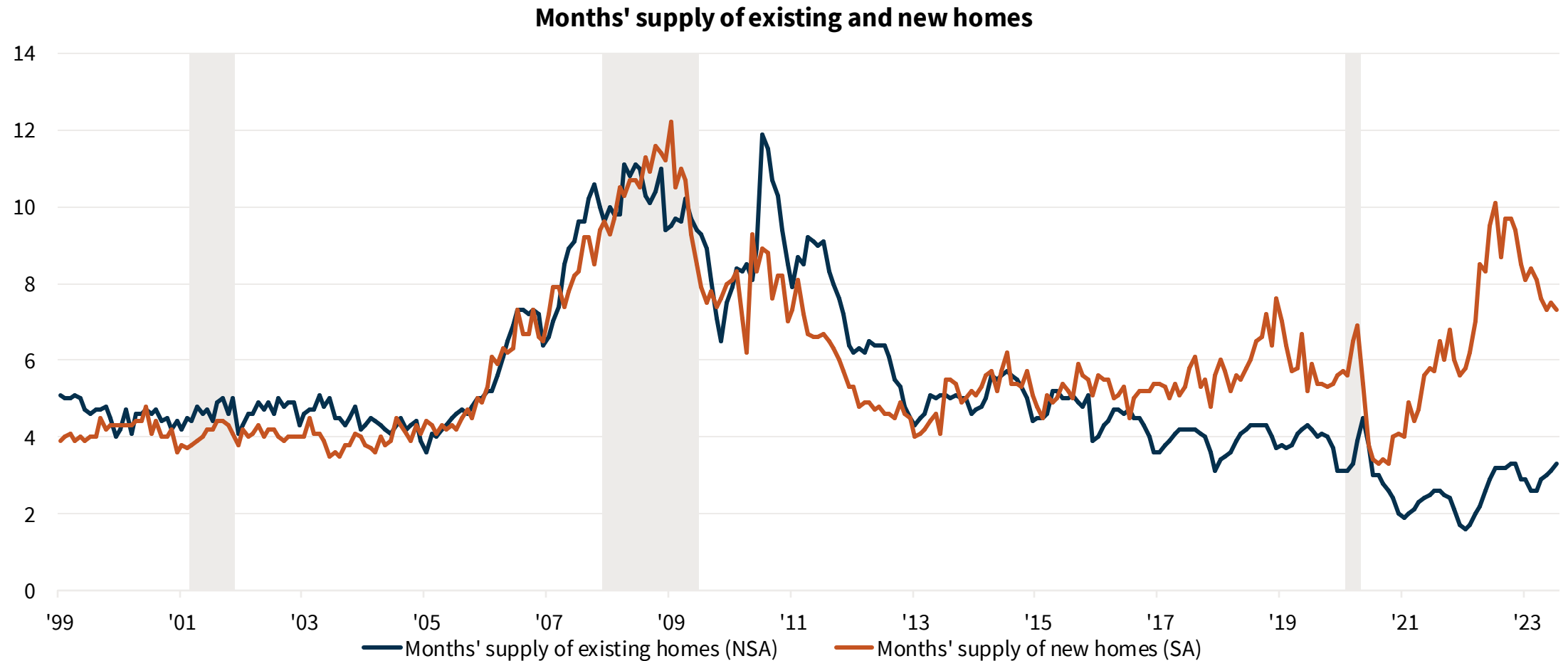
Many borrowers are "locked in" at low interest rate, creating a financial disincentive to move

Percentage of Buyers with Mortgages Below Market Rate, Fannie Mae FRM30 Book Data

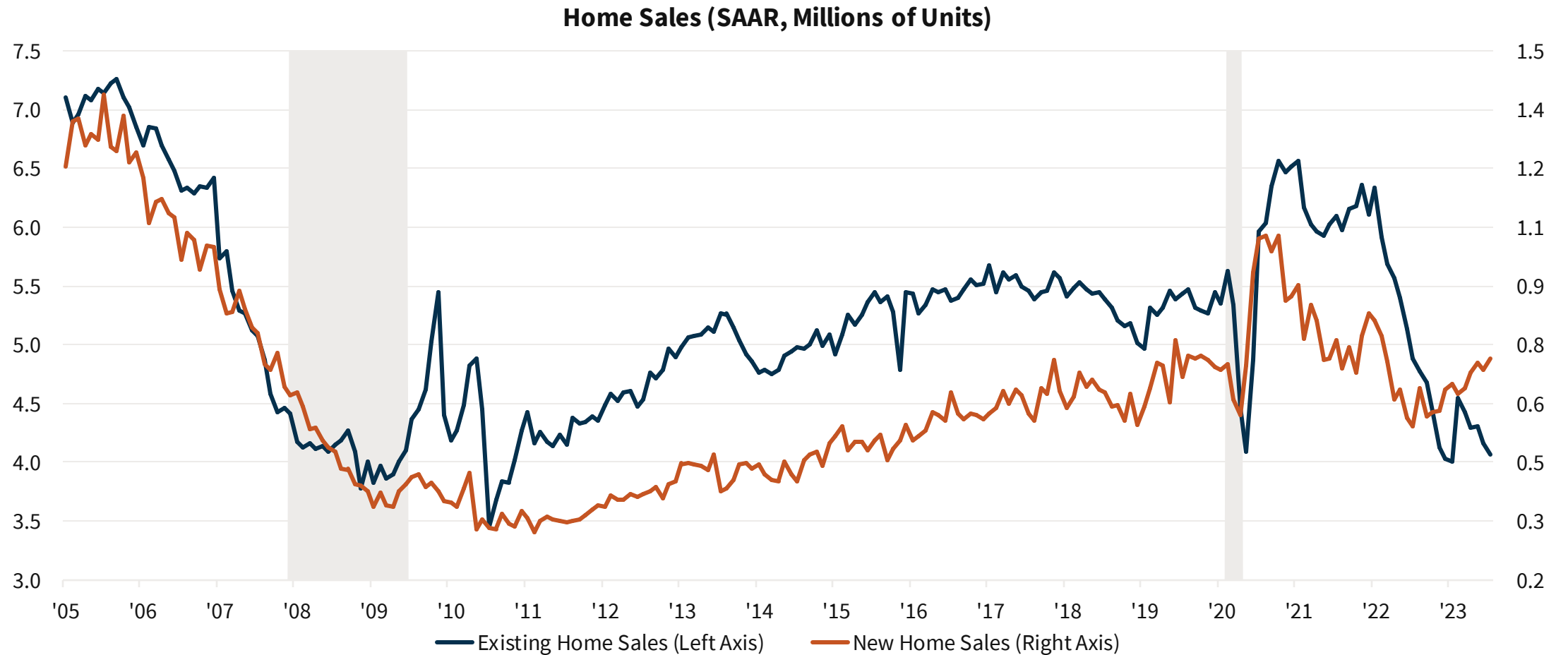


Existing home inventory remains low

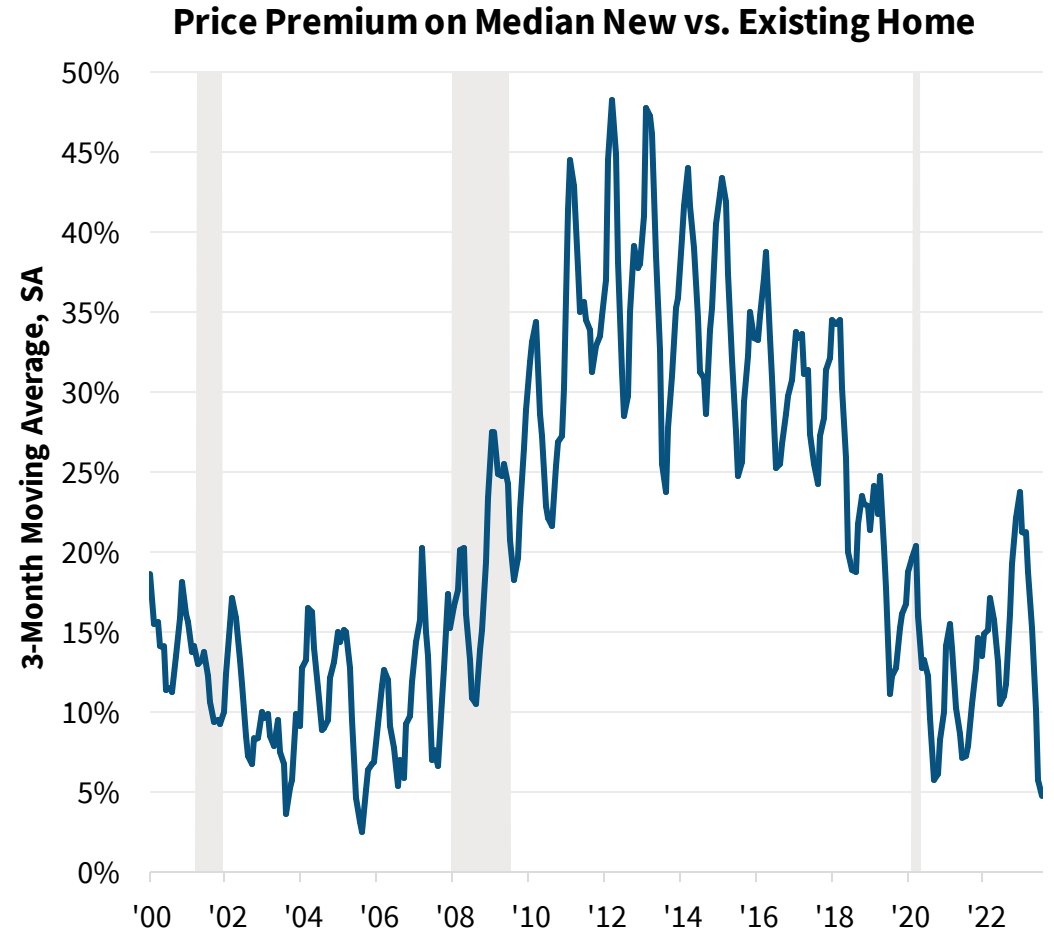
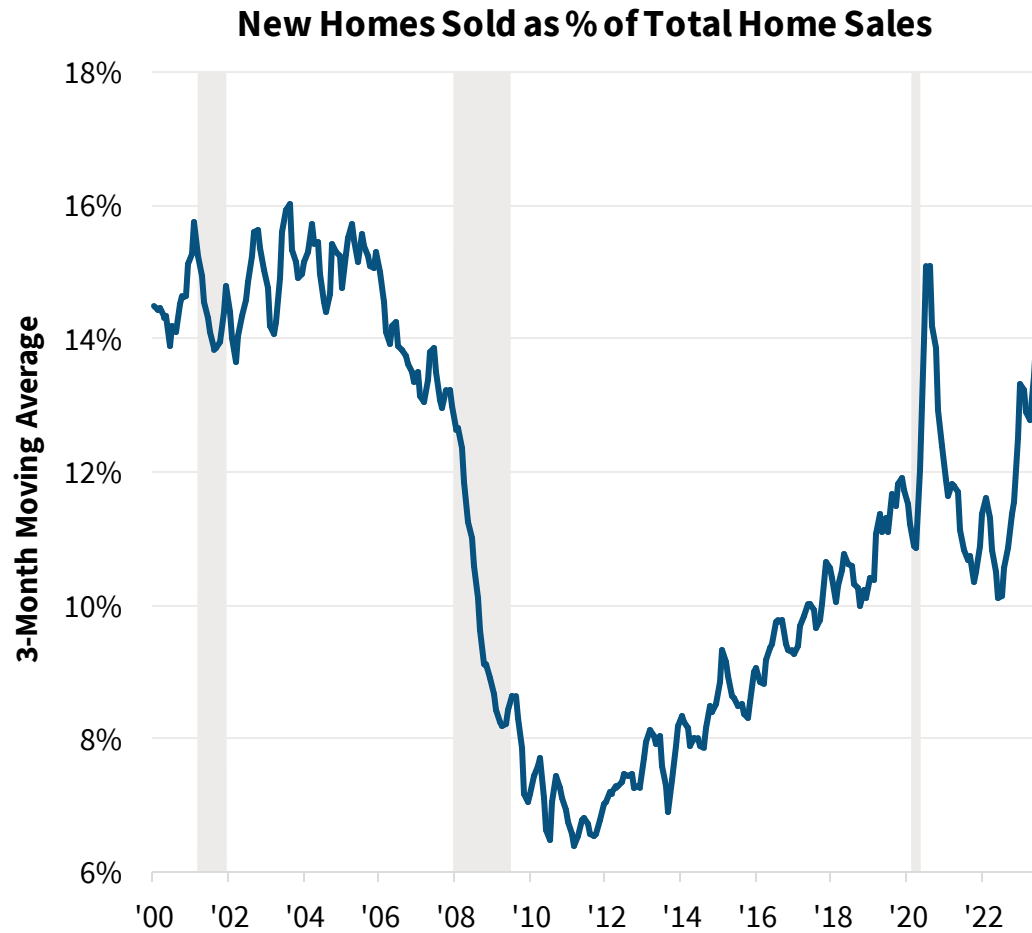
Level of new home inventories spurring builders to offer incentives and discounts



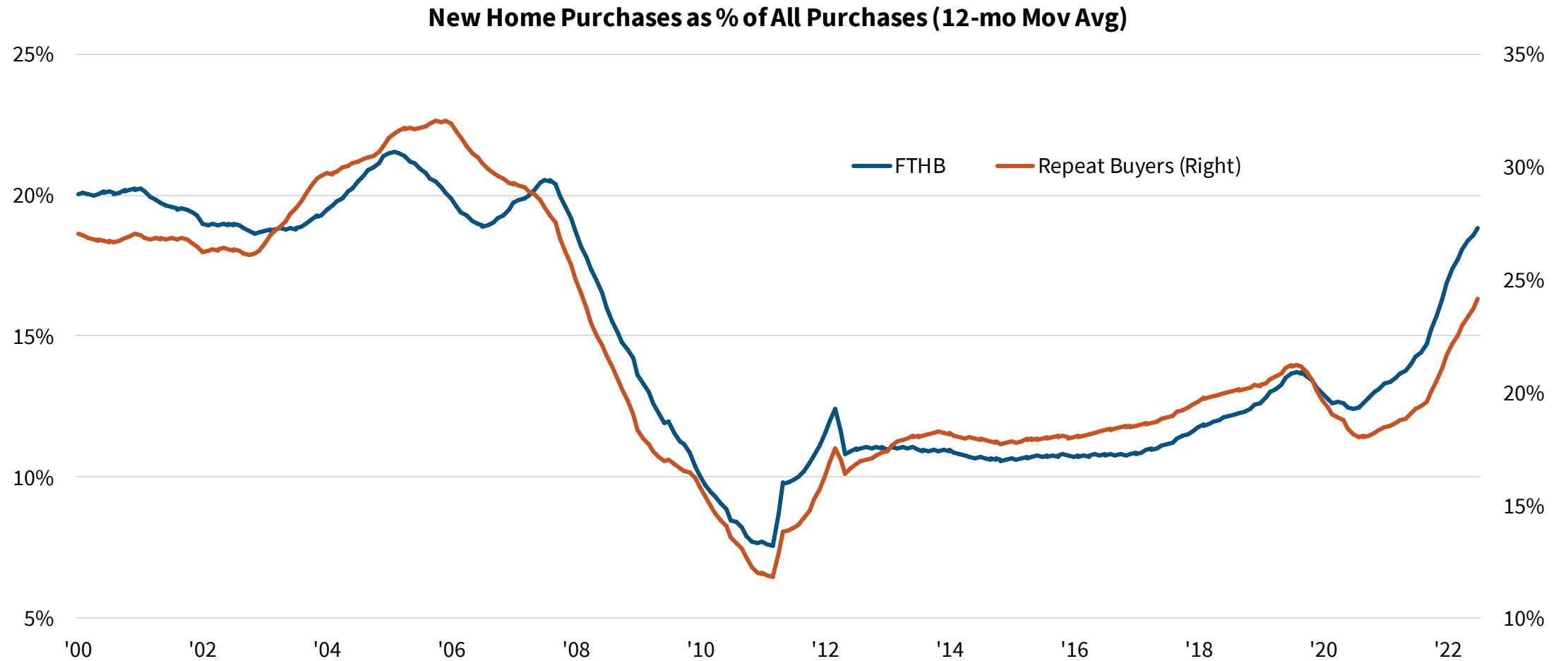
New home sales climb due to lack of existing home inventory available for sale



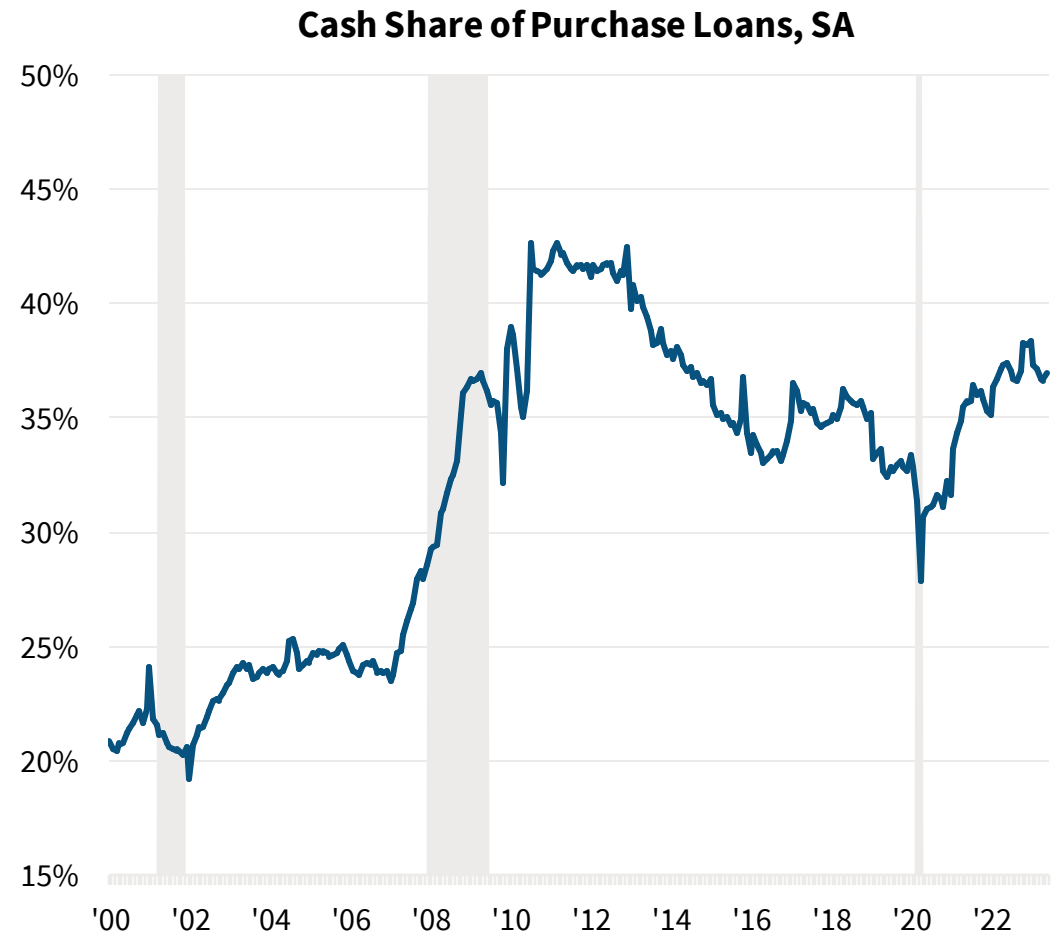
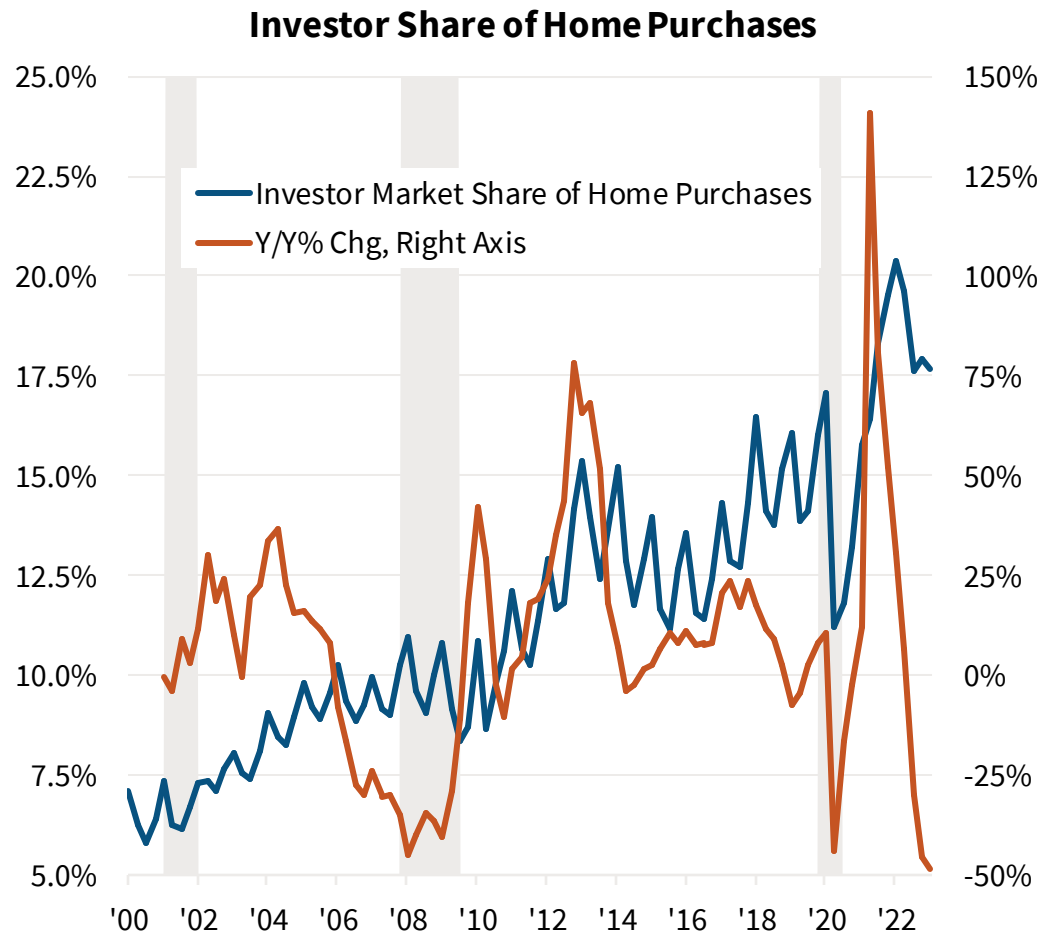
New home relative value improves given lower price premium and lack of existing home inventory



First-time homebuyers' share of new homes highest since 2008

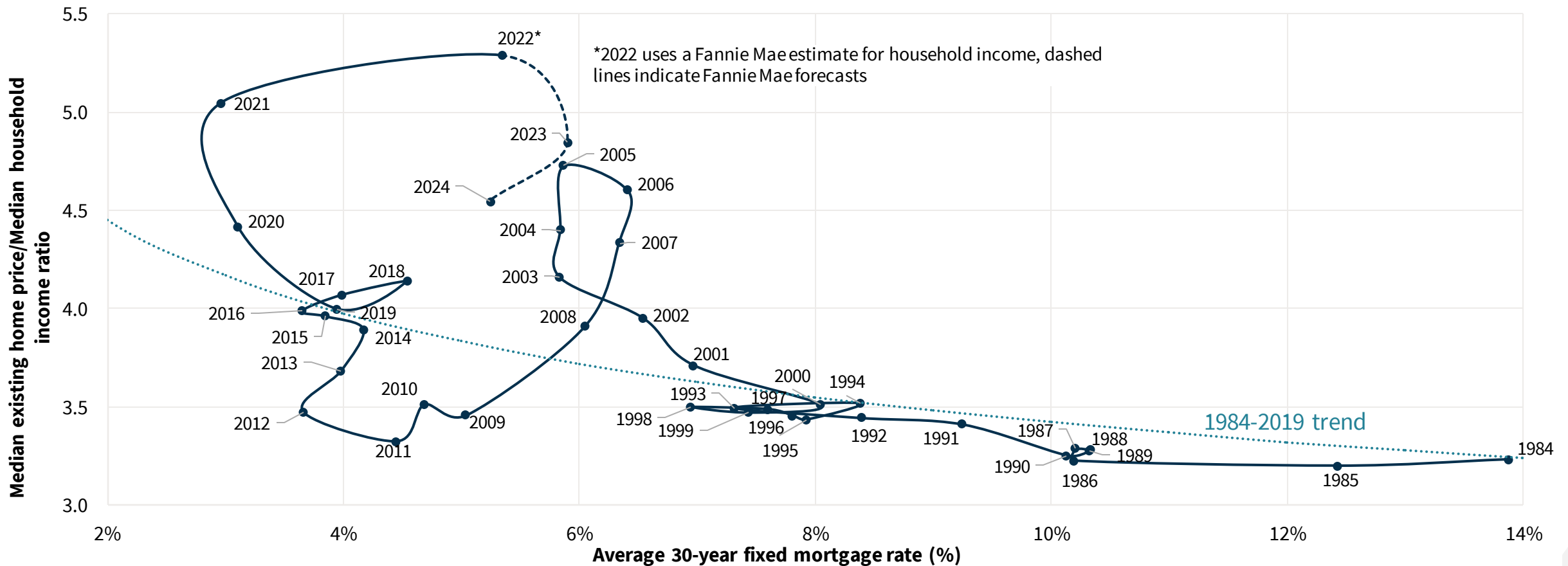


Investor share of purchases have fallen, while cash purchases are up amid high interest rates



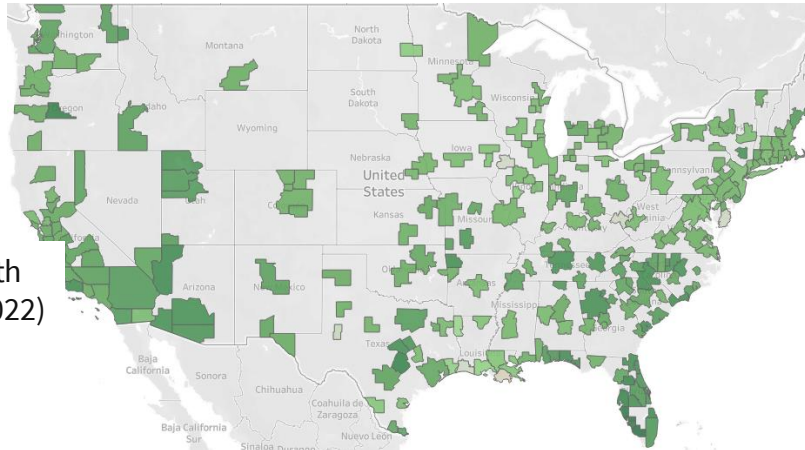
House prices historically elevated relative to incomes

Price/income ratio vs. mortgage rates

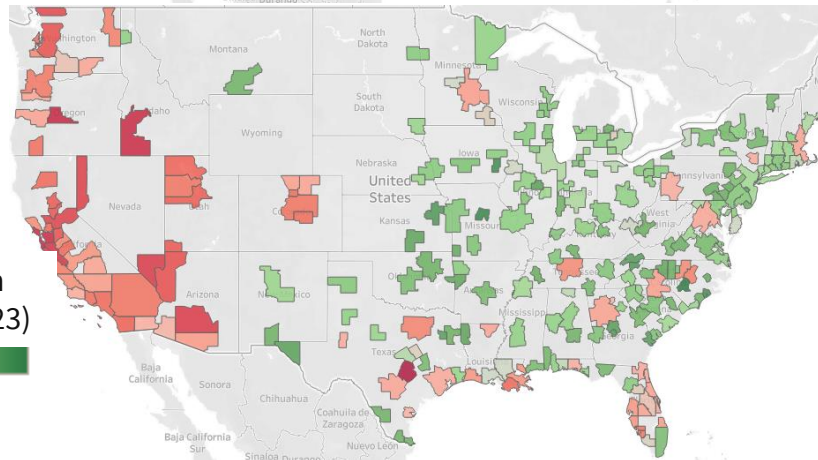


Migration continues from the Midwest and West to the Southeast

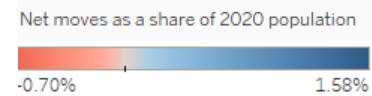
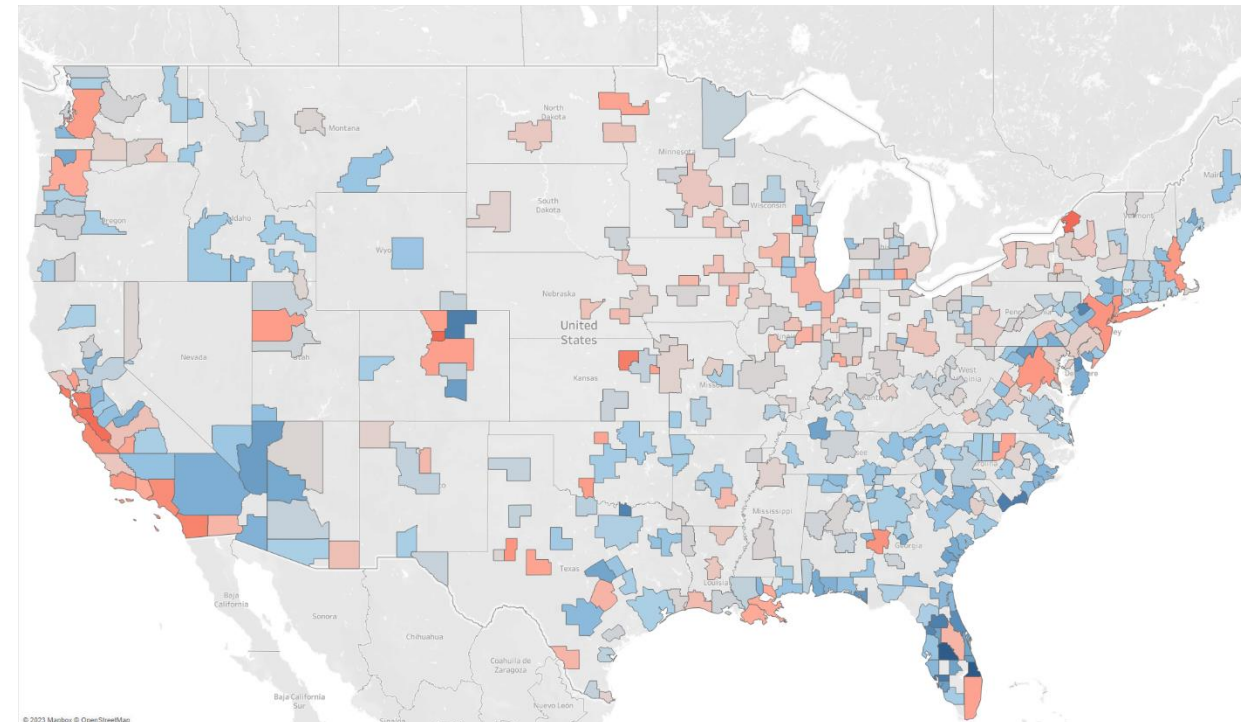
Zillow HP Growth
(Jun 2020 – Jul 2022)



Zillow HP Growth
(Aug 2022 – May 2023)



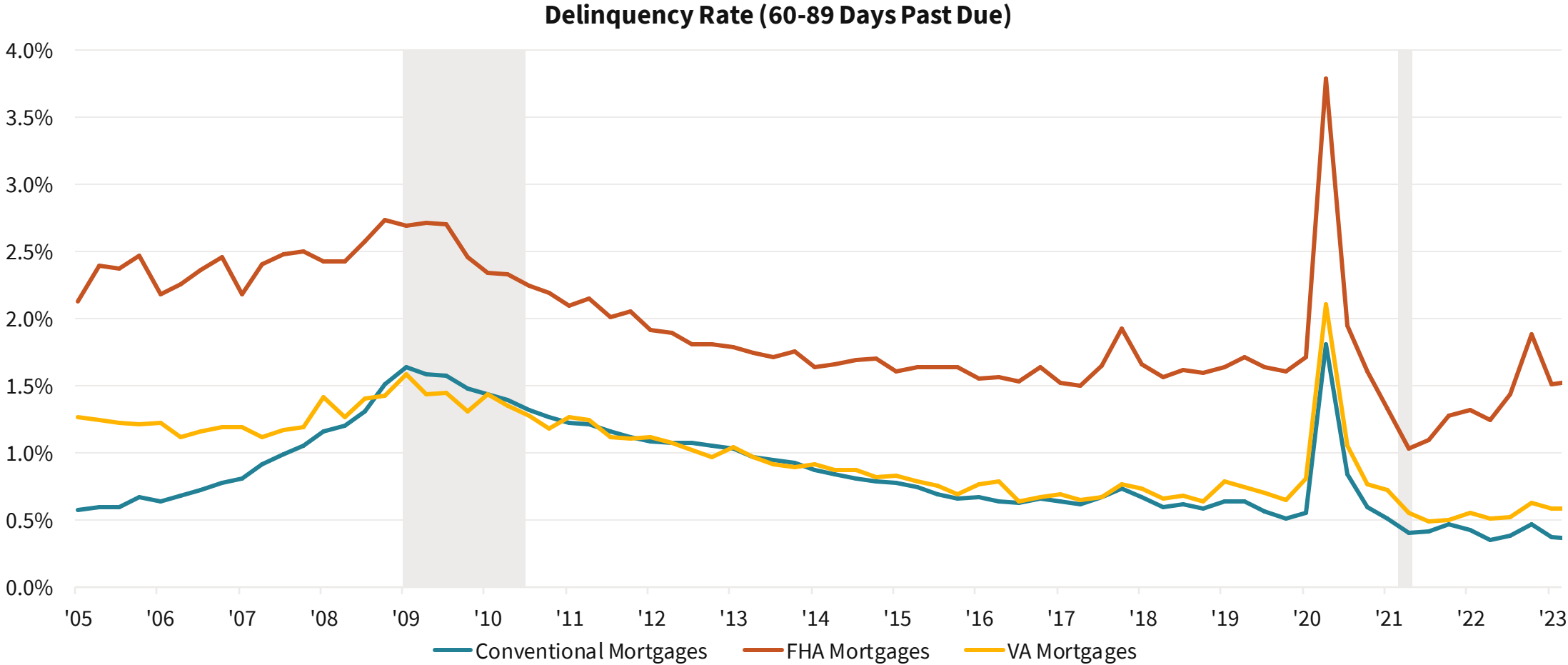
June 2020 to July 2022 net migration **into**/**from** MSAs as a share of 2020 population*



*Does not reflect cash sales or Jumbo loans



FHA delinquencies remain elevated, while conventional and VA delinquencies remain low



Housing and mortgage market outlook

	2021	2022	Forecast	
			2023	2024
10-Year Treasury (Annual Average)	1.4%	3.0%	3.8%	3.8%
30-Year Fixed-Rate Mortgage (Annual Average)	3.0%	5.3%	6.6%	6.3%
Single-Family Housing Starts (Percent Change Year-Over-Year)	1,127 thousand 13.8%	1,005 thousand -10.8%	912 thousand -9.3%	907 thousand -0.5%
Multifamily Housing Starts (Percent Change Year-Over-Year)	474 thousand 21.8%	547 thousand 15.5%	496 thousand -9.3%	398 thousand -19.9%
New Single-Family Home Sales (Percent Change Year-Over-Year)	771 thousand -6.2%	641 thousand -16.9%	688 thousand 7.3%	687 thousand -0.2%
Total Existing Home Sales (Percent Change Year-Over-Year)	6.120 million 8.4%	5.030 million -17.8%	4.209 million -16.3%	4.240 million 0.7%
Fannie Mae HPI (Percent Change Q4/Q4)	18.4%	8.3%	3.9%	-0.7%
Purchase Mortgage Originations (Percent Change Year-Over-Year)	\$1,900 billion 20.9%	\$1,633 billion -14.1%	\$1,341 billion -17.9%	\$1,462 billion 9.1%
Refinance Mortgage Originations (Percent Change Year-Over-Year)	\$2,670 billion -4.7%	\$753 billion -71.8%	\$261 billion -65.4%	\$456 billion 75.0%
Total Mortgage Originations (Percent Change Year-Over-Year)	\$4,570 billion 4.5%	\$2,386 billion -47.8%	\$1,601 billion -32.9%	\$1,918 billion 19.8%

For the full forecast and economic commentary, visit: <https://www.fanniemae.com/research-and-insights/forecast>





Multifamily Market Outlook

Kim Betancourt, CRE

Vice President, Multifamily Economics and Strategic Research

September 14, 2023



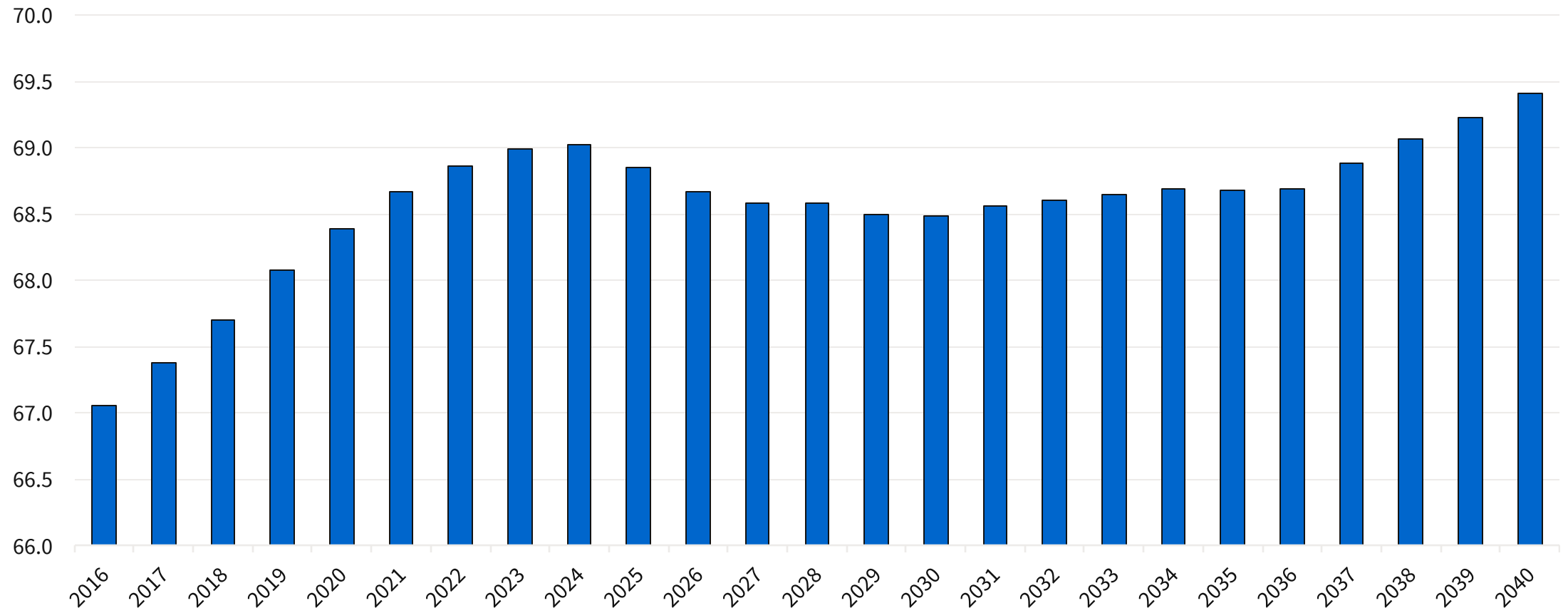
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Multifamily Market Fundamentals

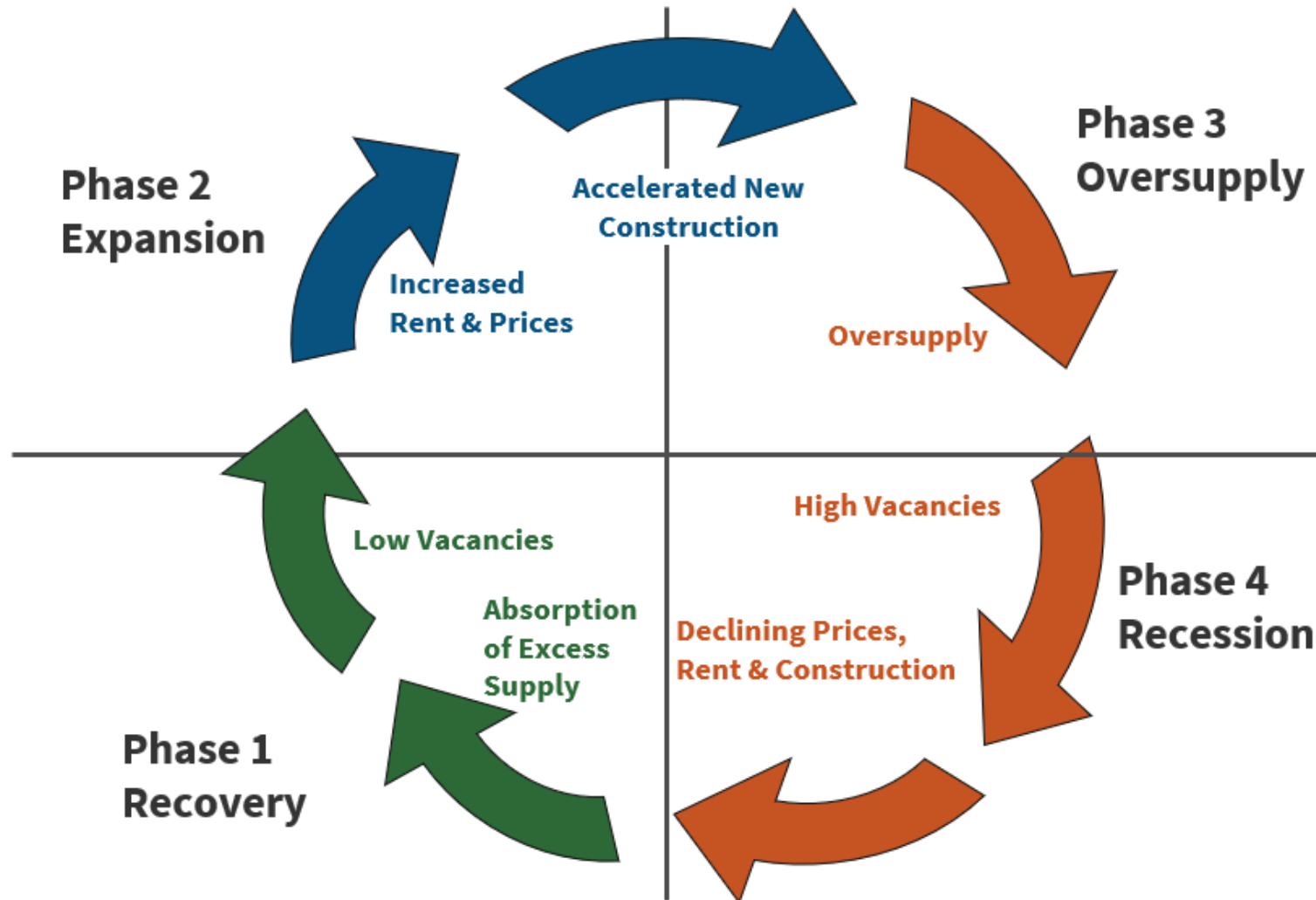
Demographics are in the rental sector's favor over the long term.

U.S. Population: Age 20-34 Cohort (Millions)



Multifamily Market Fundamentals

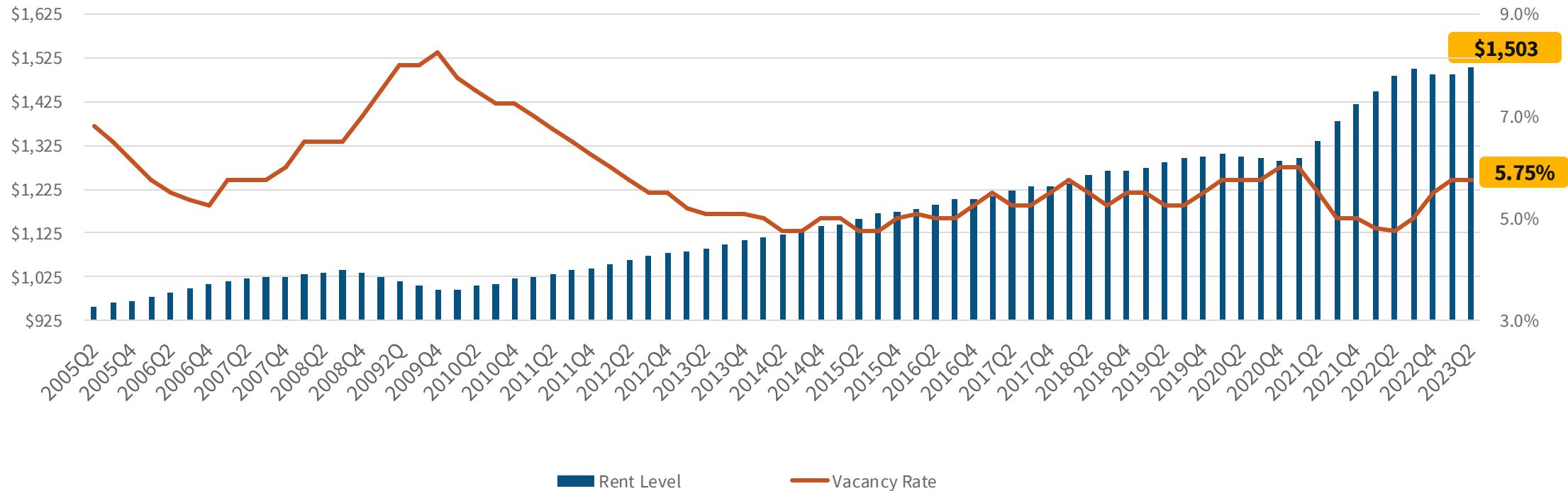
The Life Cycle of Commercial Real Estate



Multifamily Market Fundamentals

The vacancy rate stayed stable in 2Q2023 and rent growth ticked up...

Estimated Multifamily Rent and Vacancy Trends



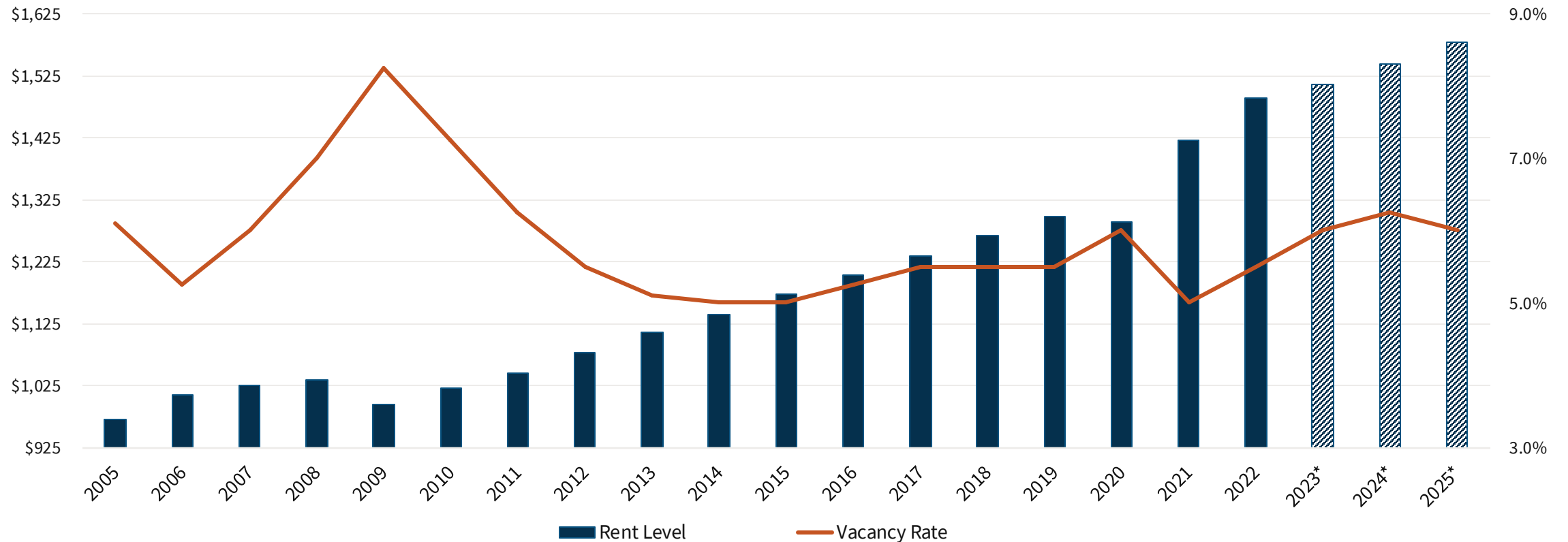
Source: Fannie Mae Multifamily ESR



Multifamily Market Fundamentals

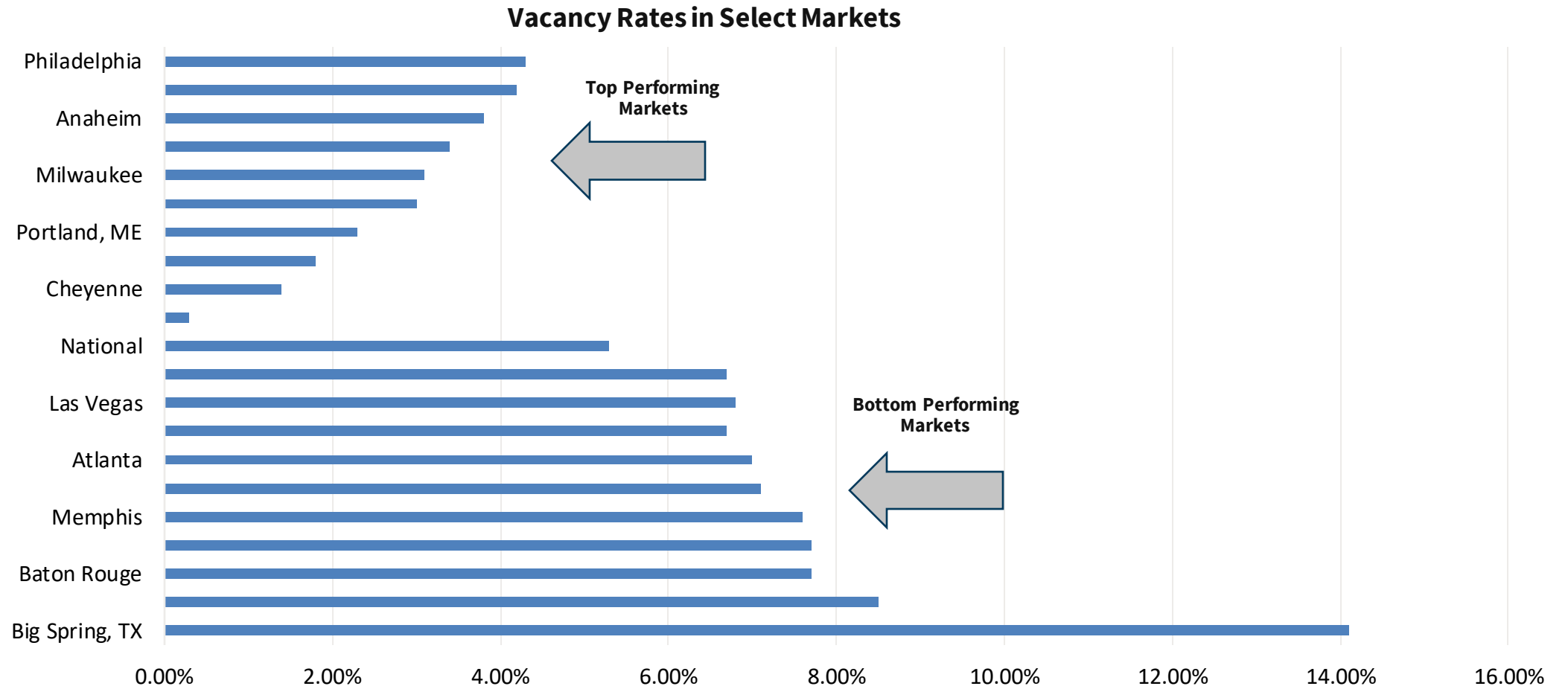
... and we expect annualized rent growth to slow to between 1.5% and 2.0% in 2023 and remain in the same range again in 2024. We expect the vacancy rate to increase between 6.0% and 6.25% in 2023 into early 2024 due to anticipated completions. But depending on the depth and severity of the recession currently predicted to begin in the first half of 2024, it is possible that annualized rent growth next year could stagnate.

Estimated Multifamily Rent and Vacancy Forecast



Multifamily Market Fundamentals

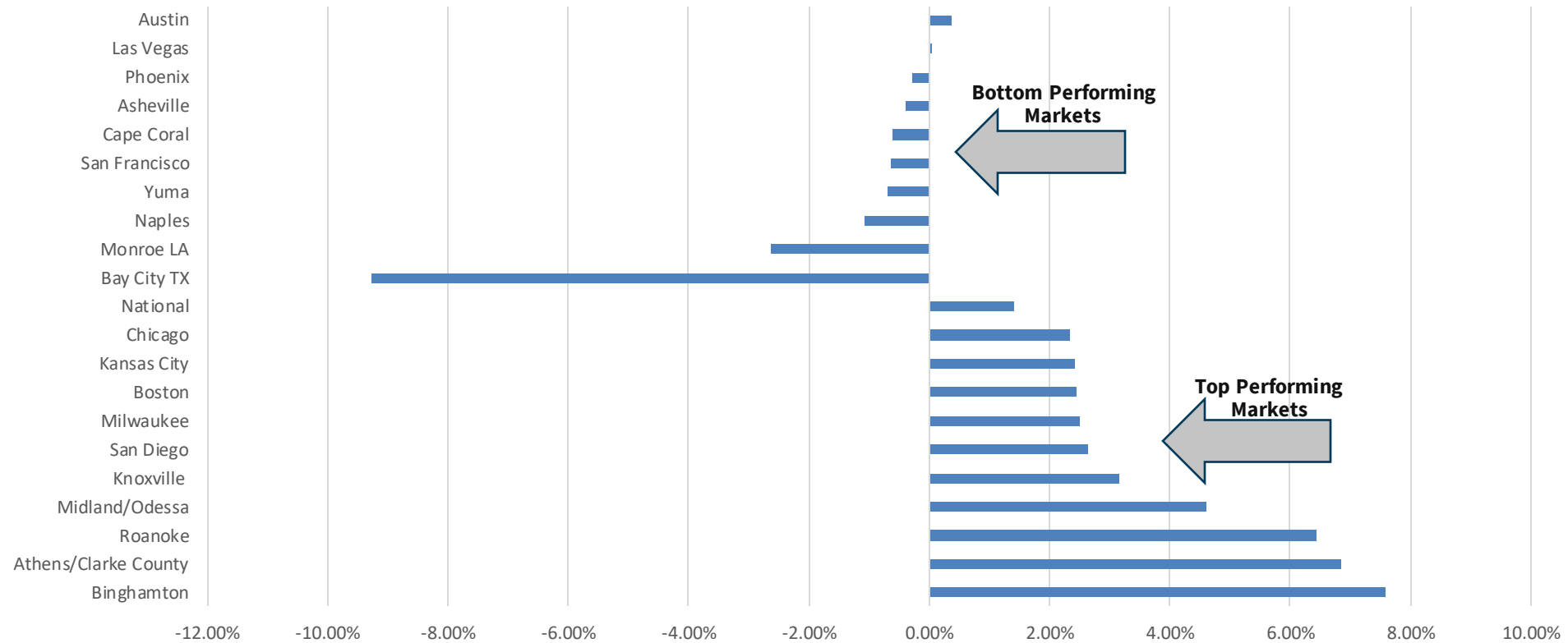
Multifamily rental demand differs depending upon the metro...



Multifamily Market Fundamentals

... as does rent growth.

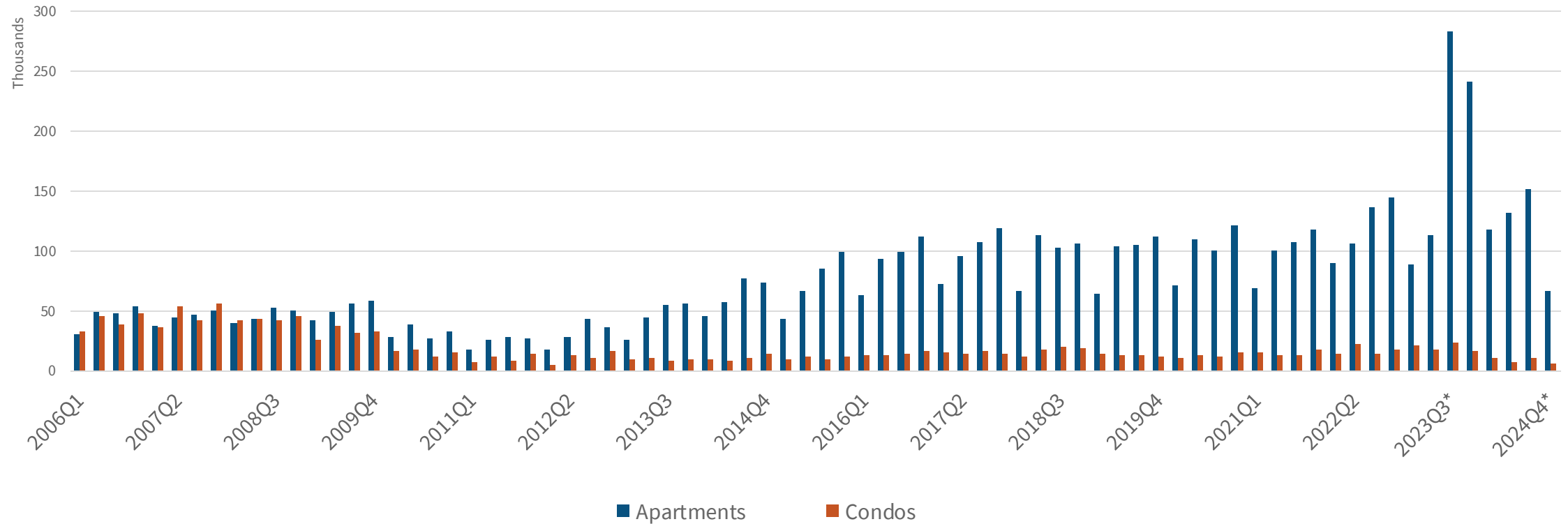
Asking Rent Growth in Select Markets



Multifamily Market Fundamentals

More than 1 million units are underway...

Multifamily New Construction (Thousands of Units)

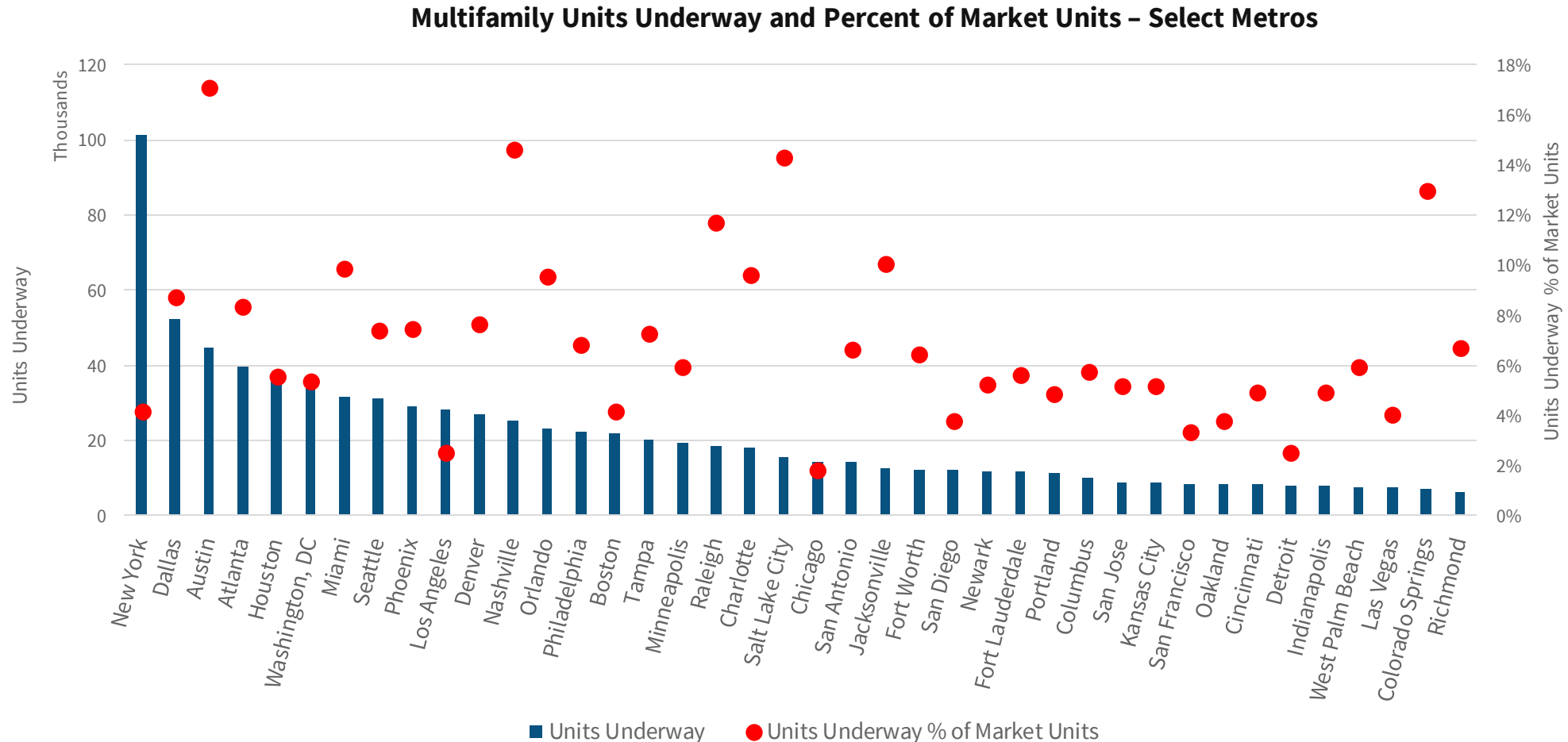


NOTE: Supply Track data is not an actual forecast of activity, it is a monitor of activity reported on to-date. As more projects are planned and tracked, figures in future periods might go up.



Multifamily Market Fundamentals

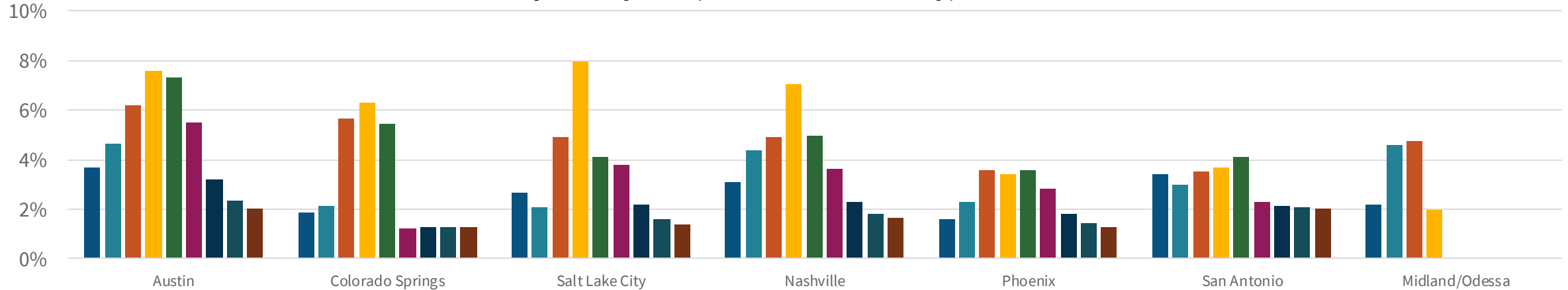
... but several growing metro areas have a sizeable number of new units underway compared to the market's existing inventory.



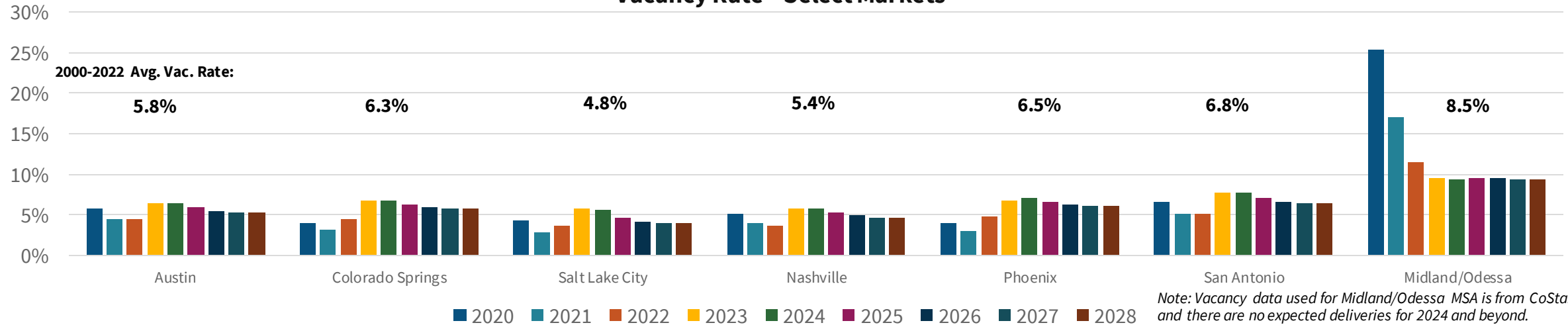
Multifamily Market Fundamentals

Despite significant inventory expected in many markets, all are expected to see sufficient demand to allow for declining vacancy rates over the next five years and remain in-line with historical averages.

Units Completed By Year (% of Market Inventory) – Select Markets



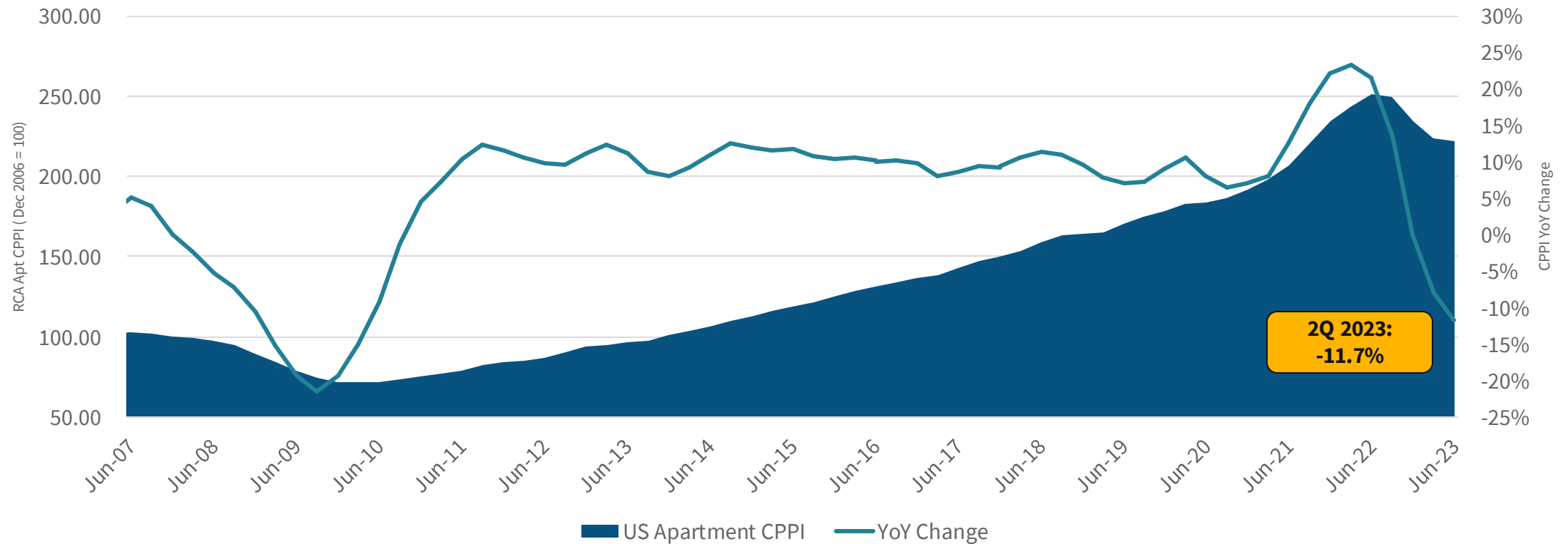
Vacancy Rate – Select Markets



Multifamily Market Fundamentals

Year-over-year price growth for multifamily buildings has turned negative...

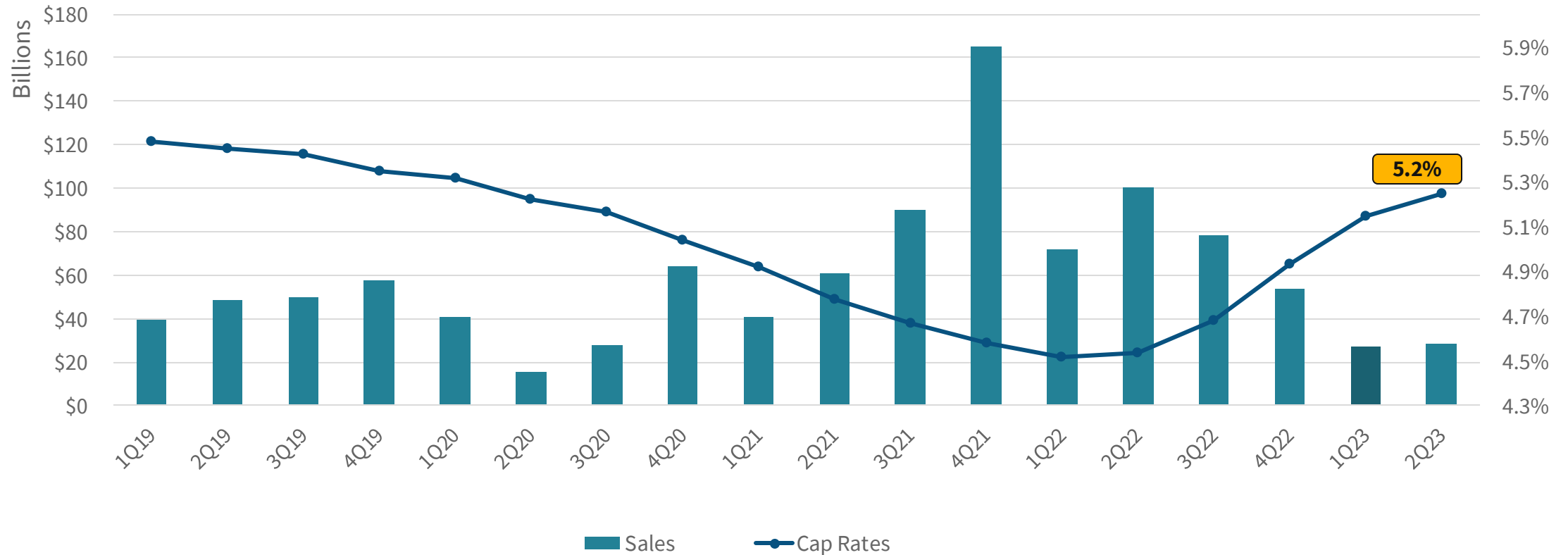
RCA Commercial Property Price Index – Apartments Only



Multifamily Market Fundamentals

...and investment in multifamily has been slowing down since mid-2022...

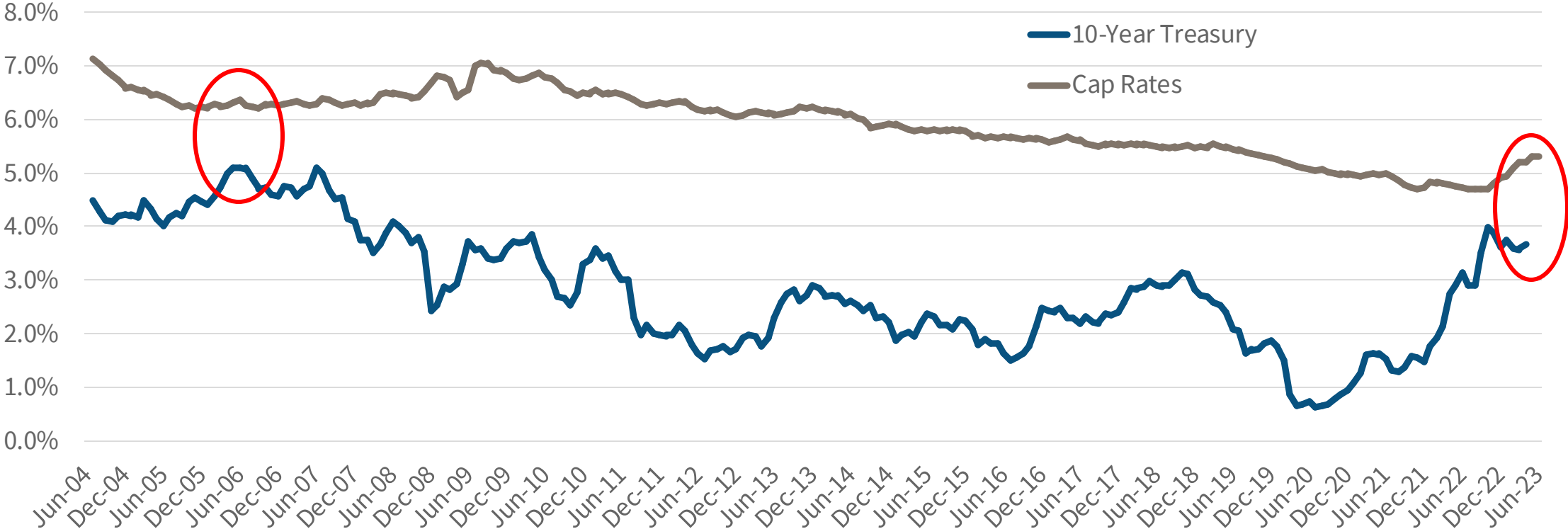
National Monthly Apartment Sales Volume and Cap Rates



Multifamily Market Fundamentals

... with cap rates starting to move up...

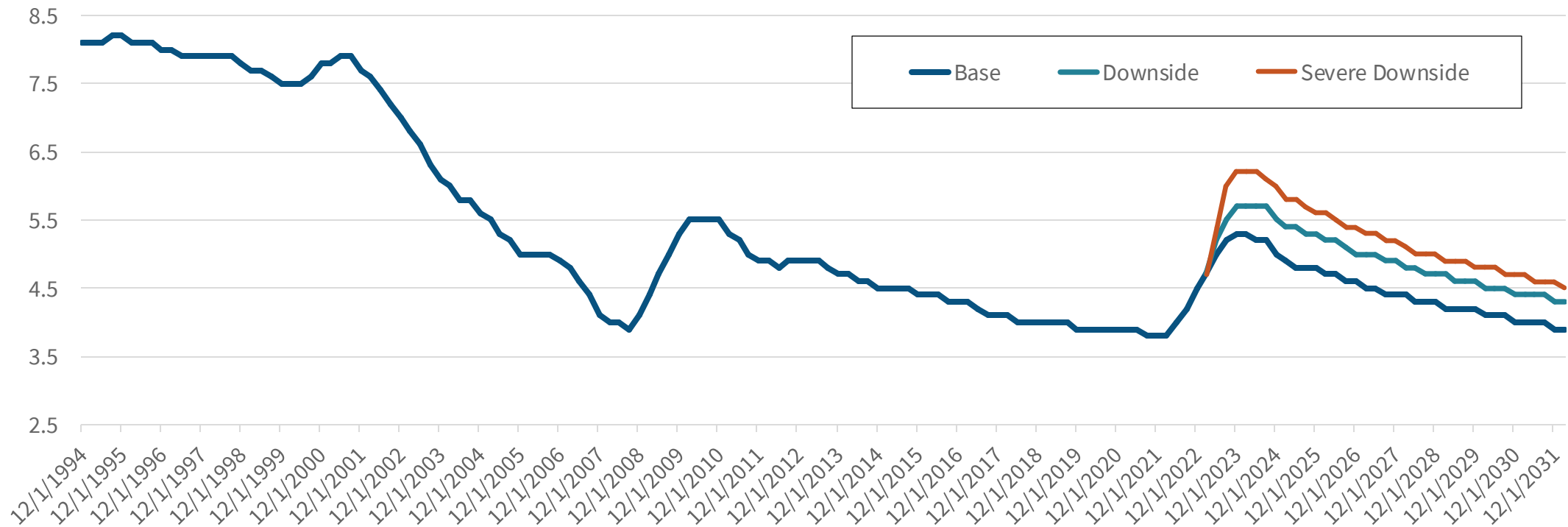
Treasury Interest Rates and Multifamily Capitalization Rates



Multifamily Market Fundamentals

... with CBRE-EA anticipating a return to lower cap rates within the next few years.

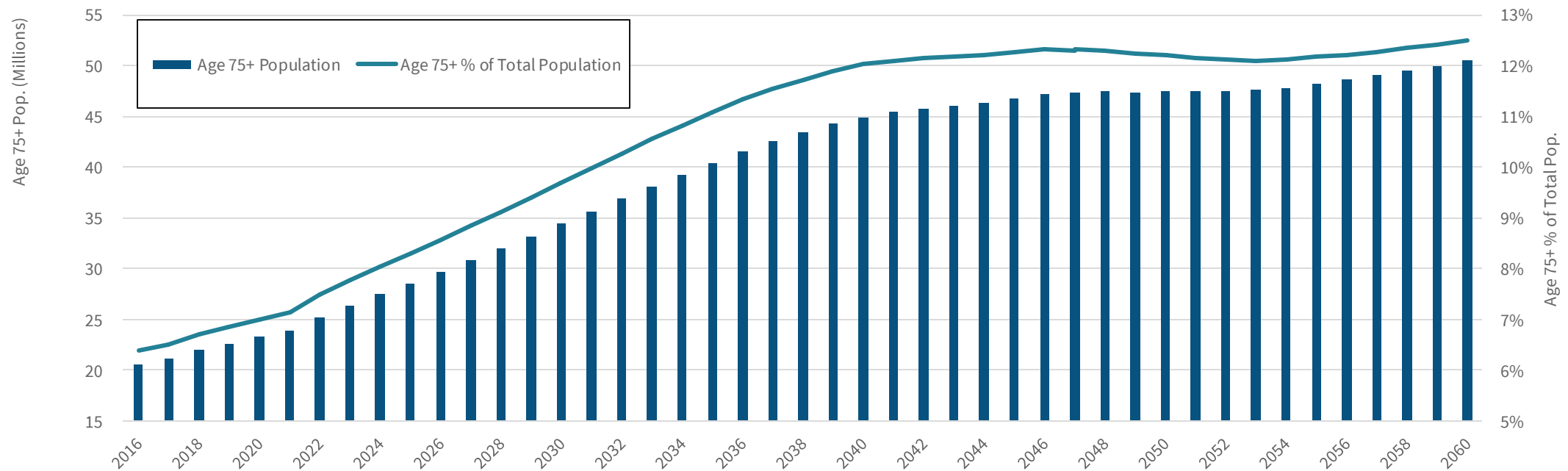
National Multifamily Capitalization Rate Percentage Forecast



Multifamily Market Fundamentals – Seniors Housing

The nation is in the beginning of a transformational shift in the composition of the population: The size of the age 75+ population will nearly double over the next two decades, as will their proportion of the overall population.

Forecasted Age 75+ Population in the United States



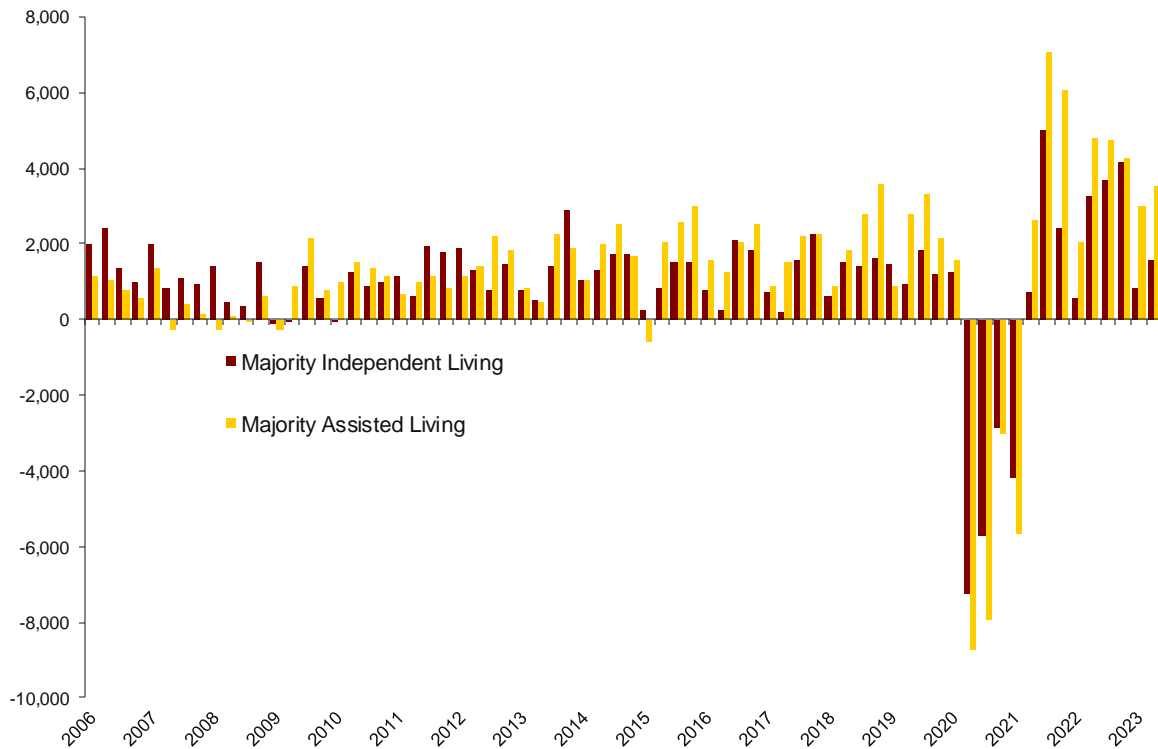
Source: U.S. Census Bureau



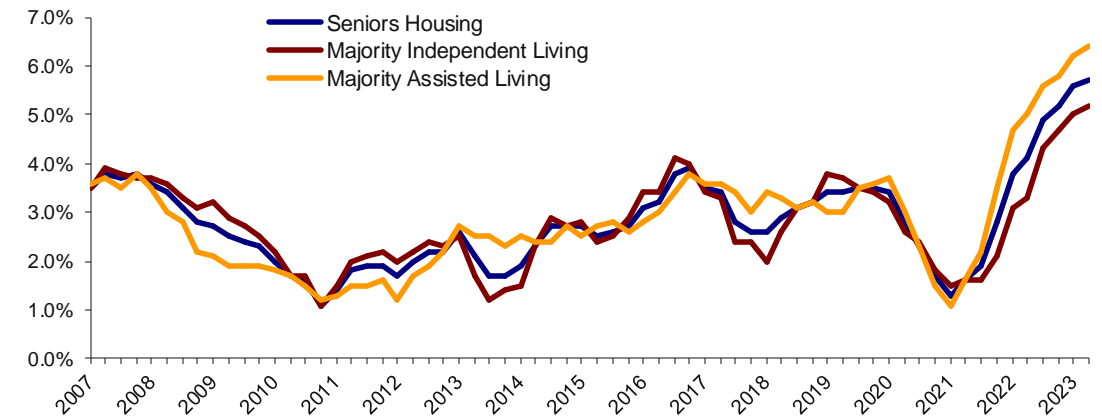
Multifamily Market Fundamentals – Seniors Housing

The fundamental measures of senior housing performance were decimated by the pandemic but are now strengthening.

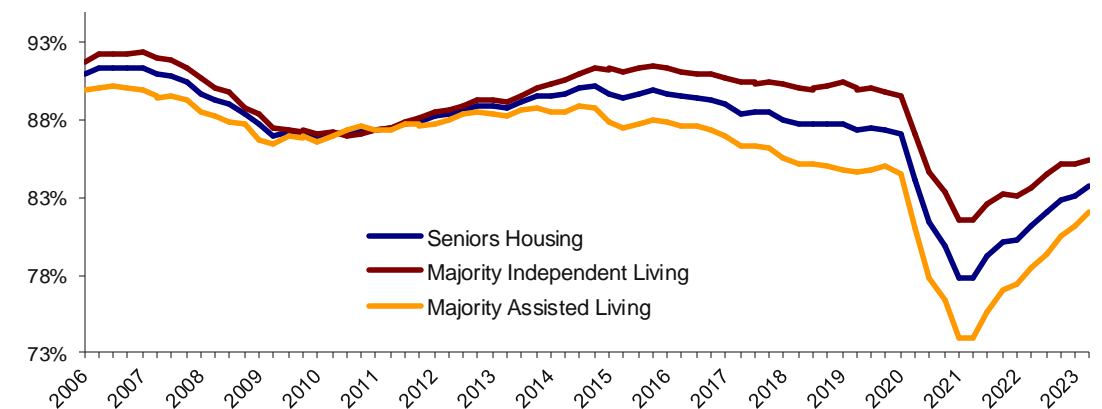
Quarterly Seniors Housing Absorption



Seniors Housing Annual Rent Growth



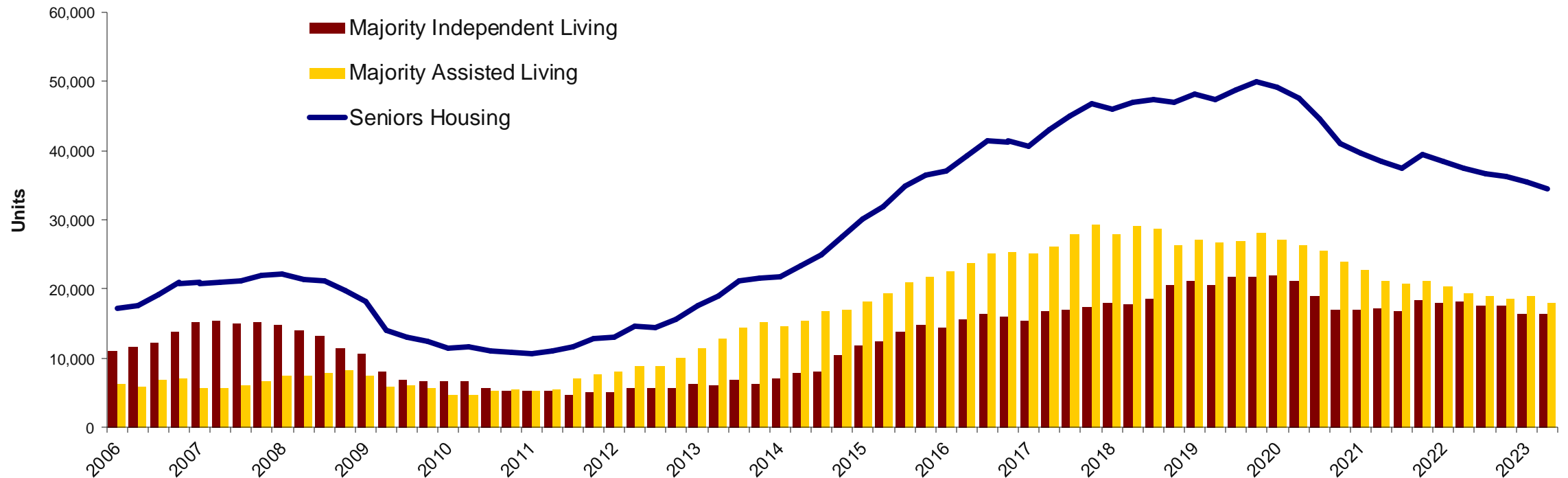
Seniors Housing Occupancy



Multifamily Market Fundamentals – Seniors Housing

Seniors housing construction was booming in the years after the Great Recession and had begun to ease just before the pandemic.

Seniors Housing Units Under Construction



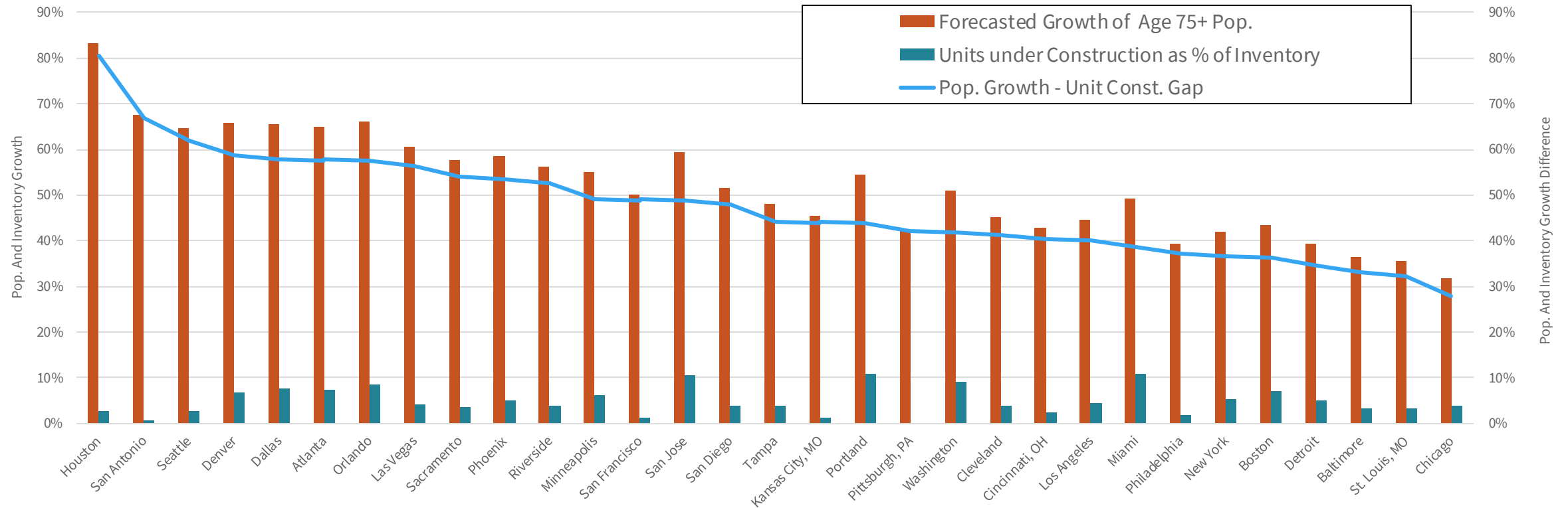
Source: NIC MAP® Data Service Primary Markets



Multifamily Market Fundamentals- Seniors Housing

Nationally, supply and demand appear close to balanced, but at the market level, about half of the Primary 31 metros could be quite undersupplied, while others might be significantly oversupplied.

Forecasted Age 75+ Population Growth and Units Under Construction % of Inventory



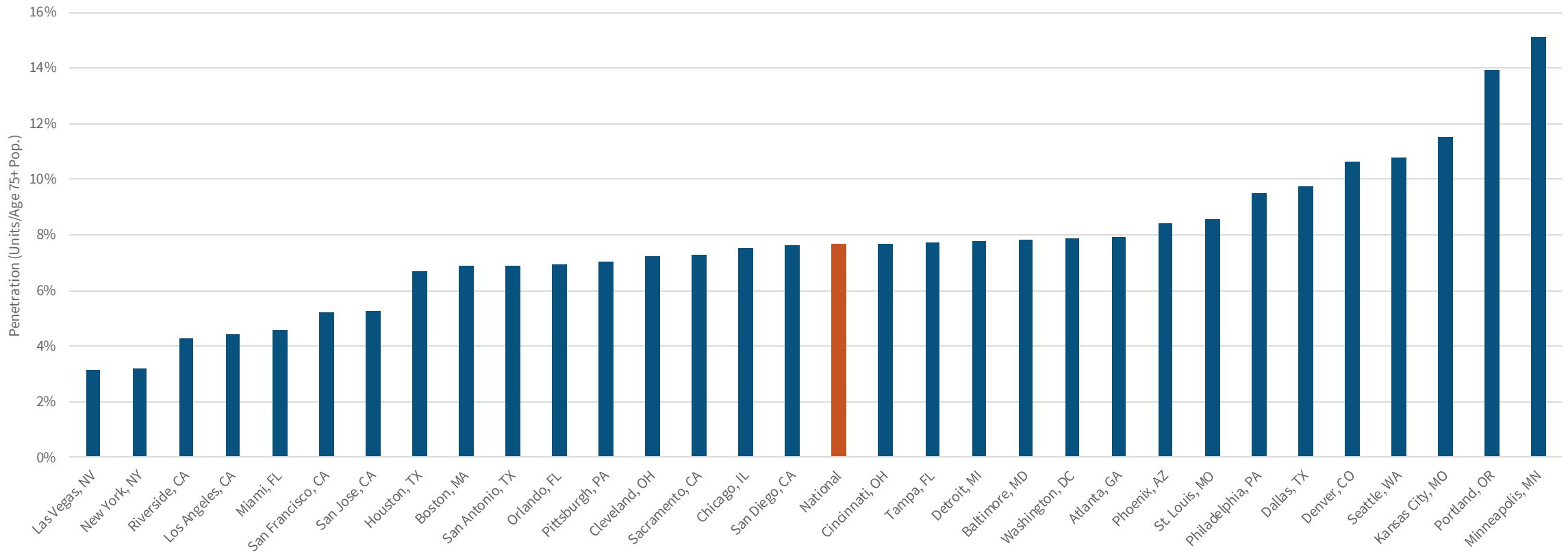
Source: NIC MAP® Data Service Primary Markets and Oxford Economics



Multifamily Market Fundamentals – Seniors Housing

With significant growth of the age 75+ cohort on the horizon, a dramatic expansion of the seniors housing sector seems very likely – and necessary – considering only 7.7% live in seniors housing.

Seniors Housing Penetration – Select Metros



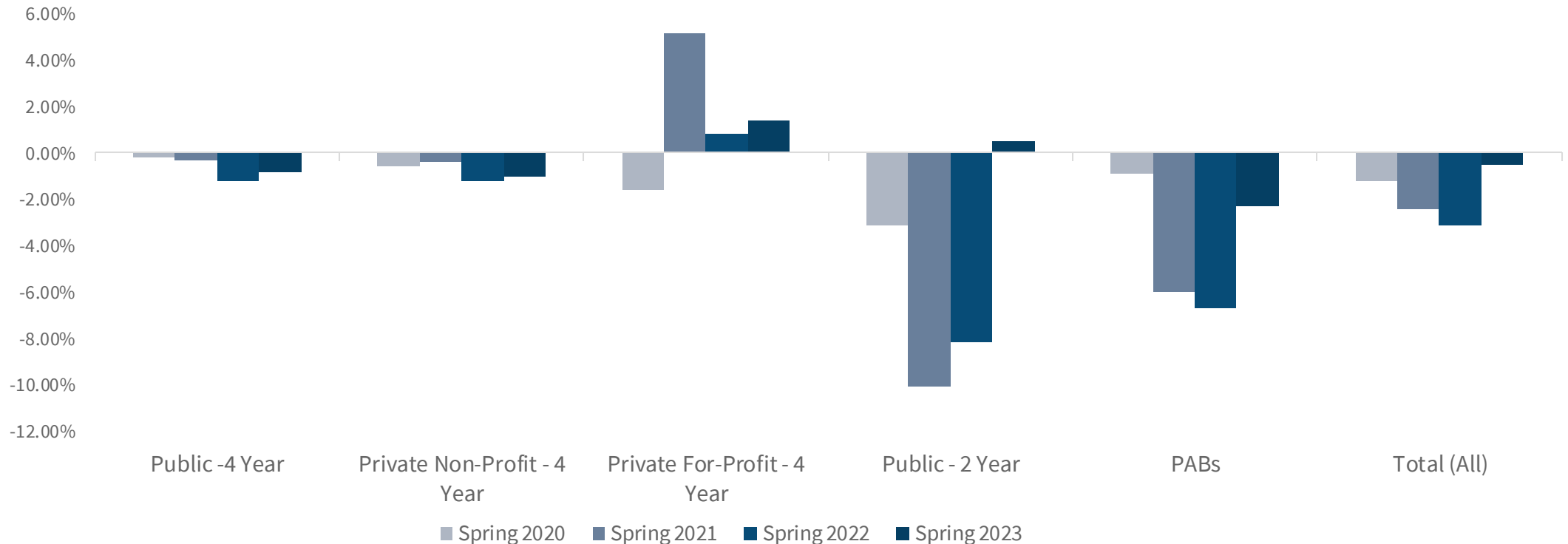
Source: NIC MAP® Data Service Primary Markets and Claritas



Multifamily Market Fundamentals – Student Housing

Secondary education enrollment is starting to show nascent signs of stabilizing...

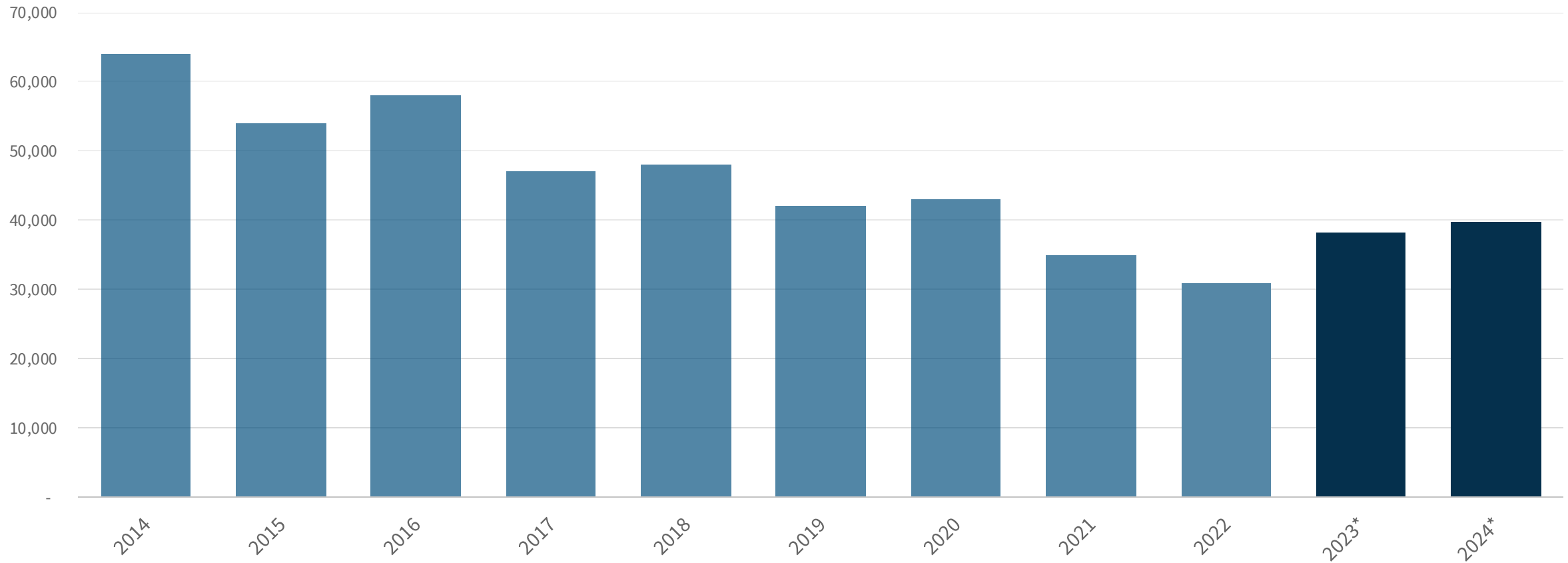
Undergraduate Enrollment Changes Fall Semester 2019-2022



Multifamily Market Fundamentals – Student Housing

... and new student housing supply is staying relatively stable...

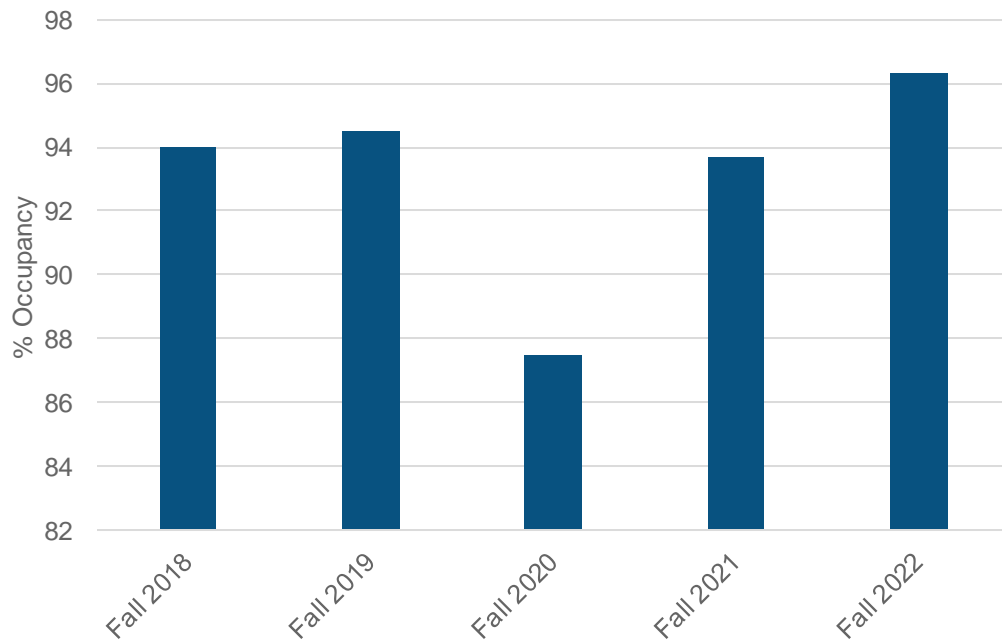
Student Housing New Supply Deliveries by Beds 2014-2024*



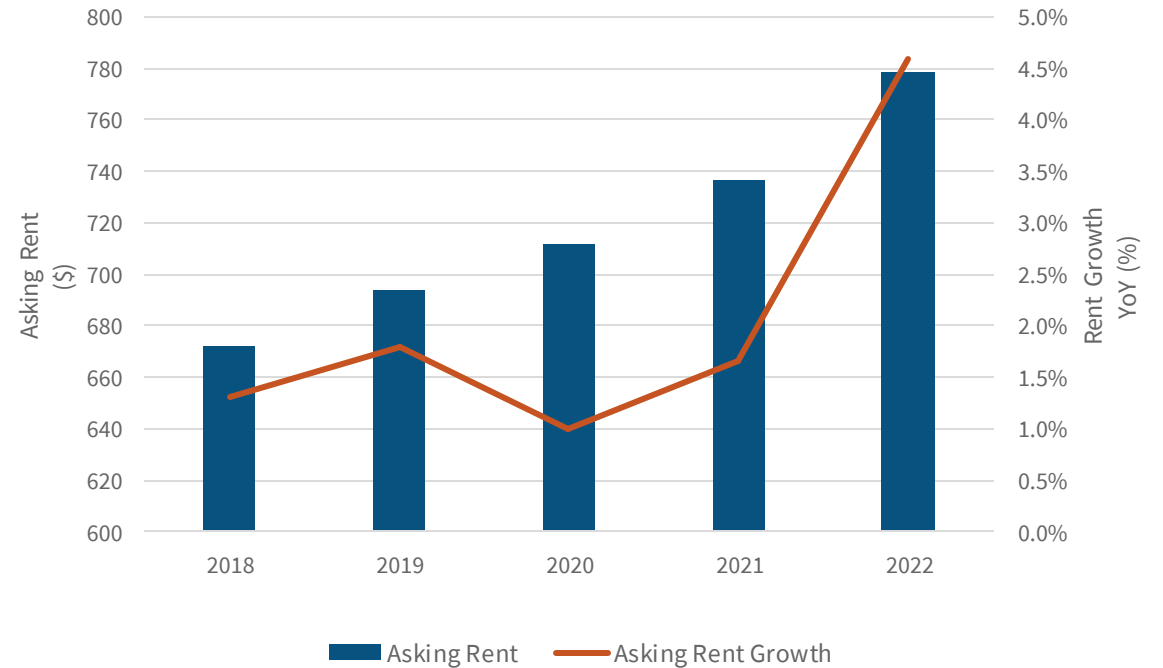
Multifamily Market Fundamentals – Student Housing

... due to strengthening student housing fundamentals.

Off-Campus Student Housing Occupancy – 2018-2022



Annual Asking Rents & Year-Over-Year Asking Rent Growth at Off-Campus Student Housing Beds - 2018-2022



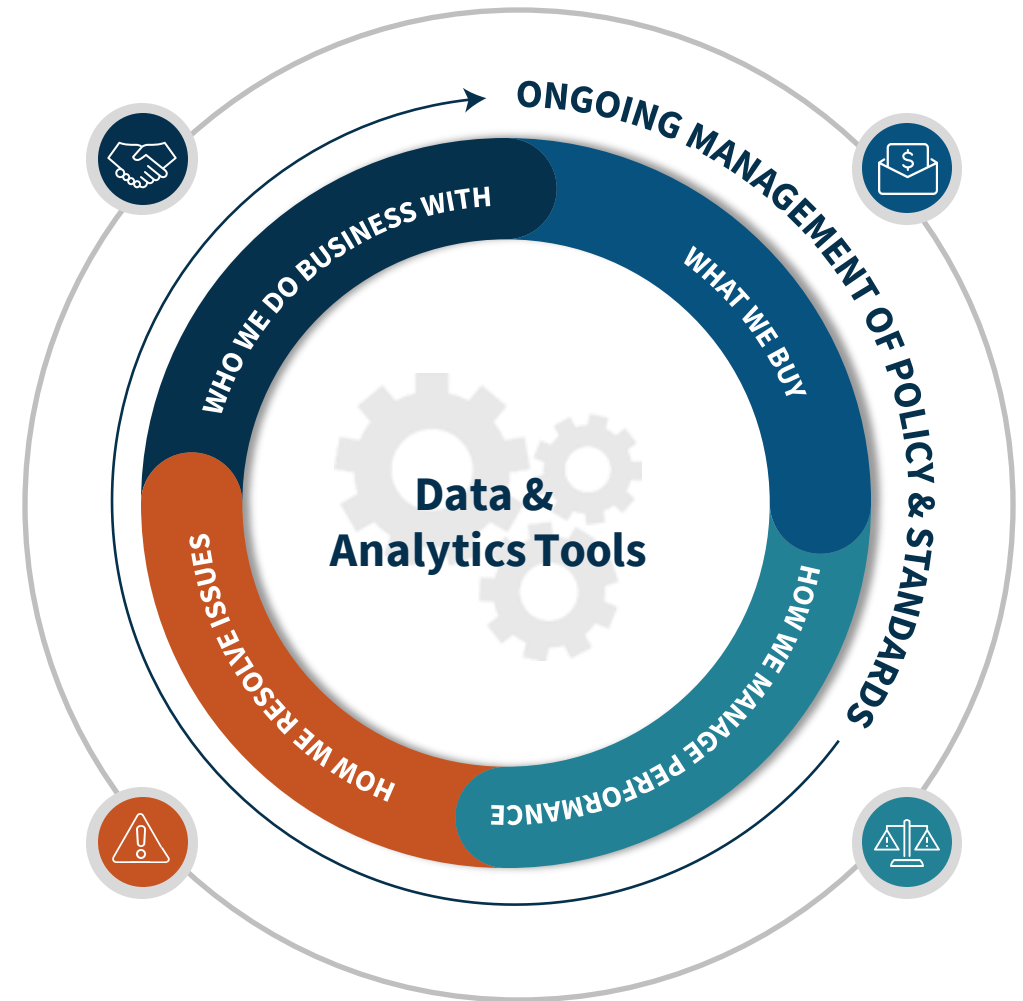
Single-Family Credit Risk Management



Our Credit Risk Management Strategy

Promote sustainable homeownership, minimize losses and maximize recoveries, and continuously improve our risk management capabilities.

- Our strategy is grounded in our Mission and includes facilitating equitable and sustainable homeownership.
- It is driven by strong policy, supported by robust data and unique analytical tools.
- We actively manage our seller/servicers and the loans we buy throughout the loan lifecycle.
- Our goal is to provide transparency to sellers and servicers and make housing attainable and affordable while promoting market stability.



Dynamic Risk Management

Enhancements across the entire loan life cycle make us better prepared to manage through an economic downturn and mitigate our losses.

Underwriting standards

Strong credit standards have produced a portfolio of higher-quality loans that are likely to perform better in a downturn than loans acquired prior to 2009.

Loan quality

Moving quality control (QC) to the front of the process drives down loan defect rates — better loan quality supports improved loan performance.

Counterparty oversight

Strong counterparty requirements provide greater assurance of compliance and more reliable credit enhancement than prior to 2009. Oversight frameworks provide confidence in our sellers' and servicers' operational capabilities and enable proactive performance management.

Troubled loan management

We leverage a comprehensive system to manage loans and real estate owned (REO) properties through the entire loan cycle, which enables us to achieve better credit loss outcomes and reduce severities.

Technological advances

Tools are embedded in our sellers' and servicers' processes to improve our ability to assess credit and collateral risks prior to loan acquisition, make it easier for sellers and servicers to comply with our requirements, drive consistency and quality, help servicers rapidly assist delinquent borrowers, and mitigate our credit losses.



Responsible and Affordable Home Lending

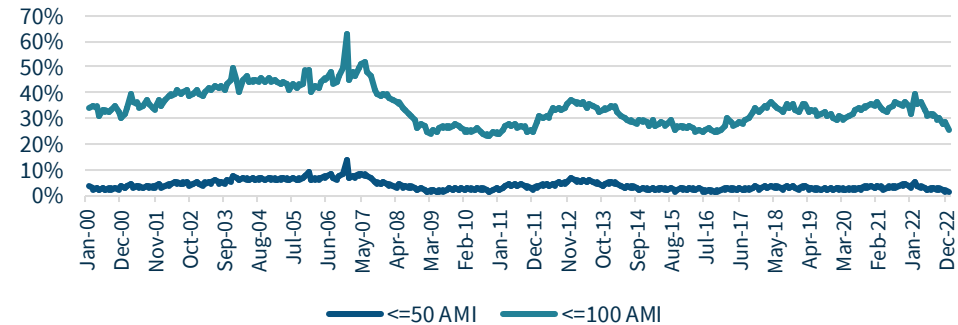
Fannie Mae has a duty to serve the underserved, including providing sustainable access to mortgage credit for creditworthy low- and moderate-income borrowers.

Low/mod income lending has consistently been a significant share of Fannie Mae's business

Credit standards support sustainable homeownership and improve loan access.

Lower (or waiver of) price adjustments for loans meeting duty to serve criteria or low/mod income levels help reduce the rate and/or borrower fees.

High Loan-to-Value (LTV) Share of Low/Moderate Income Borrowers*



*Share of Acquisition UPB for loans with original LTV ratios >80% where borrower income is less than or equal to the Area Median Income (AMI).

HomeReady®

- Borrower's income must be at or below 80% of Area Median Income (AMI)
- Reduced mortgage insurance requirements for LTV ratio >90% results in lower monthly payment.
- Waiver of loan-level price adjustments (LLPAs) help to reduce the rate and/or fees charged to the borrower.

Positive Rent Payment History

- New feature in Desktop Underwriter® (DU®) launched in September 2021 for those that may have limited credit history but a strong rent payment history.
- Incorporates recurring rent payments in the applicant's bank statement data to deliver a more inclusive credit assessment while promoting safe and sound lending. Any records of missed rent payment do not have a negative impact on the applicant.



Setting Our Selling Policy

Fannie Mae's credit risk management philosophy considers all stages of the loan life cycle and is focused on leveraging data and analytics to support sustainable homeownership.

Single-Family Selling Guide Policy Development Life Cycle

Monitor and assess

- Book and acquisition profile, performance, volume
- Economic and housing market data
- Regulatory and legislative changes
- Market and competitive landscape

Research and analyze

- Performance expectations
- Credit, operational, and legal risks
- Impact on housing market, liquidity, lenders, and borrowers

Communicate and deploy policy decisions and updates

- Publish new and updated policy via the *Selling Guide*
- Deploy policy changes through automated systems

Actively engage

- Lenders
- Internal stakeholders
- External industry stakeholders

Developing
Selling Policy

We closely monitor the performance and quality of acquisitions and market conditions and, as appropriate, make policy and process changes to ensure the loans we acquire are consistent with our risk appetite and FHFA guidance.



Communicating Our Policies

Fannie Mae’s communications are designed to be timely and transparent in order to keep lenders and servicers informed of up-to-date policy and requirement changes.

Source	Description
The Selling Guide	Informs lenders about our policies and requirements for the origination, underwriting, and delivery of mortgages that Fannie Mae will purchase or securitize and includes contractual obligations and information about maintaining seller eligibility.
The Servicing Guide	Informs servicers of the policies and requirements for performing servicing obligations and includes contractual obligations and information about maintaining servicer eligibility.
Announcements and Release Notes	Describe new, supplemental, or modified policies, procedures, and requirements, and amend the <i>Selling Guide</i> or <i>Servicing Guide</i> documents posted on fanniemae.com.
Lender Letters and Selling and Servicing Notices	Communicate new or modified policies and requirements that may be temporary in nature, reminders of existing policies, or advanced notice of policy changes with future effective dates to be included in future <i>Selling Guide</i> or <i>Servicing Guide</i> updates. Also provide information that lenders/servicers need but that does not require an update to <i>Selling Guide</i> or <i>Servicing Guide</i> text, such as an update to an exhibit on Fannie Mae’s website.
Exhibits and Forms Incorporated by Reference	Exhibits relate to Fannie Mae policies and requirements and may be in the Guides or referenced by hyperlink. Specific forms lenders and servicers must use to fulfill the policies and requirements contained in the <i>Selling</i> and <i>Servicing Guides</i> are referenced in the Guides and published on Fannie Mae's website.
Mortgage Selling & Servicing Contract (MSSC)	Establishes the lender’s contractual relationship with Fannie Mae, sets forth the terms and conditions for the lender to sell mortgages to Fannie Mae, and incorporates the <i>Selling Guide</i> and <i>Servicing Guide</i> .
Seller Negotiated Contracts	Establishes negotiated guideline exceptions that are acceptable due to alignment with our credit risk appetite and the lender’s overall control environment.

Fannie Mae is focused on bringing transparency to its seller/servicer counterparties through policy communications, key to the success of our reps & warrants framework. We provide targeted announcements and commentaries to investors to support transparency into our programs.

Selling Guide, Servicing Guide, Announcements, Lender Letters, Notices are available on fanniemae.com (and AllRegs® by paid subscription) and constitute part of the contract between Fannie Mae and the sellers and servicers. News is pushed to external parties by subscribing to Fannie Mae’s free email subscription services available on fanniemae.com.



Proprietary Tools Support Quality Underwriting

Desktop Underwriter® (DU®)

Automates Fannie Mae's underwriting guidelines and credit policies by performing detailed analysis of credit and mortgage risk factors.

- Available to all Fannie Mae Sellers.
- Allows us to make a risk recommendation for the loans.*
- Continually innovate ways to enhance loan quality.
- DU validation service uses designated third-party data vendors to independently validate borrower income, assets, and employment data.

*DU risk recommendations inform Sellers whether a loan — if closed — would be eligible for sale to Fannie Mae. Credit decisions are made by Fannie Mae Sellers.

Collateral Underwriter® (CU®)

Proprietary appraisal analytics tool for measuring appraisal risk using electronic appraisal records to improve loan quality.

- Incorporated into DU and available to all Fannie Mae Sellers.
- Drives quality improvements across the industry.
- Proprietary appraisal risk assessment tool, unique to the industry.
- Enables us to provide value representations & warranties (reps & warrants) relief on eligible transactions.
- The underlying collateral data enables us to provide Value Acceptance (Appraisal Waivers) on eligible transactions.

Our tools are some of the most widely used in the industry supporting comprehensive credit risk management.



DU's Comprehensive Risk Evaluation

Performs a detailed analysis of each borrower's credit profile and other mortgage risk factors, weighing each based on the amount of risk and its importance to the recommendation.

Credit profile risk factors

- Credit history
- Delinquent accounts
- Installment loans
- Rent payment history
- Revolving credit utilization
- Public records
- Foreclosures and collections
- Credit inquiries
- Trended credit data

Additional risk factors

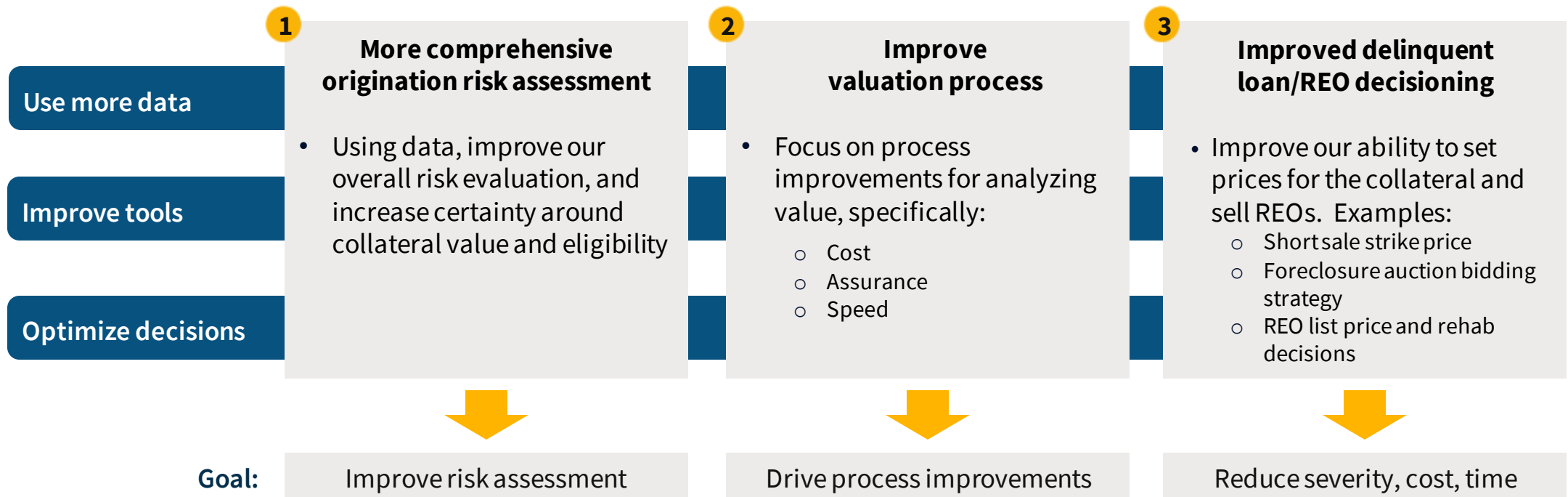
- Borrower's equity and loan-to-value ratio
- Liquid reserves
- Loan purpose
- Loan term
- Loan amortization type
- Occupancy type
- Debt-to-income ratio
- Housing expense ratio
- Property type
- Co-borrowers
- Variable income

DU does not rely on credit scores. Rather, it performs a detailed analysis of credit and mortgage risk factors.



Collateral Risk Management

By having a centralized focus on collateral risk management across origination, servicing, and REO, Fannie Mae can more effectively create leading practice methods for analyzing collateral risk, improve efficiencies across a myriad of valuation processes and optimize liquidation results.



Fannie Mae's execution on its strategic collateral risk management priorities allows for a greater understanding and more effective management of collateral risk throughout all stages of a loan.



Undervaluation Risk Flag (UVF)

UVF logic is symmetrical to the overvaluation risk flag (OVF) giving lenders an additional tool to help them identify and investigate potential misvaluation.

We delivered training to more than 700 lenders, created an in-tool job aid, step-by-step user guide, and a high-level video for on-demand training.

The screenshot displays the Collateral Underwriter (CU) interface. At the top, there are navigation tabs: Overview (4), Comparables (highlighted with a red circle), Adjustments, Sales History, and Market Trend. Below the tabs is a search bar with 'Address' and 'Search By Address' options. The main content area shows a property image and a table of metadata:

DOC FILE ID	LNDR LOAN NUMBER	APPRAISED VALUE	PROPERTY TYPE	PURPOSE	APPRAISER	APPRAISAL DATE	LENDER	UCDP STATUS	DESIGNATED DATE
ABC1234567	123456789	\$158,000	SF	Refinance	Appraiser-12345	01-13-2022	ABCDE	N/A	N/A

Below the metadata, there is a 'Summary' section with a 'Risk Score' gauge showing 3.6 on a scale from 1 (Low Risk) to 5 (High Risk). Below the gauge are four risk categories: Overvaluation (N/A), Undervaluation (Heightened Risk), Property Eligibility (N/A), and Appraisal Quality (N/A). To the right, a 'Messages' section lists risk scores and flags:

- 1000** The Collateral Underwriter Risk Score is 3.6 on a scale of 1 to 5 where 5 indicates highest potential collateral risk. A score of 999 indicates no Collateral Underwriter Risk Score available.
- 1010** There is a heightened risk of undervaluation.
- 1042** CU has identified comparable sales that may be more similar to the subject than those relied on by the appraiser. Ensure that the appraiser has relied on comparables that are the best and most appropriate for the assignment. See the CU Comparables tab for details.

Top Three Undervaluation Risk Reason Codes

Adjusting Comparable Sales Prices (adding/subtracting due to features)

Adjusting Based on Date of Sale (changes in the real estate market)

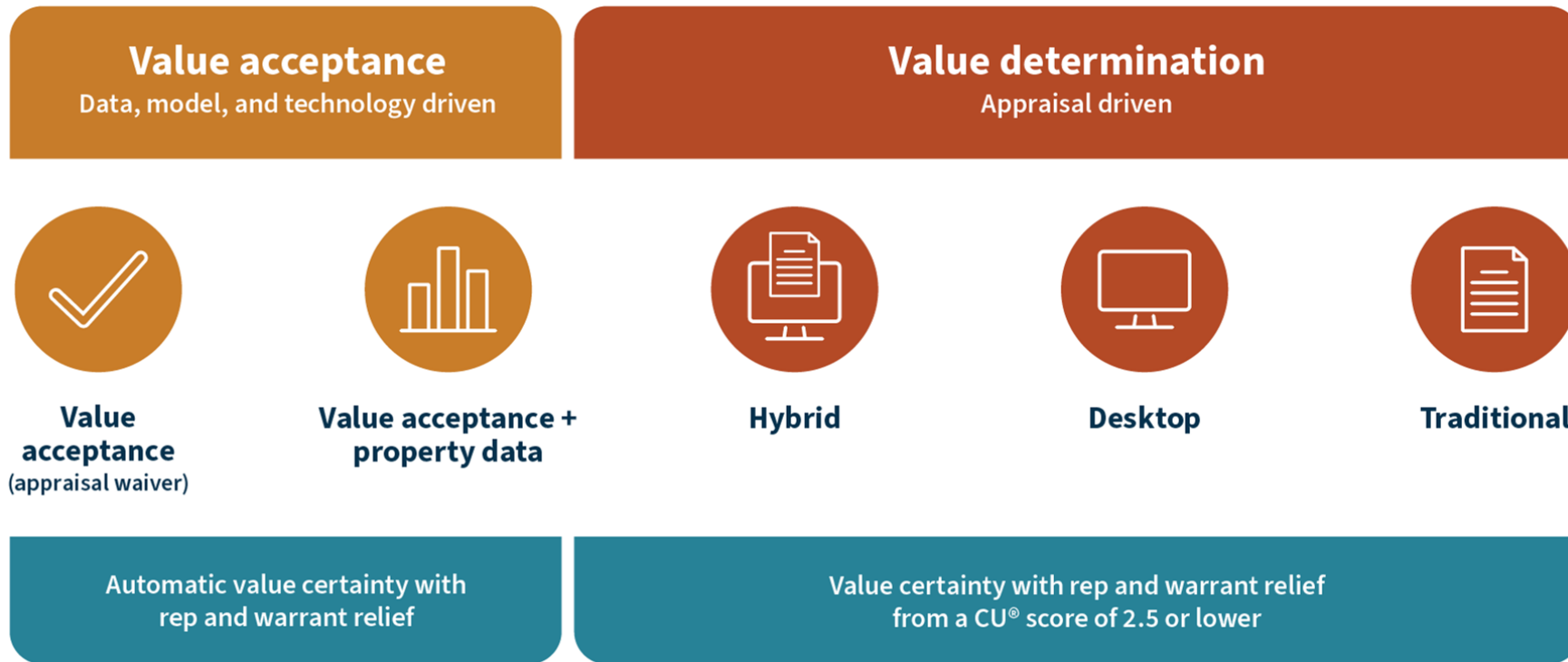
Adjusting Due to Location (external influences impacting the property)

Fannie Mae implemented an undervaluation risk flag (UVF) in Collateral Underwriter® (CU®) on June 26, 2022.



The Modern Valuation Spectrum

Fannie Mae is on a journey of continuous improvement to make the home valuation process more efficient and accurate.



Modernizing the valuation process will help to reduce costs for borrowers, create more certainty of closing for lenders and borrowers, align the risk of the transaction to the appropriate valuation offering, and reduce the risk of appraisal bias.



Loan Quality Management Sampling Strategies

Portfolio Risk

- Monthly statistically valid random sample of Fannie Mae's acquisitions determines overall loan defect rate and trends.
- Discretionary loan selection driven by automated data and analysis tools that evaluate new loan acquisitions for credit, collateral and data defects.

Manage overall level of Fannie Mae loan quality

Seller Risk

- Seller stratification of random sample provides statistically valid defect rate for top sellers and allows for easy comparison across sellers to drive seller action planning.
- Discretionary selections target new sellers and emerging risks.
- Supplemental random selections to ensure every seller with at least 10 loans sold to us in a year is subject to a loan level QC review.

Manage seller specific loan quality performance and trends

Tail Risk

- Loans that experience early payment defaults are reviewed to determine if poor loan quality contributed to early delinquency. Selection is based on business rules.
- Seriously delinquent and liquidated loans undergo predictive model-driven analysis, which assigns a repurchase risk score. Loans above the prescribed risk score are selected for review. Focus is on loss mitigation.

Manage loan level outliers and mitigate losses

Loan quality review sampling strategies are designed to manage three levels of risk: portfolio risk, seller risk and tail risk.



Loan Quality Management Post-Purchase Review Processes

Ensures compliance and provides lenders with actionable data and feedback about loan origination quality.

Post-purchase file review process

- Validates that loans Fannie Mae purchased were originated in accordance with applicable requirements.
- Uses proprietary underwriting risk assessment forensics tool in QC reviews and finds data anomalies that may impact eligibility.
- Full underwriting review of random and some discretionary selections are completed when a loan file is requested from a lender.
- Component reviews are performed on some targeted reviews as a supplement.

Loan defect remedies

Remedies enforce contractual rights and motivate the lender to correct its manufacturing processes.

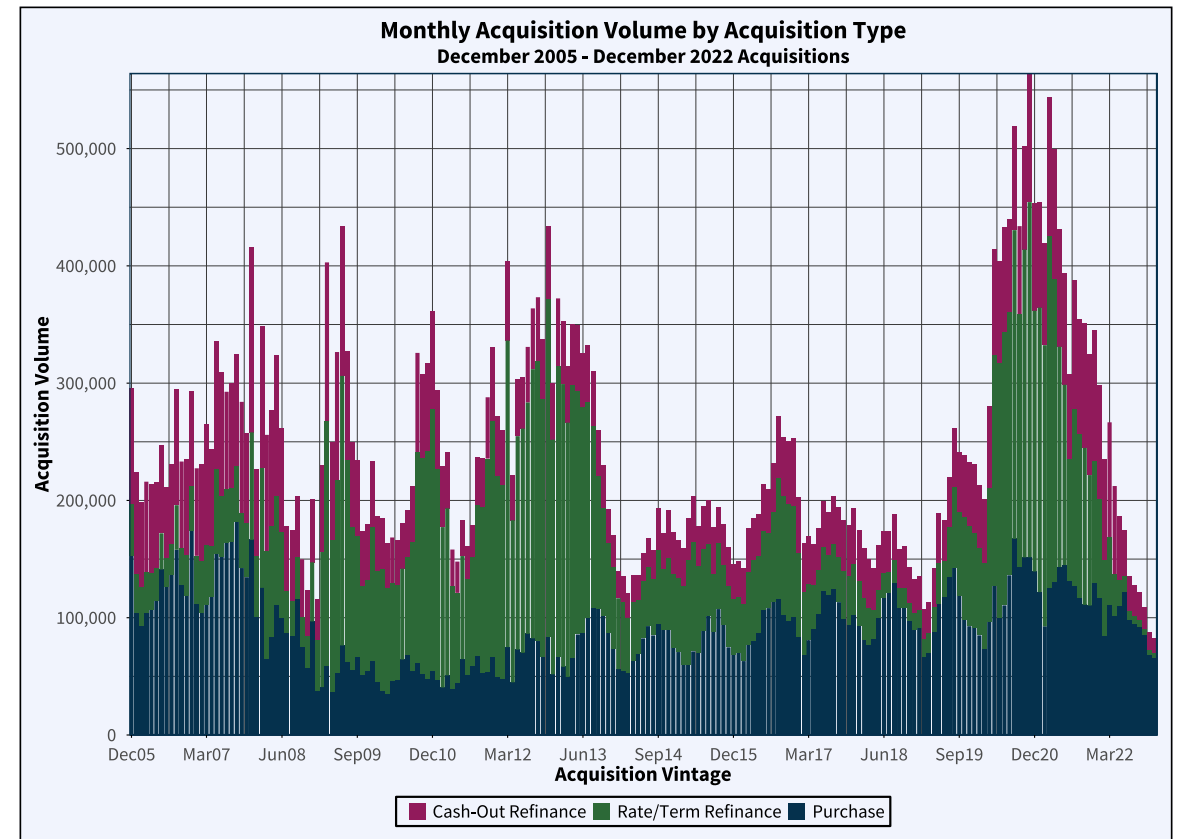
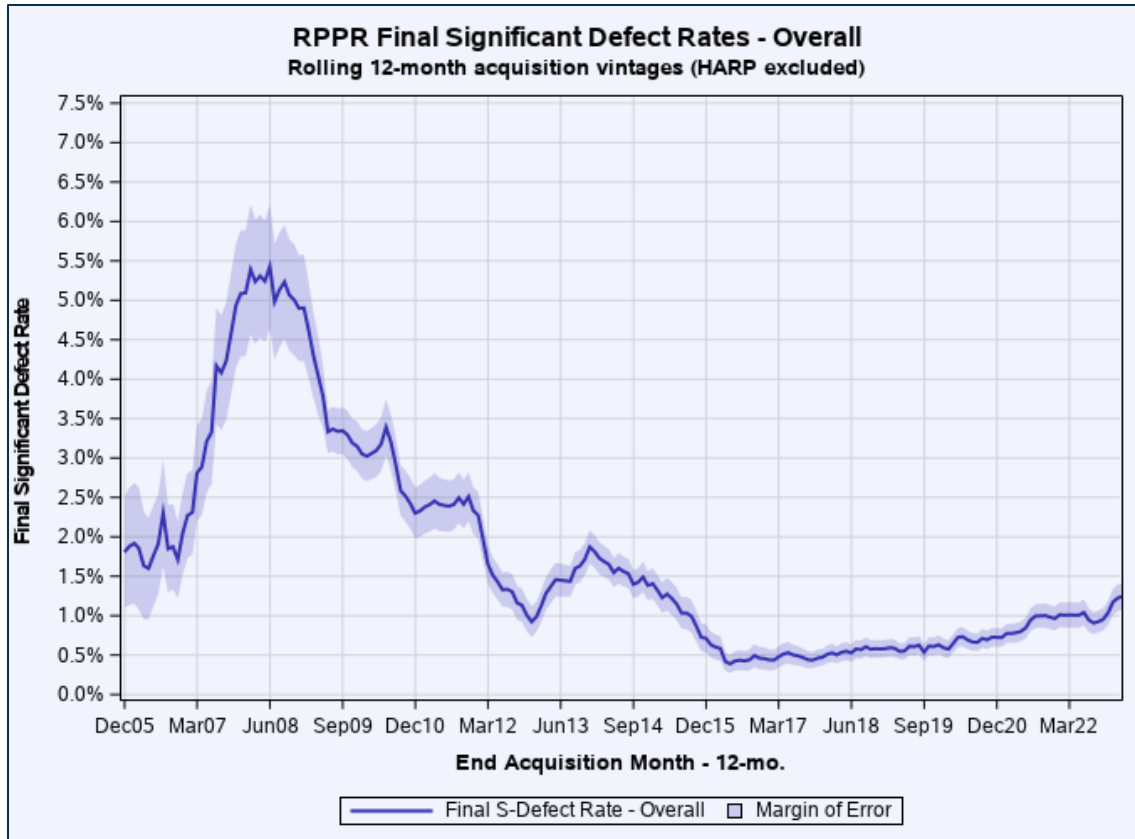
Defect type	Defect description	Remedies
Finding	Defect does not necessitate a change in the price of the loan or result in the loan being ineligible for sale.	None, but Fannie Mae provides lender education and feedback.
Price-adjusted loan	Loan was otherwise eligible for sale had the correct loan-level price adjustment (LLPA) been paid to Fannie Mae by the lender.	Seller submits data correction and pays the applicable LLPA. <ul style="list-style-type: none"> • Could trigger CRT Reference Pool removal, depending on nature of data change.
Significant defect	Defect that either necessitates a change to the price on which the loan was acquired or results in the loan being ineligible for purchase.	Loan repurchase, or repurchase alternative, which may include payment of a fee and/or an agreement by the lender to provide recourse on the loan. <ul style="list-style-type: none"> • Repurchases and repurchase alternatives are treated as CRT Reference Pool removals.

Fannie Mae's loan review process pairs analytical tools with human reviews to ensure compliance.



Post-Purchase Loan Review Outcomes

Eligibility defect rates for Single-Family loan acquisitions based on random post purchase review outcomes:



Review data as of July 31, 2023;
Acquisitions as of December 2022

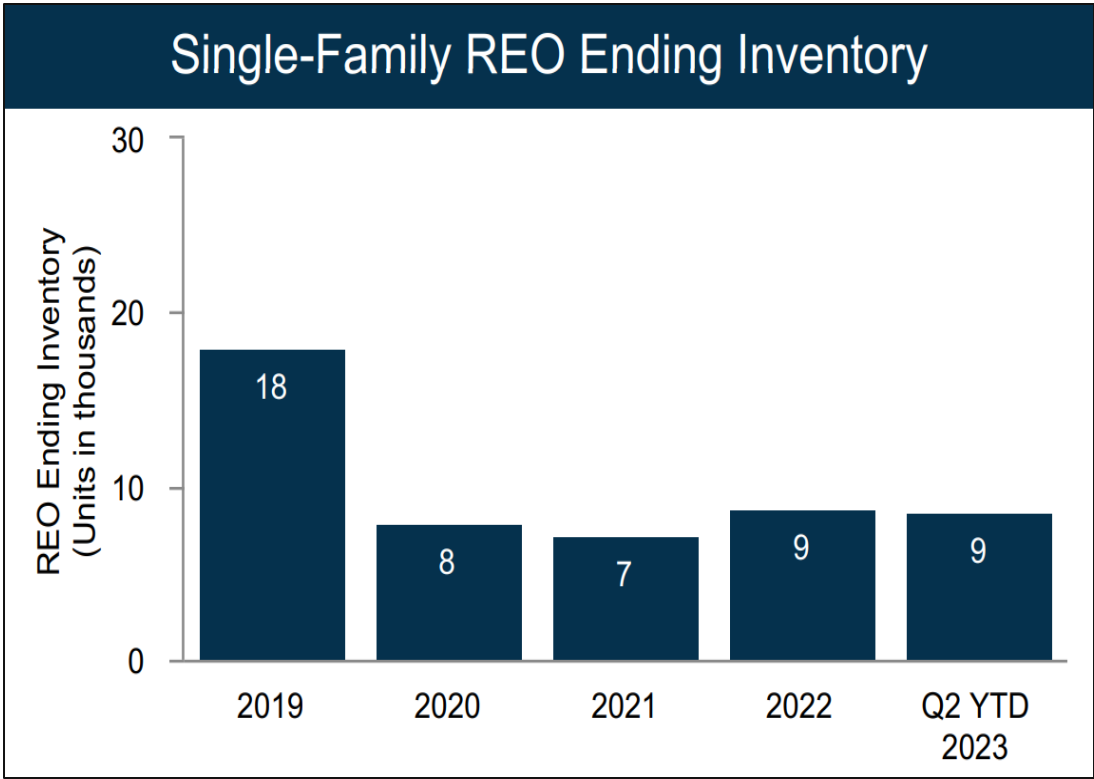
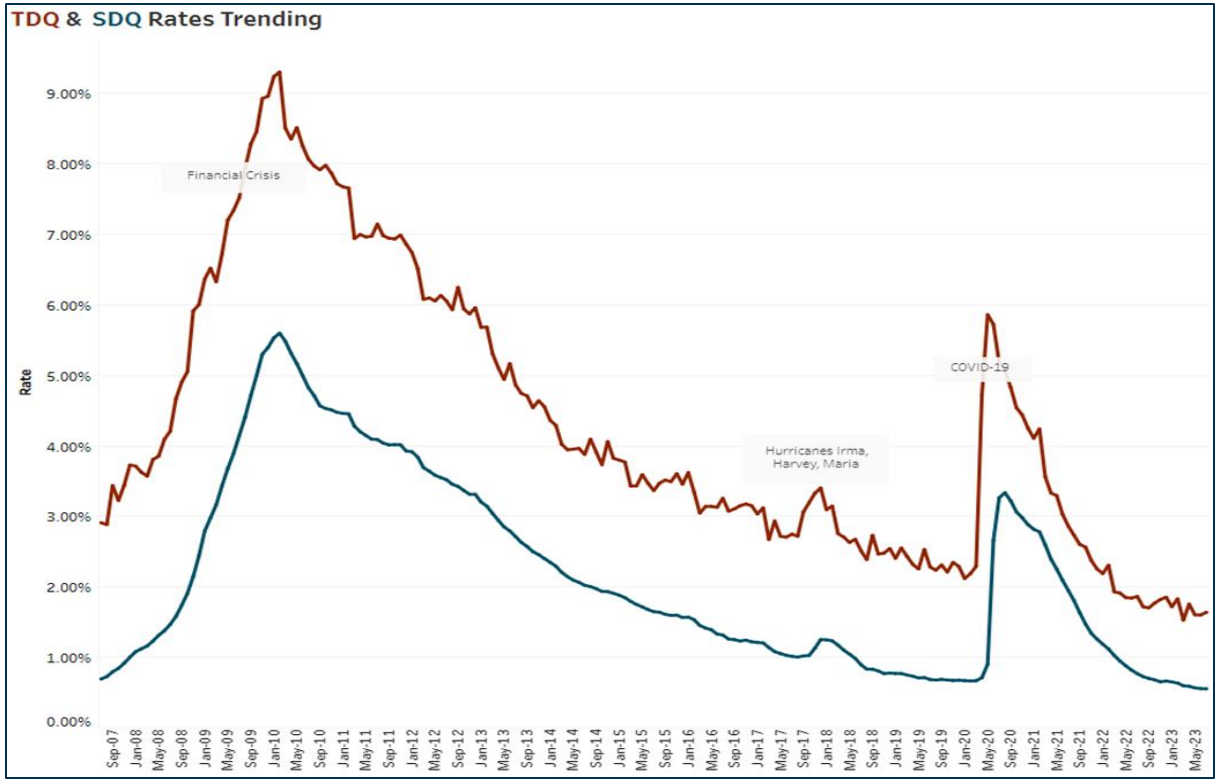
Fannie Mae's approach has helped improve the level of loan manufacturing quality over time.



SF TDQ, SDQ, & REO Trends

1.63% TDQ Rate; July 2023

0.55% SDQ Rate; July 2023



Historically low TDQ, SDQ, and REO volumes.



Functional Capabilities

Our full range of credit risk management capabilities includes our valuation, sales strategy, and fulfillment operations to maintain and ready properties for sale.

Valuation

- Full range of distressed loan and real estate disposition capabilities utilized for management of the portfolio. **Disposed of over 1.8 million properties since 2009.**

Sales

- Disposition capabilities include Mortgage Releases (Deed-in-Lieu of Foreclosures), Short Sales, Foreclosure Auction Sales, REO Retail Sales, REO Auction Sales, and Community First Sales. Operational capabilities to support these various channels include Valuations, Property Preservation, Repairs, Title/HOA/Tax, Rental/Cash for Keys/Eviction, and Vendor Management.
- Fannie Mae utilizes a 100% in-house REO sales team leveraging a **~850-member nationwide real estate agent network**. Sales teams are assigned geographically based on volumes.

Fulfillment

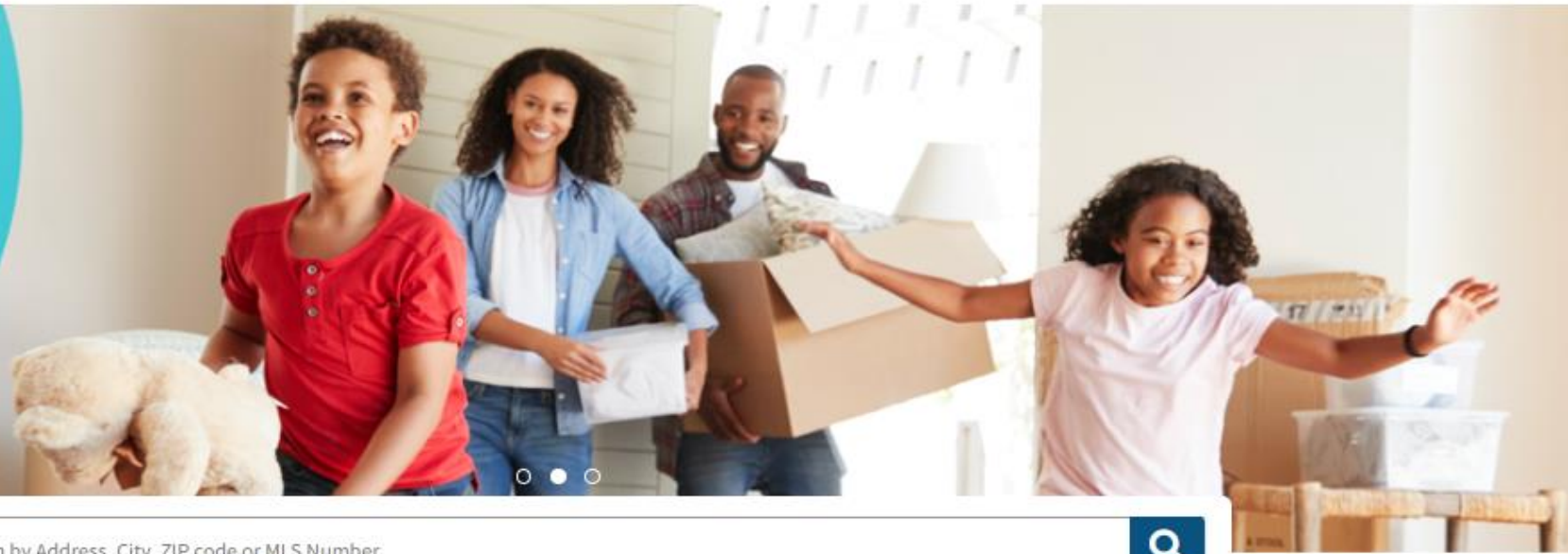
- Fannie Mae leverages our HomePath.com website to market our REO properties and provides increased transparency and a streamlined offer management process including digital signing capabilities.
- Fannie Mae's peer performance as an REO disposition seller shows placement among industry leaders based on publicly available severity levels and MLS data.

Our real estate strategy is to create affordable supply and maximizing opportunities to owner occupied and community minded outcomes.



The better path to finding a home

HomePath makes it easy to search for homes and make offers on available Fannie Mae houses for sale.



Search by Address, City, ZIP code or MLS Number



HomePath®

Fannie Mae’s real estate marketing website provides homebuyers and real estate agents direct access to search for Fannie Mae owned properties available for sale and information on programs supporting opportunity for homeownership.



30-Day First Look™

Exclusive access to owner-occupant and community-minded purchasers for newly listed properties.



Offer Management

Platform provides online offer experience to buyers and agents from offer submission through offer negotiations.



Transaction Status

Increased visibility for buyers through online dashboards and email notifications.



Enhanced Marketing

Professional photographs on all repaired properties, along with virtual staging & aerial view capabilities.



DocuSign® Integration

Electronic contract signature & execution process providing simple, fast, and secure process.



AMI Concession

3% closing cost credit for owner-occupant buyers of HomePath properties if household income is at or below the area median income (AMI.)



Ready Buyer™ Program

First-time homebuyers who complete Fannie Mae’s HomeView™ course may receive up to 3% closing cost credit.



Appraisal Credit

HomePath properties may be eligible for a \$500 lender credit to cover the cost of the borrower’s appraisal.

*Credits may be combined subject to lender restrictions



Borrower Outreach

Quality Right Party Contact (QRPC), a uniform standard for communicating with borrower, co-borrower, or trusted advisor, supports resolution of mortgage loan delinquency.

Helps servicers to help their borrowers. Benefits include:

Quality Right Party Contact aims to:

- Determine reason for delinquency and whether it is temporary or permanent.
- Assess whether borrower has ability to repay mortgage loan debt.
- Educate borrower on available workout options, as appropriate.
- Obtain commitment from borrower to resolve the delinquency.



Fannie Mae

- Deeper engagement earlier in the delinquency results in better loan performance.
- Reduction in SDQ and foreclosures.
- Reduction in credit losses.



Servicers

- Sets industry standard of customer service excellence.
- Improved response rates and take-up rates.
- Improved STAR performance.



Homeowners

- Options to avoid foreclosure discussed early, increasing likelihood of maintaining homeownership
- Early engagement builds relationships and homeowner advocacy.
- Increased satisfaction with loss mitigation experience.

Fannie Mae establishes, and monitors servicers' progress against, transparent outreach timelines in order to assist borrowers with foreclosure prevention options quickly and effectively.



Comprehensive Disaster and Hardship Response

Through policies and guidance in our *Selling and Servicing Guides*, Fannie Mae provides a comprehensive disaster and hardship response.

Homeowner support

- Suspend late charges.
- Fannie Mae’s disaster recovery counseling, a comprehensive case-management service for disaster-affected homeowners whose mortgage loans are owned by Fannie Mae.
- Fannie Mae’s consumer website provides help for homeowners and renters impacted by hardship, including “Here to Help” in response to COVID-19.

Partner Support

- In some cases, reimburse seller/servicers for costs of inspecting impacted properties.
- In some cases, provide updated underwriting and appraisal flexibilities based on the disaster or hardship scenario.
- Update reps & warrants relief framework to address loans in disaster forbearance.

Home Retention solutions

- Servicers are authorized to offer eligible borrowers forbearance plans for up to 12 months. When the forbearance plan expires, loss mitigation options may include:
- The borrower resumes making mortgage payments and brings their loan current through reinstatement.
 - The borrower is approved for another workout option, including a repayment plan, payment deferral, or loan modification.

Property preservation

- Local field team at-the-ready to provide preventative preservation action for REO properties as needed.
- Conduct damage assessments on properties securing active and REOs using mobile technology and aerial photography as needed.
- REO properties are maintained to protect neighborhoods and value.

Neighborhood stabilization

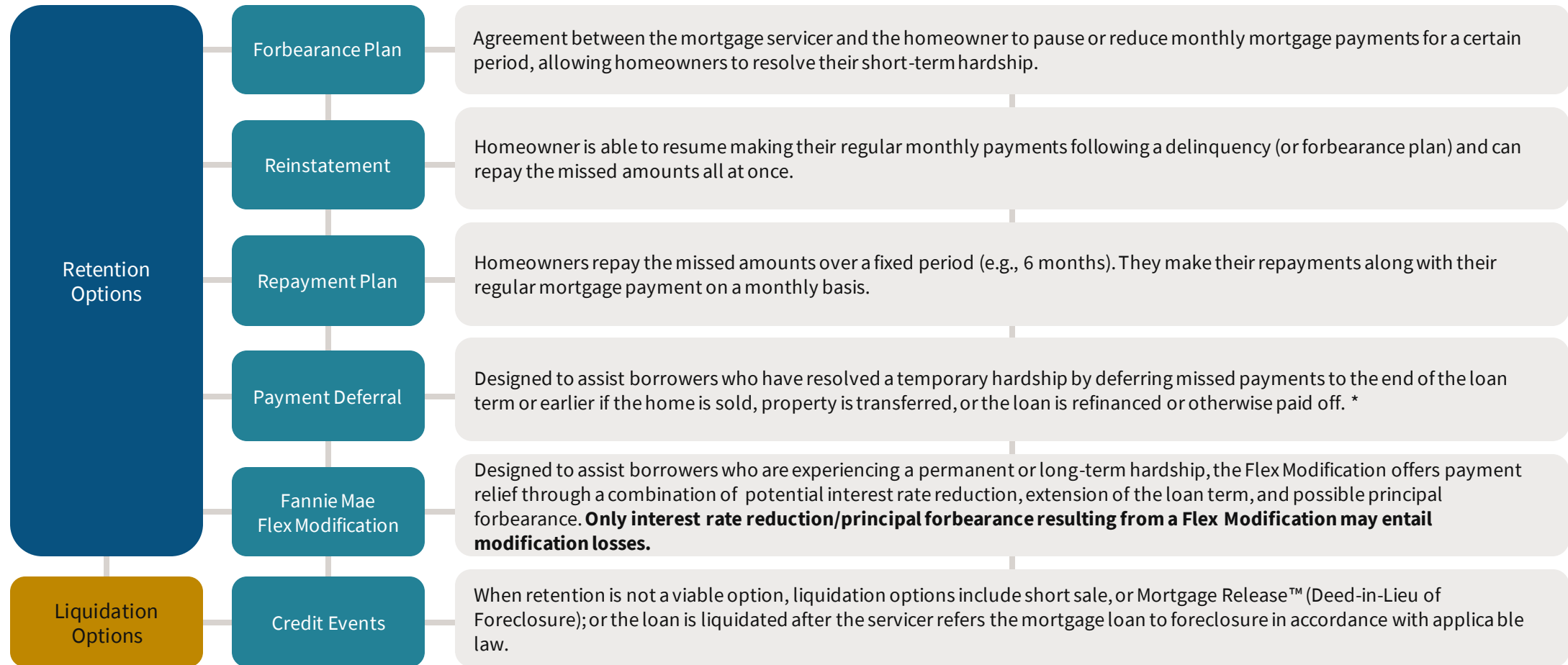
- Fannie Mae’s REO repair strategy helps to provide affordable housing for owner occupant purchasers.
- Community First enables community-minded buyers and entities focused on stabilization an opportunity to purchase REO homes.
- Support rebuilding efforts for REO properties in disaster impacted areas: Paradise, CA.
- Currently evaluating options to help strengthen houses against hurricanes and high winds to improve sustainability.

Fannie Mae’s robust disaster and hardship response provides assistance to servicers to work with their homeowners in times of crisis.



Workout Hierarchy

Programs to help both servicers and borrowers manage delinquent mortgage loans and avoid foreclosure.



*CAS: Payment deferrals are currently not treated as modification events in the structure.

*CIRT: Beginning with CIRT 2023-1, Payment Deferral is a covered modification expense in the CIRT structure. Losses associated with payment deferrals are a covered modification loss in the CIRT structure.



Updates to Payment Deferral

Key Terms	New Payment Deferral
Mandatory Effective Date	As early as 07/01/2023 but no later than 10/01/2023
Hardship	<ul style="list-style-type: none"> • Available to all non-disaster hardships • The financial hardship must be resolved
Delinquency	<ul style="list-style-type: none"> • Deferral of at least 2 and up to and including 6 months of past-due P&I payments (including advanced escrow and allowable servicing advances paid to third parties). • 12 months cumulative cap of past-due P&I payments deferred over the life of the mortgage loan. • No rolling DLQ or Trial Period Plan (TPP) requirements. <p><i>Note:</i> Deferred P&I payments from a previous disaster payment deferral or a COVID-19 payment deferral do not count against the cumulative cap.</p>
Eligibility	<ul style="list-style-type: none"> • The servicer must achieve QRPC (solicitation is acceptable in certain detailed circumstances as defined below) • The homeowner must be capable of making the full monthly contractual payment, including the amount required to repay any escrow shortage amount over a term of 60 months, and • The homeowner is unable to reinstate the mortgage loan or afford a repayment plan to cure the delinquency. • The servicer must <ul style="list-style-type: none"> ○ confirm that the borrower is current on the payments of all escrow-related items for non-escrowed accounts, or ○ analyze an existing escrow account to estimate the periodic escrow deposit required to ensure adequate funds are available to pay future charges, and ○ spread repayment of any escrow shortage amount in equal monthly payments over a term of 60 months, unless the borrower decides to pay the shortage amount up-front or over a shorter period, not less than 12 months. • Within 12 months of being evaluated for a standard payment deferral, the mortgage loan must not have <ul style="list-style-type: none"> ○ Received a prior standard payment deferral ○ Been modified with a standard Flex Mod ○ Failed a standard Flex Mod trial period plan • The mortgage loan must not be within 36 months of its maturity or projected payoff date.
Solicitation	<ul style="list-style-type: none"> • The servicer must solicit an eligible borrower for a payment deferral in two scenarios where QRPC has not been achieved: <ul style="list-style-type: none"> ○ Within 15 days post-forbearance plan, and ○ Within 15 days after a failed repayment plan. • If the borrower becomes 60-days delinquent within six months of the payment deferral's effective date and the servicer is unable to achieve QRPC, the servicer must solicit for a Fannie Mae Flex Mod.

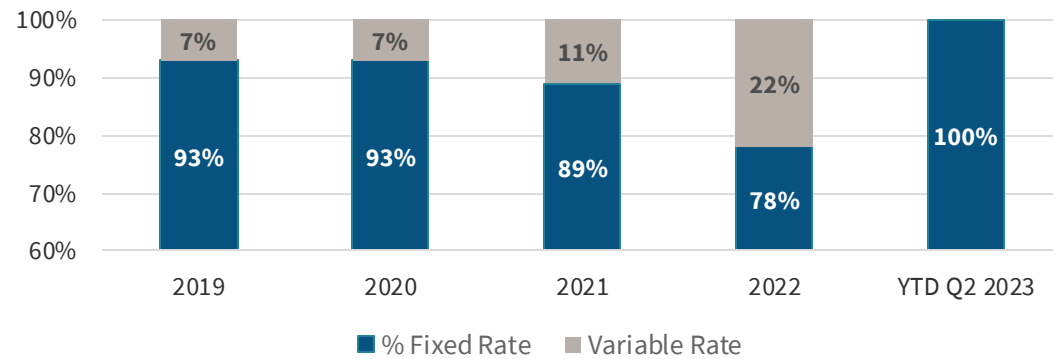


Our Multifamily Business

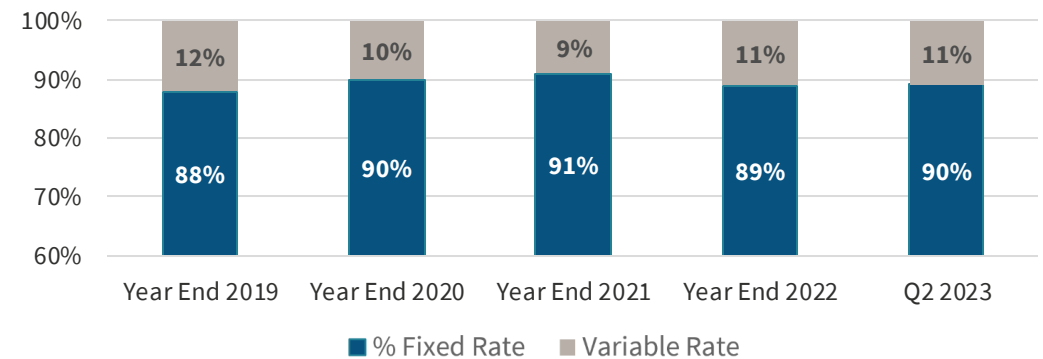


Credit Characteristics of Multifamily Guaranty Book of Business

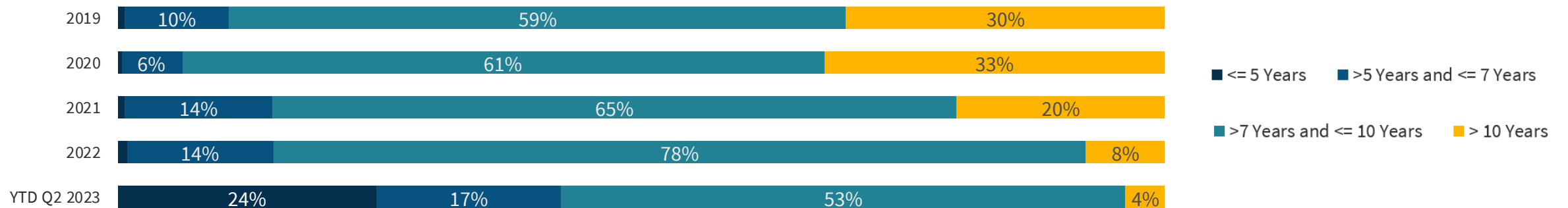
Multifamily Acquisitions by Interest Type



Multifamily Book of Business by Interest Type



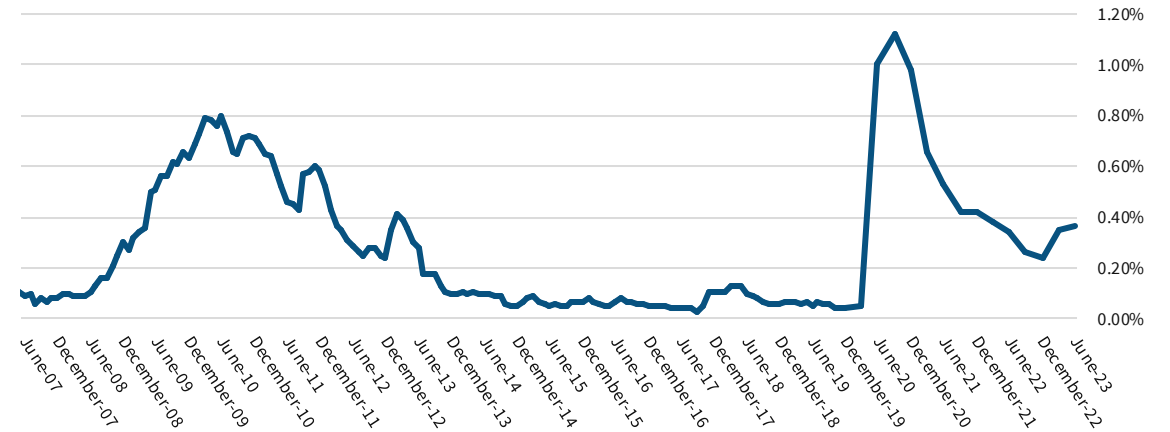
Multifamily Acquisitions by Loan Term



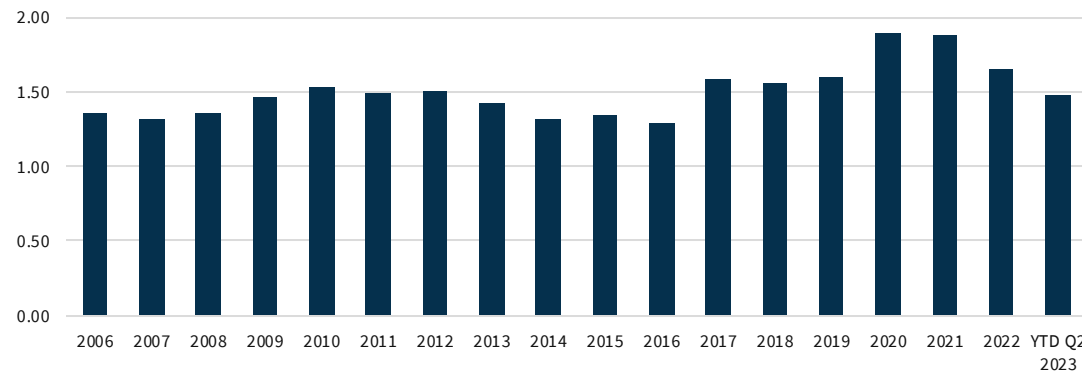
Fannie Mae's DUS MBS Underwriting History

- As of June 2023, CMBS serious delinquency rate (“SDQ”) stands at 3.90%.¹
- Serious delinquency rate of multifamily book of business as of June 30, 2023: 37 bps (0.37%).²
- Annual average credit characteristics have remained relatively consistent over time.

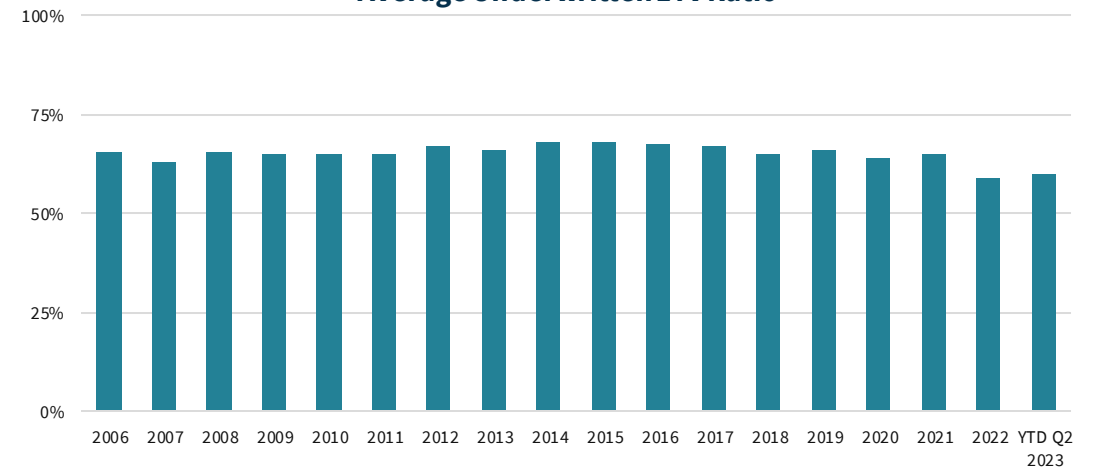
Monthly Multifamily Serious Delinquency Rate



Average Underwritten Net Cash Flow Debt Service Coverage Ratio³



Average Underwritten LTV Ratio



¹ Trepp's CMBS Delinquency Report: CMBS SDQ is based on 30-days + delinquency rate

² Fannie Mae's multifamily loans are classified as seriously delinquent when payment is 60 days or more past due.

³ Reflects UW DSCR per Guide Requirements for periods prior to 2017 and UW NCF DSCR after 2017



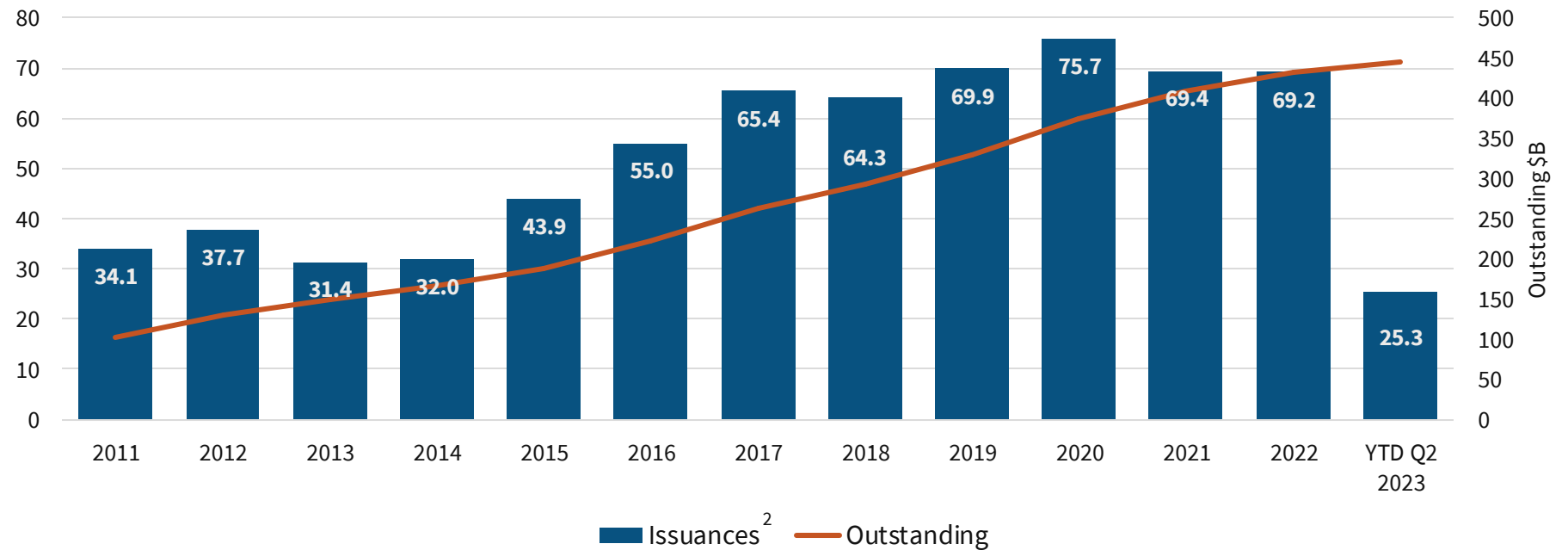
Multifamily Capital Markets



Fannie Mae's Multifamily MBS Issuance

Fannie Mae MBS Issuance

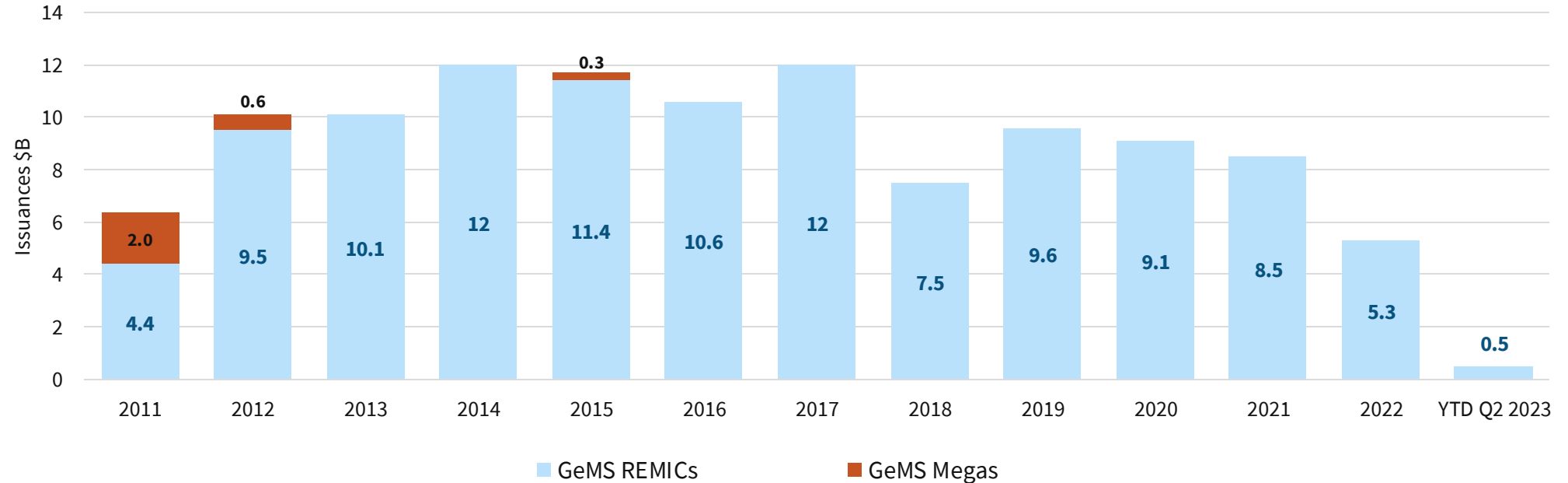
- Daily Issuance
- Typical Deal Terms:¹
 - Single loan backs each pool
 - \$3-\$10 million Loan Size
 - 10-year Balloon
 - 9.5 Years of Call Protection
 - 30-year Amortization
 - No more than 80% LTV
 - Not less than 1.25 DSCR



¹The terms of individual DUS may vary from the terms listed below.

²Reflects unpaid principal balance of multifamily Fannie Mae MBS issued during the period. The number includes Fannie Mae portfolio resecuritization transactions and conversions of adjustable-rate loans to fixed-rate loans and DMBS securities to MBS securities. Bond Credit Enhancements and Cash Credit Enhancements are excluded.

Fannie Mae's GeMS Issuance



- DUS MBS Collateral
- Executed via REMIC or Mega Structures
- Monthly Issuance
- Collateral Diversification
- Customizable Cash Flows
- Block Size
- Par Pricing
- Dealer Syndicate Distribution



Multifamily Credit Risk Transfer

Our Multifamily (MF) Credit Risk Transfer programs, Multifamily Credit Insurance Risk Transfer (MCIRT™) and Multifamily Connecticut Avenue Securities (MCAS™), complement the Delegated Underwriting and Servicing (DUS®) model by helping reduce Fannie Mae mortgage credit risk while attracting additional private capital to the multifamily housing market.

26%

MF guaranty book in a MCRT transaction

Approximately \$116.9 billion of outstanding unpaid principal balance (UPB) of MF loans in a CRT transaction

\$120.4B

UPB* covered through MCIRT transactions

Approximately \$2.78 billion of back-end credit risk transferred to diversified insurers and reinsurance counterparties, measured at the time of the transactions

\$29B

UPB* in coverage from MCAS

Nearly \$900M of back-end credit risk transferred to a broader and more diverse investor base

14

Number of MF CRT deals

12 MCIRT deals since program inception in 2016 and 2 MCAS deals since program inception in 2019

All figures shown are as of June 30, 2023

**Approximate UPB, measured at the time of the transactions.*





Environmental, Social and Governance



The Consumer Housing Journey research quantifies key obstacles that renters and homeowners experience as they secure and maintain housing

Key obstacles



Insufficient credit/access to credit



Reduce up-front housing costs



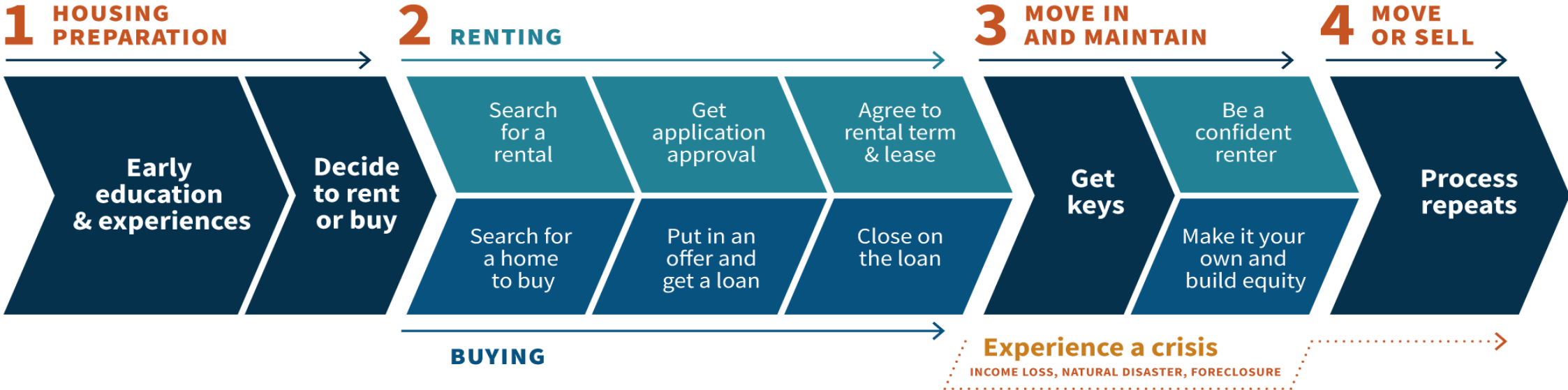
Inadequate supply of affordable housing



Financial resilience



Property resilience/durability





Fannie Mae®

