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Fannie Mae Reports Third-Quarter 2010 Results

Net Loss of \$1.3 Billion Reflects Stabilizing Credit-Related Expenses and Increased Revenue

Company Has Reserved for Substantial Majority of Expected Losses

Credit Profile of 2009 – 2010 Single-Family Loan Book Remains Strong

WASHINGTON DC – Fannie Mae (FNMA/OTC) today reported a net loss of \$1.3 billion in the third quarter of 2010, compared to a net loss of \$1.2 billion in the second quarter of the year. The company continues to focus on building a strong new book of business and returning to profitability (excluding Treasury dividend payments), and its operating results reflect stabilizing credit-related expenses and increasing revenues.

The company's net loss attributable to common stockholders was \$3.5 billion, including \$2.1 billion in dividend payments to the U.S. Treasury. To eliminate the company's net worth deficit of \$2.4 billion as of September 30, 2010, more than 85 percent of which is the dividend payment to Treasury, the Federal Housing Finance Agency has requested \$2.5 billion on the company's behalf from Treasury. Upon receiving those funds, the company's total obligation to Treasury for its senior preferred stock will be \$88.6 billion. The company has paid a total of \$8.1 billion in dividends to Treasury.

"Our operating results reflect our ongoing efforts to manage the credit-related expenses in our legacy business and build a new, profitable book of business," said Fannie Mae President and CEO Michael J. Williams. "The loans we have acquired since the beginning of 2009 reflect our commitment to realistic, common-sense lending standards and sustainable homeownership. Their credit profile remains strong, and we expect these loans to be profitable over their lifecycle. We are building this new book of business while we continue to provide liquidity to America's housing market as it struggles to recover, and to support programs to help families stay in their homes and avoid foreclosure whenever possible."

- 2009 2010 Single-Family Book of Business: Single-family loans the company has acquired since the beginning of 2009 comprised more than 35 percent of its single-family guaranty book of business as of September 30, 2010, compared with 24 percent as of December 31, 2009. The company continues to expect that these loans will be profitable over their lifecycle, given their strong credit risk profile and performance to date. The rate at which loans become seriously delinquent within a short period of time after acquisition is an early predictor of the ultimate performance of loans, and the loans the company acquired in 2009 have experienced historically low levels of early-stage delinquencies.
- 2005 2008 Single-Family Book of Business: From the beginning of 2009 through the third quarter of 2010, the company has reserved for or realized approximately \$110 billion of losses on its single-family loans, the vast majority of which are attributable to loans it purchased or guaranteed from 2005 through 2008. The company estimates that it has reserved for the substantial majority of the remaining losses on these loans. Single-family loans that the company purchased or guaranteed from 2005 through 2008 are becoming a smaller percentage of the company's guaranty book of business, having decreased to 42 percent as of September 30, 2010 from 63 percent as of December 31, 2008. The company's single-family serious delinquency rate, which has fallen for seven consecutive months, decreased to 4.56 percent as of September 30, 2010, from 4.99 percent as of June 30, 2010, and was the first year-over-year decline in the company's serious delinquency rate since 2007. The company expects serious delinquency rates may be affected in the future by home price changes, changes in other macroeconomic conditions, and the extent to which borrowers with modified loans again become delinquent in their payments.
- Providing Liquidity to the Market: During the first nine months of 2010, the company purchased or guaranteed an estimated \$613 billion in loans, which includes approximately \$195 billion in delinquent loans the company purchased from its single-family mortgage-backed securities trusts. Fannie Mae remained the largest single issuer of mortgage-related securities in the secondary market during the third quarter, with an estimated market share of new single-family mortgage-related securities of 44.5 percent, compared with 39.1 percent in the second quarter of 2010. Since January 2009, Fannie Mae has provided about \$1.4 trillion in liquidity to the market through loan purchases and guarantees, including approximately \$230 billion in delinquent loans the company purchased from its single-family MBS trusts, financing approximately 4,874,000 conventional single-family loans and approximately 571,000 multifamily units.
- Avoiding Foreclosure: During the first nine months of 2010, the company completed more than 410,000 single-family loan workouts, including more than 350,000 home-retention workouts. In the third quarter of 2010, the company completed home-retention workouts (including modifications, repayment plans, and forbearances) for more than 113,000 loans with an aggregate unpaid principal balance of \$23 billion. On a loan count basis, this represented a 14 percent decrease over home-retention workouts completed in the second quarter of 2010, which was due primarily to a decrease in loan modifications. Details of the company's home-retention workouts, other foreclosure alternatives, and refinances include:

- Loan modifications, including permanent modifications under the Home Affordable Modification Program, of 106,365, compared with 121,693 in the second quarter of 2010. This figure does not include HAMP modifications in trial periods. Modifications decreased in the third quarter as the company began verifying borrower income prior to completing Fannie Mae modifications for borrowers who were ineligible under HAMP, which reduced the company's modifications outside the program.
- o **Repayment plans/forbearances** completed of 6,208, compared with 8,716 in the second quarter of 2010.
- o **Preforeclosure sales** and **deeds-in-lieu of foreclosure** of 20,918, compared with 21,515 in the second quarter of 2010. The decrease was due primarily to weak market conditions affecting pre-foreclosure sales during the quarter.
- o Fannie Mae acquired or guaranteed approximately 541,000 loans that were **refinances** during the third quarter of 2010, including approximately 159,000 loans through its Refi PlusTM initiative. On average, borrowers who refinanced during the third quarter of 2010 through Refi Plus reduced their monthly mortgage payments by \$141, or \$1,692 annually. The company acquired or guaranteed approximately 354,000 loans that were refinances in the second quarter of 2010, including 126,000 through Refi Plus.
- <u>Homeowner and Borrower Initiatives</u>: The company continues to develop programs and initiatives that are designed to help keep people in homes, help prospective homeowners, and support the mortgage and housing markets overall. During the third quarter, it:
 - Launched KnowYourOptions.com, a Web site designed to give borrowers a one-stop shop to find out how to save their homes or choose other options to avoid foreclosure.
 - Opened Mortgage Help Centers in Atlanta and Chicago. The company plans to open additional centers in 2010 and 2011.
 - Announced that more than 29,000 owner-occupants purchased homes under its First LookTM program in the past year, with public entities using Neighborhood Stabilization Program funds purchasing an additional 5,000 properties. Under First Look, the company only considers offers from owner occupants and participants in the Neighborhood Stabilization Program during the initial period that its foreclosed properties are on the market, which allows these purchasers to submit offers without competition from investors.

The ultimate performance of loans the company has acquired since the beginning of 2009 will be affected by macroeconomic trends, including unemployment, the economy, and home prices. For further discussion of the company's credit performance, see the Executive Summary of its quarterly report on Form 10-Q for the quarter ended September 30, 2010, which was filed today with the Securities and Exchange Commission.

SUMMARY OF THIRD-QUARTER RESULTS

The company's net loss attributable to common stockholders was \$3.5 billion, or (\$0.61) per diluted share, compared with a loss of \$3.1 billion, or (\$0.55) per diluted share, in the second quarter of 2010. The net worth deficit of \$2.4 billion as of September 30, 2010 takes into account the company's net loss, dividends paid on senior preferred stock held by Treasury, and a reduction in unrealized losses on available-for-sale securities during the third quarter.

| (dollars in millions, except per share amounts) (1) | 3Q10 | 2Q10 | | Va | Variance | | 3Q10 | | 3Q09 (3) | | ariance |
|---|---------------|------|---------|----|----------|----|---------|----|-----------------|----|---------|
| Net interest income | \$ 4,776 | \$ | 4,207 | \$ | 569 | \$ | 4,776 | \$ | 3,830 | \$ | 946 |
| Guaranty fee income | 51 | | 52 | | (1) | | 51 | | 1,923 | | (1,872) |
| Fee and other income | 253 | | 242 | | 11 | | 253 | | 194 | | 59 |
| Net revenues | 5,080 | | 4,501 | | 579 | | 5,080 | | 5,947 | | (867) |
| Investment gains (losses), net | 82 | | 23 | | 59 | | 82 | | 785 | | (703) |
| Net other-than-temporary impairments | (326) | | (137) | | (189) | | (326) | | (939) | | 613 |
| Fair value gains (losses), net | 525 | | 303 | | 222 | | 525 | | (1,536) | | 2,061 |
| Income (losses) from partnership investments | 47 | | (26) | | 73 | | 47 | | (520) | | 567 |
| Administrative expenses | (730) | | (670) | | (60) | | (730) | | (562) | | (168) |
| Credit-related expenses (2) | (5,561) | | (4,851) | | (710) | | (5,561) | | (21,960) | | 16,399 |
| Other non-interest expenses | (457) | | (357) | | (100) | | (457) | | (242) | | (215) |
| Net losses and expenses | (6,420) | | (5,715) | | (705) | | (6,420) | | (24,974) | | 18,554 |
| Loss before federal income taxes | (1,340) | | (1,214) | _ | (126) | | (1,340) | | (19,027) | | 17,687 |
| Benefit (provision) for federal income taxes | 9 | | (9) | | 18 | | 9 | | 143 | | (134) |
| Net loss | (1,331) | | (1,223) | | (108) | | (1,331) | | (18,884) | | 17,553 |
| Less: Net (income) loss attributable to the noncontrolling interest | (8) | | 5 | | (13) | | (8) | | 12 | | (20) |
| Net loss attributable to Fannie Mae | \$ (1,339) | \$ | (1,218) | \$ | (121) | \$ | (1,339) | \$ | (18,872) | \$ | 17,533 |
| Preferred stock dividends | (2,116) | | (1,907) | | (209) | | (2,116) | | (883) | | (1,233) |
| Net loss attributable to common stockholders | \$ (3,455) | \$ | (3,125) | \$ | (330) | \$ | (3,455) | \$ | (19,755) | \$ | 16,300 |
| Loss per share - basic and diluted | \$ (0.61) | \$ | (0.55) | \$ | (0.06) | \$ | (0.61) | \$ | (3.47) | \$ | 2.86 |

⁽¹⁾ Certain prior period amounts have been reclassified to conform to the current period presentation.

Net revenues were \$5.1 billion in the third quarter of 2010, up 13 percent from \$4.5 billion in the second quarter of 2010, due primarily to an increase in net interest income. Net interest income was \$4.8 billion, up 14 percent from \$4.2 billion in the second quarter of 2010. The increase was due primarily to lower debt funding costs and the purchase from MBS trusts of the substantial majority of the single-family loans that are four or more monthly payments delinquent, as the cost of purchasing these delinquent loans and holding them in the company's portfolio is less than the cost of advancing delinquent payments to security holders.

For the third quarter of 2010, interest income that the company did not recognize for nonaccrual mortgage loans was \$1.8 billion, compared with \$2.2 billion in the second quarter of 2010.

⁽²⁾ Consists of provision for loan losses, provision for guaranty losses and foreclosed property expense.

⁽³⁾ Third-quarter 2009 results do not reflect accounting standards for consolidation that the company adopted prospectively on January 1, 2010.

Credit-related expenses, which are the total provision for credit losses plus foreclosed property expense, were \$5.6 billion, up from \$4.9 billion in the second quarter of 2010. The increase was driven in part by valuation adjustments that reduced the value of the company's real-estate-owned inventory, as well as higher expenses due to increased acquisitions of foreclosed properties.

Credit losses, which the company defines generally as net charge-offs plus foreclosed property expense, excluding certain fair-value losses, were \$8.2 billion in the third quarter of 2010, compared with \$7.0 billion in the second quarter of 2010. The increase was attributable to an increase in defaults, particularly those due to the prolonged period of high unemployment and the decline in home prices.

Total loss reserves and fair value losses previously recognized on acquired credit-impaired loans were \$84.6 billion as of September 30, 2010, or 2.8 percent of the company's book of business, compared with \$87.4 billion, or 2.9 percent of the company's guaranty book of business, as of June 30, 2010. The company considers its \$19.8 billion of total fair value losses previously recognized on loans purchased out of MBS trusts an "effective reserve" for credit losses because the mortgage loan balances were reduced by these fair value losses at acquisition. Total nonperforming loans in the company's guaranty book of business were \$213.3 billion, compared with \$218.2 billion as of June 30, 2010.

Net fair value gains were \$525 million in the third quarter, compared with gains of \$303 million in the second quarter of 2010. The increase was attributable primarily to gains on the company's trading mortgage securities due to rate declines and spread tightening.

Net other-than-temporary impairment was \$326 million in the third quarter, compared with \$137 million in the second quarter of 2010. The increase was due primarily to a decline in forecasted home prices for certain geographic regions that resulted in a decrease in projected cash flows on subprime and Alt-A securities.

The company provides further discussion of its financial results and condition, credit performance, fair value balance sheets, and other matters in its quarterly report on Form 10-Q for the quarter ended September 30, 2010, which was filed today with the Securities and Exchange Commission. Further information about the company's credit performance, the characteristics of its guaranty book of business, the drivers of its credit losses, its calculation of credit losses, its foreclosure-prevention efforts, and other measures is contained in the "Third-Quarter 2010 Credit Supplement" on Fannie Mae's Web site, www.fanniemae.com.

NET WORTH AND U.S. TREASURY FUNDING

The Acting Director of FHFA has requested \$2.5 billion of funds from Treasury on the company's behalf under the terms of the senior preferred stock purchase agreement between Fannie Mae and Treasury to eliminate the company's net worth deficit as of September 30, 2010. The company's third quarter dividend of \$2.1 billion on its senior preferred stock held by Treasury was declared by FHFA and paid by us on September 30, 2010.

On September 30, 2010, Treasury provided to the company \$1.5 billion to cure its net worth deficit as of June 30, 2010. As a result of this draw, the aggregate liquidation preference of the senior preferred stock increased from \$84.6 billion to \$86.1 billion as of September 30, 2010, and will increase to \$88.6 billion upon the receipt of funds from Treasury to eliminate the company's third-quarter 2010 net worth deficit. Through September 30, 2010, the company has paid in aggregate \$8.1 billion to Treasury in dividends on the senior preferred stock.

Although Treasury's funds under the senior preferred stock purchase agreement permit the company to remain solvent and avoid receivership, the resulting dividend payments are substantial and the company does not expect to earn profits in excess of its annual dividend obligation to Treasury for the indefinite future. As draws from Treasury for credit losses abate, the company expects its draws to be driven increasingly by dividend payments to Treasury.

FAIR VALUE UPDATE

The fair value of the company's net assets increased by \$7.1 billion from June 30, 2010, which resulted in a fair value net deficit of \$130.8 billion as of September 30, 2010. The increase was due to credit-related items that benefited from the decline in the level of interest rates, which shortened the expected life of the guaranty book of business and reduced expected losses; continued improvement in the spread between the company's mortgage assets and associated debt and derivatives; and the receipt of \$1.5 billion of capital from Treasury under the senior preferred stock purchase agreement.

As part of Fannie Mae's disclosure requirements with FHFA, the company discloses on a quarterly basis supplemental non-GAAP consolidated fair value balance sheets, which reflect the company's assets and liabilities at estimated fair value. The fair value of the company's net assets is not a measure defined within generally accepted accounting principles and may not be comparable to similarly titled measures reported by other companies. The estimated fair value of the company's net assets is calculated as of a particular point in time based on its existing assets and liabilities, and does not incorporate other factors that may have a significant impact on its long-term fair value. As a result, the estimated fair value of the company's net assets presented in its non-GAAP consolidated fair value balance sheets does not represent an estimate of its net realizable value, liquidation value, or its market value as a whole. In addition, the fair value of the company's net assets attributable to common stockholders presented in its fair value balance sheet does not represent an estimate of the value it expects to realize from operating the company, nor what it expects to draw from Treasury under the terms of the senior preferred stock purchase agreement.

For more information on the change in the company's fair value net deficit, please refer to "Supplemental Non-GAAP Information—Fair Value Balance Sheets" in the company's quarterly report on Form 10-Q for the period ended September 30, 2010, which was filed today with the SEC. See also "Supplemental Non-GAAP Consolidated Fair Value Balance Sheets" and "Explanation and Reconciliation of Non-GAAP Measures to GAAP Measures" later in this release for a reconciliation of the company's fair value balance sheets to its GAAP condensed consolidated balance sheets.

FORECLOSURE PROCESS DEFICIENCIES

Recently, a number of the company's single-family mortgage servicers temporarily halted foreclosures in some or all states after discovering deficiencies in their processes relating to the execution of affidavits in connection with the foreclosure process. These deficiencies have generated significant public concern and are currently being investigated by various government agencies and by the attorneys general of all 50 states, and have resulted in courts in at least two states issuing rules applying to the foreclosure process that the company anticipates will increase costs and may result in delays.

The company has directed its servicers to review their policies and procedures relating to the execution of affidavits, verifications, and other legal documents in connection with the foreclosure process. The company is also addressing concerns that have been raised regarding the practices of some law firms that handle the foreclosure process in Florida for the company's mortgage servicers. In the case of one law firm under investigation by the Florida attorney general's office, the company has instructed the firm to stop processing foreclosures for its mortgage loans and has stopped servicers from referring new matters to the firm.

The Acting Director of FHFA issued statements on October 1 and October 13, 2010 regarding servicers' foreclosure processing issues. The company is currently coordinating with FHFA regarding appropriate corrective actions consistent with the four-point policy framework issued by FHFA on October 13, 2010. During the first nine months of 2010, 80 percent of the single-family properties the company acquired through foreclosures involved mortgages on which the borrowers had made three or fewer payments in the preceding 12 months.

Although the company expects the foreclosure pause will likely negatively affect its serious delinquency rates, creditrelated expenses, credit losses, and foreclosure timelines, it cannot yet predict the extent of the impact.

FORECLOSURE ACTIVITY

The company acquired 85,349 single-family REO properties through foreclosure in the third quarter of 2010, compared with 68,838 in the second quarter of 2010. As of September 30, 2010, the company's inventory of single-family REO properties was 166,787, compared with 129,310 as of June 30, 2010. The carrying value of the company's single-family REO was \$16.4 billion, compared with \$13.0 billion as of June 30, 2010.

The company has seen an increase in the percentage of its properties that it is unable to market for sale in 2010 compared with 2009, in most cases because the properties are within redemption periods, are still occupied, or are being repaired. As of September 30, 2010, approximately 31 percent of the company's properties that it is unable to market for sale were in redemption status, which lengthens the time a property is in REO inventory by an average of two to six months. Additionally, as of September 30, 2010, approximately 38 percent of the company's properties that it is unable to market for sale were in occupied status, which lengthens the time a property is in REO inventory by an average of one to four months.

The company's single-family foreclosure rate, which reflects the annualized number of single-family properties acquired through foreclosure as a percentage of the total number of loans in its conventional single-family guaranty book of business, was 1.91 percent on an annualized basis in the third quarter, compared with 1.52 percent in the second quarter of 2010.

BUSINESS SEGMENT RESULTS

Fannie Mae conducts its activities through three complementary businesses: Single-Family Credit Guaranty, Multifamily Credit Guaranty, and Capital Markets. The company's Single-Family Credit Guaranty business works with its lender customers to securitize single-family mortgage loans into Fannie Mae MBS and to facilitate the purchase of single-family mortgage loans for its mortgage portfolio. Multifamily works with the company's lender customers to securitize multifamily mortgage loans into Fannie Mae MBS and to facilitate the purchase of multifamily mortgage loans for its mortgage portfolio. The company's Multifamily business also makes debt and equity investments to increase the supply of affordable housing. The company's Capital Markets group manages its investment activity in mortgage loans, mortgage-related securities, and other investments.

Single-Family guaranty book of business was \$2.85 trillion as of September 30, 2010, compared with \$2.87 trillion as of June 30, 2010. Single-family guaranty fee income for the third quarter of 2010 was \$1.8 billion, the same as the second quarter of 2010. The Single-Family business lost \$5.5 billion in the third quarter of 2010 due primarily to credit-related expenses of \$5.6 billion, almost all of which were attributable to loans purchased or guaranteed from 2005 through 2008. The Single-Family business lost \$5.1 billion in the second quarter of 2010.

Multifamily guaranty book of business as of September 30, 2010 was \$187.4 billion, compared with \$186.1 billion as of June 30, 2010. Multifamily recorded credit-related expenses of \$2 million in the third quarter of 2010, compared with a net benefit of \$20 million in the second quarter of 2010. Multifamily earned \$181 million in the third quarter of 2010, compared with \$119 million in the second quarter of 2010.

Capital Markets' net interest income was \$4.1 billion in the third quarter of 2010, compared with \$3.5 billion in the second quarter of 2010. Fair value gains were \$436 million, compared with \$631 million in the second quarter of 2010. Net other-than-temporary impairment was \$323 million, compared with \$137 million in the second quarter of 2010. The net mortgage investment portfolio balance was \$802.9 billion on September 30, 2010, compared with \$817.8 billion on June 30, 2010, resulting from purchases of \$57.8 billion, liquidations of \$47.2 billion, and sales of \$25.6 billion during the quarter. Capital Markets earned \$4.8 billion in the third quarter of 2010, compared with \$4.4 billion in the second quarter of 2010.

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In this release, the company has presented a number of estimates, forecasts, expectations, and other forward-looking statements regarding the company's future financial results, the profitability of its loans, its future serious delinquency rates, credit losses and credit-related expenses, its draws from and dividends to be paid to Treasury, the performance and caliber of loans it has acquired and will acquire, its planned borrower initiatives, and the impact of the foreclosure pause on the company's serious delinquency rates, credit-related expenses, credit losses, and foreclosure timelines. These estimates, forecasts, expectations, and statements are forward-looking statements and are based on the company's current assumptions regarding numerous factors, including assumptions about future home prices and the future performance of its loans. The company's future estimates of these amounts, as well as the actual amounts, may differ materially from its current estimates as a result of home price changes, interest rate changes, unemployment, other macroeconomic variables, government policy matters, changes in generally accepted accounting principles, credit availability, social behaviors, the volume of loans it modifies, the effectiveness of its loss mitigation strategies, management of its real estate owned inventory and pursuit of contractual remedies, changes in the fair value of its assets and liabilities, impairments of its assets, the adequacy of its loss reserves, its ability to maintain a positive net worth, effects from activities the company takes to support the mortgage market and help borrowers, the conservatorship and its effect on the company's business, the investment by Treasury and its effect on the company's business, changes in the structure and regulation of the financial services industry, the company's ability to access the debt markets, disruptions in the housing, credit, and stock markets, government investigations and litigation, the extent of the servicer foreclosure process deficiencies and the duration of the related foreclosure pause, and many other factors. Changes in the company's underlying assumptions and actual outcomes, which could be affected by the economic environment, government policy, and many other factors, including those discussed in the "Risk Factors" section of the company's quarterly report on Form 10-Q for the period ended September 30, 2010 and its annual report on Form 10-K for the year ended December 31, 2009, and elsewhere in this release, could result in actual results being materially different from what is set forth in the forward-looking statements.

Fannie Mae exists to expand affordable housing and bring global capital to local communities in order to serve the U.S. housing market. Fannie Mae has a federal charter and operates in America's secondary mortgage market to enhance the liquidity of the mortgage market by providing funds to mortgage bankers and other lenders so that they may lend to home buyers. Our job is to help those who house America.

ANNEX I FANNIE MAE

(In conservatorship)

Condensed Consolidated Balance Sheets (Dollars in millions, except share amounts) (Unaudited)

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| Decimique popenty, net 1,509 9,142 Derivativa sexis, ratir value 4,56 1,52 Deferred tax sexts, net 5,52 9,00 Patemethy investments 1,823 2,372 Servicer and MSR strust receivable 1,182 1,182 Oberases 1,182 1,182 Total sexts 1,182 1,182 TABLITIES AND EQUITY (DEFICIT) LISHBILITIES AND EQUITY (DEFICIT) TABLITIES AND EQUIT | | | | | | |
| Borne with with with with subsets, a finit value (suranty saces), and | | | | | | |
| Potential value assets, net of a particular procession of the assets of a particular procession of the asset of a particular procession of a particular processi | | | 955 | | , | |
| Partnership investments 1,282 2,372 Convient and Mist turs revealed 1,128 1,128 1,128 Convient and Mist turs revealed 1,128 1,128 1,128 Total assets LIABILITIES AND EQUITY (DEFICIT) LIABILITIES AND EQUITY (DEFICIT) Total misters payable: Color flowing Man \$ 9,838 2,928 Of Consolidated tursts \$ 9,838 2,928 Color flowing burchased and securities sold under agreements to repurchase \$ 9,838 \$ 2,928 Color flowing burchased and securities sold under agreements to repurchase \$ 9,838 \$ 2,928 For Flowing Man \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 \$ 2,928 <th colspa<="" td=""><td>·</td><td></td><td></td><td></td><td></td></th> | <td>·</td> <td></td> <td></td> <td></td> <td></td> | · | | | | |
| Other assets 1.1.28 1.8.29 Other assets 1.4.49 2.8.20 Total assets LIABILITIES AND EQUITY (DEFICIT) LIABILITIES AND EQUITY (DEFICIT) LIABILITIES AND EQUITY (DEFICIT) Consolidated trusts Secure of the colspan="2">Secure of the colspan="2" | | | | | | |
| Table Part | | | | | | |
| Tabilities | | | | | , | |
| Careir dineres payable: Of Famic Mac \$ 4,374 \$ 4,951 Of Famic Mac \$ 4,374 \$ 4,951 Of Consolidated trusts \$ 188 \$ 2,951 Of Famic Mac \$ 188 \$ 2,951 Of Famic Mac \$ 188 \$ 2,951 Of Famic Mac \$ 189 \$ 2,951 Of Famic Mac \$ 21,916 \$ 20,0437 Of Consolidated trusts \$ 2,950 \$ 2,0437 Of Famic Mac \$ 21,916 \$ 20,0437 Of Famic Mac (includes debt at fair value of \$2,950 and \$3,274, respectively) \$ 2,288 \$ 66,167 Derivative liabilities, at fair value of \$2,950 and \$3,274, respectively) \$ 2,288,446 \$ 6,167 Derivative liabilities, at fair value of \$351 and \$5, respectively \$ 2,488 \$ 6,167 Derivative liabilities, at fair value of \$351 and \$5, respectively \$ 2,488 \$ 6,167 Derivative liabilities \$ 2,498 \$ 2,494 Partnership liabilities \$ 2,498 \$ 2,494 Partnership liabilities \$ 2,498 \$ 2,498 Partnership liabilities \$ 2,498 \$ 2,498 Commitments and contingencies (Note 17) \$ 2,498 Partner Mac Schooler equity (deficit) \$ 2,498 Preferred stock, 1,000,000 shares issued and outstanding \$ 2,000 Preferred stock, 1,000,000 shares issued and outstanding \$ 2,000 Preferred stock, 1,000,000 shares are authorized—\$77,206,010 and \$79,735,457 shares both issued \$ 2,000 Additional paid-in capital \$ 2,000 \$ 2,000 Accumulated officit \$ 2,000 \$ 2,000 Accumulated officit \$ 2,000 \$ 2,000 Trasantive Associated paid-in capital \$ 2,000 \$ 2,000 Accumulated officit \$ 2,000 \$ 2,000 Trasantive Associated paid-in capital \$ 2,000 \$ 2,000 Accumulated officit \$ 2,000 \$ 2,000 Trasantive Associated paid-in capital \$ 2,000 \$ 2,000 Accumulated officit \$ 2,000 \$ 2,000 Trasantive Associated paid-in capital \$ 2,000 \$ 2,000 Accumulated officit \$ 2,000 \$ 2,000 Trasantive Associated paid-in capital \$ 2,000 \$ 2,000 Accumulated officit \$ 2,000 \$ 2,000 Trasantive Associated paid-in capital \$ 2,000 \$ 2,000 | Total assets | \$ | 3,229,622 | \$ | 869,141 | |
| Correct interest payable: \$ 4,374 \$ 4,575 Of Famic Mae 9,838 2.9 Federal funds purchased and securities sold under agreements to repurchase 18.8 -2 Federal funds purchased and securities sold under agreements to repurchase 18.8 -2 Short-term debt: 219,166 200,437 Of Consolidated trusts 5,969 -2 Long-term debt: 59,281 567,950 Of Samic flichuldes debt at fair value of \$2,950 and \$3,274, respectively) 59,281 567,950 Of consolidated trusts (includes debt at fair value of \$351 and \$-1, respectively) 2,385,446 6,167 Derivative liabilities, a fair value 7,76 54,430 Reserve for guarnary losses (includes \$38 and \$4,772, respectively, related to Fannie Mae MBS included in Investments in securities) 7,76 54,430 Partnership liabilities 3,133 2,587 52,532 7,000 Partnership liabilities 8,50 2,541 52,532 7,000 Other liabilities 8,50 5,523 7,000 7,000 52,523 7,000 Perfered 5,50 <t< th=""><th></th><th></th><th></th><th></th><th></th></t<> | | | | | | |
| Of Famile Mac \$ 4,374 \$ 4,951 Of consolidated trusts 185 29 Short-term debt: | | | | | | |
| Federal funds purchased and securities sold under agreements to repurchase 185 | | \$ | 4,374 | \$ | 4,951 | |
| Short-term debt: Of Fannie Mae 219,166 200,437 Consolidated trusts 5,969 - 1 Consolidated trusts 5,969 - 1 Consolidated trusts 5,969 - 1 Consolidated trusts (includes debt at fair value of \$2,950 and \$3,274, respectively) 592,881 567,950 Of consolidated trusts (includes debt at fair value of \$351 and \$5, respectively) 2,385,446 6,167 Derivative liabilities, at fair value of \$351 and \$5, respectively, related to Fannie Mae MBS included in Investments in securities) 2,765 54,430 Guaranty obligations 747 13,966 Partnership liabilities 747 13,966 Partnership liabilities 74,570 74,770 74,700 Consolidated trusts (includes \$38 and \$4,772, respectively, related to Fannie Mae MBS included in Investments in securities) 747 13,966 Guaranty obligations 747 13,966 Partnership liabilities 74,570 74,700 74,700 Partnership liabilities 74,700 74,700 74,700 Commitments and contingencies (Note 17) 74,700 74,700 Preferred stock, fullow, full-field 74,700 74,700 74,700 Preferred stock, 1,000,000 shares are authorized—577,206,010 and 579,735,457 shares both issued and outstanding, respectively. (1,117,978,432 and 1,113,358,051 shares outstanding, respectively. (1,1730 74,000 | | | , | | 29 | |
| Of Famie Mae 219,166 200,437 Of consolidated trusts 5,969 - Long-term debet: - - Of Famie Mae (includes debt at fair value of \$2,950 and \$3,274, respectively) 592,881 567,950 Of consolidated trusts (includes debt at fair value of \$351 and \$-, respectively) 2,385,446 6,167 Derivative liabilities, at fair value 1,641 1,029 Reserve for guaranty losses (includes \$38 and \$4,772, respectively, related to Fannie Mae MBS included in Investments in securities) 276 54,430 Guaranty obligations 1,850 2,541 Guaranty obligations 3,173 2,587 Partnership liabilities 3,133 2,587 Other liabilities 5,233 7,000 Total liabilities 6,523 7,000 Other liabilities 86,100 60,900 Preferred stock, 1,000,000 shares are authorized—Structure 20,20 884,422 Senior preferred stock, 1,000,000 shares are authorized—Structure 20,22 20,348 Preferred stock, 1,000,000 shares are authorized—Structure 20,22 20,348 Common stock, no p | | | 185 | | - | |
| Of consolidated trusts 5,969 - 1 Long-term debt: 5,969 - 1 Of Fannis Mae (includes debt at fair value of \$2,950 and \$3,274, respectively) 592,881 567,950 Of consolidated trusts (includes debt at fair value of \$351 and \$-, respectively) 2,385,446 6,167 Derivative liabilities, at fair value 1,641 1,029 Reserve for guaranty losses (includes \$38 and \$4,772, respectively, related to Fannie Mae MBS included in Investments in securities) 276 54,430 Guaranty obligations 747 13,996 2,541 Partnership liabilities 3,173 25,872 3,230 2,541 Servicer and MBS trust payable 3,133 25,872 3,230,090 884,422 Other liabilities 3,23,096 884,422 Commitments and contingencies (Note 17) 86,000 60,900 Preferred stock, 1,000,000 shares issued and outstanding 86,100 60,900 Preferred stock, 700,000,000 shares are authorized—577,206,010 and 579,735,457 shares both issued 86,100 60,900 Preferred stock, 700,000,000 shares are authorized—577,206,010 and 579,735,457 shares both issued 66 66 66 <td></td> <td></td> <td>219 166</td> <td></td> <td>200 437</td> | | | 219 166 | | 200 437 | |
| Of Fannie Mae (includes debt at fair value of \$2,950 and \$3,274, respectively) 592,881 567,950 Of consolidated trusts (includes debt at fair value of \$351 and \$-, respectively) 1,641 1,029 Reserve for guaranty losses (includes \$38 and \$4,772, respectively, related to Fannie Mae MBS included in Investments in securities) 276 54,430 Guaranty obligations 747 13,996 Partnership liabilities 3,173 25,872 Other liabilities 3,232,069 884,422 Commitments and contingencies (Note 17) - - Fannie Mae stockholders' equity (deficit): 86,100 60,900 Senior preferred stock, 7,00,000,000 shares are authorized—577,206,010 and 579,735,457 shares both issued 86,100 60,900 Preferred stock, 700,000,000 shares are authorized—577,206,011 and 579,735,457 shares both issued 20,221 20,348 Common stock, no par value, no maximum authorization—1,269,572,119 and 1,265,674,761 shares 667 664 Additional paid-in capital 667 664 Accumulated deficit (10,032) (90,237) Accumulated other comprehensive loss (1,182) (1,732) Treasury stock, at cost, 151,593,687 and 152,3 | | | , | | 200,437 | |
| Of consolidated trusts (includes debt at fair value of \$351 and \$-, respectively) 2,385,446 6,167 Derivative liabilities, at fair value 1,641 1,029 Reserve for guaranty losses (includes \$38 and \$4,772, respectively, related to Fannie Mae MBS included in Investments in securities) 276 54,430 Guaranty obligations 747 13,996 Partnership liabilities 1,850 2,541 Service and MBS trust payable 3,173 25,872 Other liabilities 6,523 7,020 Total liabilities 6,523 7,020 Total liabilities 86,100 884,422 Commitments and contingencies (Note 17) - - Fannie Mae stockholders' equity (deficit): 86,100 60,900 Preferred stock, 7,000,000 shares issued and outstanding 86,100 60,900 Preferred stock, 7,000,000,000 shares are authorized—577,206,010 and 579,735,457 shares both issued 20,221 20,348 Common stock, no par value, no maximum authorization—1,269,572,119 and 1,265,674,761 shares 667 664 Additional paid-in capital - 2,083 Accumulated other comprehensive loss (1 | | | | | | |
| Derivative liabilities, at fair value 1,641 1,029 Reserve for guaranty losses (includes \$38 and \$4,772, respectively, related to Fannie Mae MBS included in Investments in securities) 276 54,430 Guaranty obligations 747 13,996 Partnership liabilities 1,850 2,541 Servicer and MBS trust payable 3,173 25,872 Other liabilities 6,523 7,020 Total labilities 3,232,069 884,422 Commitments and contingencies (Note 17) | | | | | , | |
| Reserve for guaranty losses (includes \$38 and \$4,772, respectively, related to Fannie Mae MBS included in Investments in securities) 276 54,430 Guaranty obligations 747 13,996 Partnership liabilities 1,850 2,541 Servicer and MBS trust payable 3,173 25,872 Other liabilities 6,523 7,020 Total liabilities 3,232,069 884,422 Commitments and contingencies (Note 17) - - Fannic Mae stockholders' equity (deficit): 86,100 60,900 Preferred stock, 700,000,000 shares issued and outstanding 86,100 60,900 Preferred stock, 700,000,000 shares are authorized—577,206,010 and 579,735,457 shares both issued 20,221 20,348 Common stock, no par value, no maximum authorization—1,269,572,119 and 1,265,674,761 shares 20,221 20,348 Additional paid-in capital 667 664 Additional paid-in capital (100,932) 90,237 Accumulated deficit (100,932) 90,237 Total Fannie Mae stockholders' deficit (7,401) 7,398 Total Fannie Mae stockholders' deficit 2,527 (15,372) <td></td> <td></td> <td>, ,</td> <td></td> <td></td> | | | , , | | | |
| Partnership liabilities 1,850 2,541 Servicer and MBS trust payable 3,173 25,872 Other liabilities 6,523 7,020 Total liabilities 3,23,069 884,422 Commitments and contingencies (Note 17) - - Fannie Mae stockholders' equity (deficit): 86,100 60,900 Senior preferred stock, 10,000,000 shares are authorized—577,206,010 and 579,755,475 shares both issued and outstanding, respectively 20,221 20,348 Common stock, no par value, no maximum authorization—1,269,572,119 and 1,265,674,761 shares issued, respectively; 1,117,978,432 and 1,113,358,051 shares outstanding, respectively 667 664 Additional paid-in capital - 2,083 Accumulated deficit (100,932) (90,237) Accumulated other comprehensive loss (1,182) (1,732) Treasury stock, a cost, 151,593,687 and 152,316,710 shares, respectively 7,401) 7,398 Total Fannie Mae stockholders' deficit 2,087 6,525 1,15,325 Noncontrolling interest 8,0 9 1 Total deficit 2,047 1,5,251 1,5,252 | | | | | , | |
| Servicer and MBS trust payable 3,173 25,872 Other liabilities 6,523 7,020 Total liabilities 3,23,069 884,422 Commitments and contingencies (Note 17) - - Fannie Mae stockholders' equity (deficit): 86,100 60,900 Preferred stock, 7,00,000,000 shares issued and outstanding 86,100 60,900 Preferred stock, 7,00,000,000 shares are authorized—577,206,010 and 579,735,457 shares both issued and outstanding, respectively 20,221 20,348 Common stock, no par value, no maximum authorization—1,269,572,119 and 1,265,674,761 shares issued, respectively; 1,117,978,432 and 1,113,358,051 shares outstanding, respectively 667 664 Additional paid-in capital - 2,083 Accumulated deficit (100,932) 90,237 Accumulated other comprehensive loss (1,182) (1,732) Total Fannie Mae stockholders' deficit (2,527) (5,539) Noncontrolling interest 80 91 Total deficit (2,447) (15,281) | | | | | | |
| Other liabilities 6,523 7,020 Total liabilities 3,232,069 884,422 Commitments and contingencies (Note 17) - - Fannie Mae stockholders' equity (deficit): 86,100 60,900 Senior preferred stock, 1,000,000 shares issued and outstanding 86,100 60,900 Preferred stock, 700,000,000 shares are authorized—577,206,010 and 579,735,457 shares both issued and outstanding, respectively 20,221 20,348 Common stock, no par value, no maximum authorization—1,269,572,119 and 1,265,674,761 shares 667 664 Additional paid-in capital 667 664 Accumulated deficit (100,932) (90,237) Accumulated other comprehensive loss (1,132) (1,732) Treasury stock, at cost, 151,593,687 and 152,316,710 shares, respectively 7,401) 7,398 Total Fannie Mae stockholders' deficit 2,057 (15,372) Noncontrolling interest 80 91 Total deficit 2,047 (15,281) | | | | | | |
| Total liabilities 3,23,069 884,422 Commitments and contingencies (Note 17) | | | , | | | |
| Fannie Mae stockholders' equity (deficit): 86,100 60,900 Senior preferred stock, 1,000,000 shares issued and outstanding. 86,100 60,900 Preferred stock, 7,000,000 shares are authorized—577,206,010 and 579,735,457 shares both issued and outstanding, respectively 20,221 20,348 Common stock, no par value, no maximum authorization—1,269,572,119 and 1,265,674,761 shares issued, respectively; 1,117,978,432 and 1,113,358,051 shares outstanding, respectively 667 664 Additional paid-in capital - 2,083 - 2,083 Accumulated deficit (100,932) (90,237) Accumulated other comprehensive loss (1,182) (1,732) Treasury stock, a cost, 151,593,687 and 152,316,710 shares, respectively (7,401) (7,398) Total Fannie Mae stockholders' deficit 80 91 Noncontrolling interest 80 91 Total deficit (2,447) (15,281) | | | | | | |
| Senior preferred stock, 1,000,000 shares issued and outstanding 86,100 60,900 Preferred stock, 700,000,000 shares are authorized—577,206,010 and 579,735,457 shares both issued and outstanding, respectively 20,221 20,348 Common stock, no par value, no maximum authorization—1,269,572,119 and 1,265,674,761 shares issued, respectively; 1,117,978,432 and 1,113,358,051 shares outstanding, respectively 667 664 Additional paid-in capital - 2,083 Accumulated deficit (100,932) (90,237) Accumulated other comprehensive loss (1,182) (1,737) Treasury stock, at cost, 151,593,687 and 152,316,710 shares, respectively 7,401) (7,398) Total Fannie Mae stockholders' deficit 2,527) (15,372) Noncontrolling interest 80 91 Total deficit (2,447) (15,281) | Commitments and contingencies (Note 17) | | - | | - | |
| Preferred stock, 700,000,000 shares are authorized—577,206,010 and 579,735,457 shares both issued and outstanding, respectively 20,221 20,348 Common stock, no par value, no maximum authorization—1,269,572,119 and 1,265,674,761 shares issued, respectively; 1,117,978,432 and 1,113,358,051 shares outstanding, respectively 667 664 Additional paid-in capital - 2,083 Accumulated deficit (100,932) (90,237) Accumulated other comprehensive loss (1,182) (1,732) Treasury stock, at cost, 151,593,687 and 152,316,710 shares, respectively 7,401) (7,398) Total Fannie Mae stockholders' deficit 80 91 Noncontrolling interest 80 91 Total deficit (2,447) (15,281) | | | | | | |
| and outstanding, respectively 20,221 20,348 Common stock, no par value, no maximum authorization—1,269,572,119 and 1,265,674,761 shares 867 664 issued, respectively; 1,117,978,432 and 1,113,358,051 shares outstanding, respectively 667 664 Additional paid-in capital - 2,083 Accumulated deficit (100,932) (90,237) Accumulated other comprehensive loss (1,182) (1,732) Treasury stock, at cost, 151,593,687 and 152,316,710 shares, respectively 7,401) 7,398) Total Fannie Mae stockholders' deficit 2(2,527) (15,372) Noncontrolling interest 80 91 Total deficit (2,447) (15,281) | | | 86,100 | | 60,900 | |
| Common stock, no par value, no maximum authorization—1,269,572,119 and 1,265,674,761 shares issued, respectively; 1,117,978,432 and 1,113,358,051 shares outstanding, respectively 667 664 Additional paid-in capital - 2,083 Accumulated deficit (100,932) (90,237) Accumulated other comprehensive loss (1,182) (1,732) Treasury stock, at cost, 151,593,687 and 152,316,710 shares, respectively (7,401) (7,398) Total Fannie Mae stockholders' deficit (2,527) (15,237) Noncontrolling interest 80 91 Total deficit (2,447) (15,281) | | | 20 221 | | 20 348 | |
| Additional paid-in capital 2,083 Accumulated deficit (100,932) (90,237) Accumulated other comprehensive loss (1,182) (1,732) Treasury stock, at cost, 151,593,687 and 152,316,710 shares, respectively (7,401) (7,398) Total Fannie Mae stockholders' deficit (2,527) (15,372) Noncontrolling interest 80 91 Total deficit (2,447) (15,281) | | | 20,221 | | 20,5.0 | |
| Accumulated deficit (100,932) (90,237) Accumulated other comprehensive loss (1,182) (1,732) Treasury stock, at cost, 151,593,687 and 152,316,710 shares, respectively (7,401) (7,398) Total Fannie Mae stockholders' deficit (2,527) (15,372) Noncontrolling interest 80 91 Total deficit (2,447) (15,281) | | | 667 | | | |
| Accumulated other comprehensive loss (1,182) (1,732) Treasury stock, at cost, 151,593,687 and 152,316,710 shares, respectively (7,401) (7,398) Total Fannie Mae stockholders' deficit (2,527) (15,372) Noncontrolling interest 80 91 Total deficit (2,447) (15,281) | | | (100.022) | | | |
| Treasury stock, at cost, 151,593,687 and 152,316,710 shares, respectively (7,401) (7,398) Total Fannie Mae stockholders' deficit (2,527) (15,372) Noncontrolling interest 80 91 Total deficit (2,447) (15,281) | | | | | | |
| Total Fannie Mae stockholders' deficit (2,527) (15,372) Noncontrolling interest 80 91 Total deficit (2,447) (15,281) | | | | | | |
| Total deficit (2,447) (15,281) | | | | | | |
| | ů | | | | | |
| Total liabilities and equity (deficit) \$ 3,229,622 \$ 869,141 | | | | | | |
| | Total liabilities and equity (deficit) | \$ | 3,229,622 | \$ | 869,141 | |

See Notes to Condensed Consolidated Financial Statements

FANNIE MAE (In conservatorship)

Condensed Consolidated Statements of Operations (Dollars and shares in millions, except per share amounts) (Unaudited)

| Image: Interest income: Image: Interest income in the image: Interest in the image: | | For the Three Months Ended September 30, | | | | | Nine Mor | r the nths Ended nber 30, | | | |
|--|---|--|---------|----|--------------|----|-------------|---------------------------------|---------|--|--|
| Available clase scarcifies 8 1 30 1 50 150 150 150 150 150 150 150 150 1 | | | 2010 | | 2009 | | 2010 | | 2009 | | |
| Mortage Charach 3.00 3.00 1.00 | | | | | | | | | | | |
| Mortigape hame 3.829 3.10 1.03 1.03 1.04 1.03 1.04 1.03 | ē | \$ | | \$ | | \$ | | \$ | | | |
| Of Committed March 32,80° 20,00 10,30 20,10 <td></td> <td></td> <td>1,313</td> <td></td> <td>3,475</td> <td></td> <td>4,175</td> <td></td> <td>10,503</td> | | | 1,313 | | 3,475 | | 4,175 | | 10,503 | | |
| Oncomolidated mass 1,000 3,00 1,000 | | | | | | | | | | | |
| One 3.0 4.0 1.0 3.0 1.0 3.0 <td></td> <td></td> <td></td> <td></td> <td>,</td> <td></td> <td></td> <td></td> <td></td> | | | | | , | | | | | | |
| Trail interest income 19,000 10,0 | | | | | | | | | | | |
| Standard sequence Short-term debt Short-te | | | | _ | | _ | | _ | | | |
| Soft-rem delic 4 30 40 47 20 1 20 1 20 1 20 1 20 1 20 1 20 1 20 1 20 1 20 1 20 1 20 1 20 1 20 <td></td> <td></td> <td>38,320</td> <td></td> <td>9,675</td> <td></td> <td>117,158</td> <td></td> <td>30,091</td> | | | 38,320 | | 9,675 | | 117,158 | | 30,091 | | |
| Of Famich Men 190 3470 2470 Of consolidated rosts 4 5 1820 1820 Of Famic Man 4278 5 50 1820< | - | | | | | | | | | | |
| Content | | | 100 | | 200 | | 470 | | 2.007 | | |
| Propresent Propress Propres | | | | | 390 | | | | 2,097 | | |
| Of Framishand 4,47 5,70 14,728 18,70 1,502 | | | 4 | | - | | 9 | | - | | |
| Of consolidated trusts 28.878 8.5 90,379 2.78 Total interest expense 3.348 3.55 105,368 19.278 Net interest income 4,690 3.249 20,309 7.070 Net interest income (includes imputed interest of \$27 and \$461 for the three months ended September 3,010 and 1987 3.28 1,525 5.34 Output per income (includes imputed interest of \$27 and \$461 for the three months ended September 3,020 and 3,000 | | | 4 472 | | 5 270 | | 14 529 | | 16 022 | | |
| Total interest expense 33,544 5,845 105,386 19,278 Net interest income 4,776 3,830 11,772 10,813 Provision for loan losses 6,869 1,264 20,039 20,403 Cuarranty fe income (includes imputed interest of \$27 and \$41 for the three months ended September 3,0210 and 2009, respectively, and \$58 and 3932 for the nine months ended September 30,210 and 2009 respectively, and \$56 and 3932 for the nine months ended September 30,210 and 2009 respectively, and \$56 and 3932 for the nine months ended September 30,210 and 2009 respectively, and \$56 and 3932 for the nine months ended September 30,210 and 2009 respectively, and \$56 and 3932 for the nine months ended September 30,210 and 2009 respectively, and \$56 and 3932 for the nine months ended September 30,210 and 2009 respectively, and \$56 and 3932 for the nine months ended September 30,210 and 2009 respectively, and \$56 and 2009 respectively. \$10,000 respectively, and \$56 and 2009 respectively. \$10,000 respectively, and \$56 and 2009 respectively. \$10,000 respectively. <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> | | | | | | | | | | | |
| Net interest income 4,776 3,830 11,72 10,81 Provision for loan losses 4,609 2,540 20,303 7,670 Ket interest income (flosh gafter provision for loan losses 80 1,284 20,134 Guaranty fee income (includes imputed interest of \$27 and \$461 for the three months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010, respectively, and \$86 and \$932 for the direct income of the september 30, 2010, respectively, and \$86 and \$932 for the direct income september 30, 2010, respectively, and \$86 and \$128 for the direct income september 30, 2010, respectively, and \$86 and \$128 for the direct income september 30, 2010, respectively, and \$128 for the direct income september 30, 2010, respectively, and \$128 for the direct income september 30, 2010, respectively, and \$128 for the direct income september 30, 2010, respectively, and \$14 for \$1, 2010, respectively, and \$1, 2010, respectively, | | | | | | | | | | | |
| Provision for loan losses (4,696) (2,546) (2,030) (7,670) Net interest income (loss) after provision for loan losses 0 1,284 (9,158) 3,143 Gurranty fee income (includes imputed interest of \$27 and \$461 for the three months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively. \$1 1,923 1,57 5,334 Investment gains, and Se6 and \$932 for the nine months ended September 30, 2010 and 2009, respectively. 366 (1,018) 600 (7,088) Non-reduit portion of other-han-temporary impairments 366 (939) 423 1,03 1,03 1,04 2,01 2,01 3,04 2,01 3,04 2,01 3,04 2,01 3,04 2,01 3,04 2,01 3,04 2,01 3,04 2,01 3,04 2,01 3,04 2,04 2,01 3,04 4,04 2,00 3,04 4,04 2,00 3,04 4,04 2,00 3,04 4,04 2,00 4,04 4,00 2,00 4,04 4,00 2,00 3,0 5,0 <td< td=""><td></td><td></td><td></td><td>_</td><td></td><td></td><td></td><td>_</td><td>_</td></td<> | | | | _ | | | | _ | _ | | |
| Net interest income (loss) after provision for loan losses 8,0 1,284 9,184 3,143 Guaranty fee income (includes imputed interest of \$27 and \$461 for the three months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, | | | | | | | | | _ | | |
| Couranty fee income (includes imputed interest of \$27 and \$461 for the three months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010, and \$86 and \$932 for \$90.00 (2.73 decided the continuation of other-than-temporary impairments recognized in other comprehensive loss and \$90.00 (2.73 decided the continuation of the c | | | | _ | | | | _ | | | |
| 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, respectively, and \$86 and \$932 for the nine months ended September 30, 2010 and 2009, and 2009. The content of the remaining the recognized in other comprehensive loss and 2009 and 2009. The content of the remaining the recognized in other comprehensive loss and 2009. The content of the remaining to sees, net (includes debt extinguishment losses related to 2009 and 3129 for the three months and nine months ended September 30, 2010, respectively. 401 409 409 400 | to the second | | 80 | _ | 1,284 | | (9,158) | _ | 3,143 | | |
| Investment gains, net 82 785 271 963 Other-than-temporary impairments 366 (1,018) 600 1,708 Non-credit profun of other-than-temporary impairments 362 2,93 609 1,343 Net other-than-temporary impairments 325 (1,50) (877) 2,173 Evalue gains (losses), net 52 (1,50) (877) 2,173 Debe extinguishment losses related to the three months and nine months ended September 30,2010, respectively 471 (500) (373) (1,448) Room closses) from partnership investments 477 (500) (370) (1,448) Ree and other income 253 1,419 (1,600) (4,800) Portine income (loss) 418 (1,00) (1,600) (4,800) (4,800) Abrainstrative expenses 325 293 973 818 1 | | | | | 1.022 | | 1.55 | | 5 00 4 | | |
| Other-than-temporary impairments (36) (1,01) (60) (7,78) Non-cridit portion of other-than-temporary impairments 40 79 (90) 423 Not other chan-temporary impairments 52 (1,50) (1,60) (1,78) Feir value gains (losses), net 52 (1,50) (1,70) (2,70) Detectinguishment losses, net (includes debt ethic mennths and nime maths ended September 30, 2010, respectively) 41 (1,01) (407) (2,00) Income (losses) from partnership investments 47 (520) (37) (1,48) Fea an other income 253 194 674 583 Non-interstinceme (loss) 253 194 674 583 Non-interstinceme (loss) 252 293 973 814 Abaries and employee benefits 325 293 973 81 Occupancy expenses 325 293 973 81 Professional services 363 41 19 12 Professional services 37 44 19 <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<> | | | | | | | | | | | |
| Noncedit portion of other-than-temporary impairments 40 79 60 43 Not other-than-temporary impairments 326 1,350 1,370 2,473 Fair value gain (losses), net 525 1,350 1,870 2,470 Deb extiriguishment losses net (includes debt extinguishment losses related to consolidated trusts of \$29 and \$119 for the three months and nine months ended September 30,2001 responsibility 47 (520) 3,67 1,418 Income (losses) from partnership investments 47 (520) 3,70 1,418 Fee and other income 47 (520) 3,70 1,438 Non-interest income (loss) 41 1,00 1,60 2,53 Non-interest income (loss) 325 293 1,93 2,00 2,00 Monitorative expenses 325 293 1,93 2,00 <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<> | | | | | | | | | | | |
| Net other-than-temporary impairments (326) (939) (678) (7.345) Fair value gains (losses), net 525 (1,536) (877) (2,173) Debt extinguishment losses, net (includes debt extinguishment losses) related to consolidated trusts of \$59 and \$129 for the three months and nine months ended September 30, 2010, respectively (214) (11) (497) (280) Income (losses) from partnership investments 47 (520) (37) (1,448) Fee and other income 253 418 (104) (10,08) (438) Non-interst income (loss) 418 (104) (10,08) (438) Non-interst income (loss) 325 293 973 831 Professional services 325 178 973 831 Professional services 335 178 973 831 Occupancy expenses 43 47 124 141 Other administrative expenses 73 56 2,05 1,55 Foreclosed property expense 78 19,35 111 52,78 Foreclosed p | | | | | | | | | | | |
| Fair value gains (losses), net 525 (1,536) (877) (2,178) Debet extinguishment losses, net (includes debt extinguishment losses related to consolidated trusts of \$29 and \$129 for the three months and nine months ended September 30, 2010, respectively) (2,14) (1,15) (487) (2,80) Income (losses) from partnership investments 47 (520) (37) (1,448) Fee and other income 253 194 674 583 Non-interest income (loss) 418 (104) 10,000 (4,368) Administrative expenses 325 293 973 831 Professional services 305 178 759 501 Occupancy expenses 43 47 124 141 Other administrative expenses 57 44 149 122 Total administrative expenses 78 19,350 111 52,785 Foreclosed property expense 78 64 125 1,161 Other expenses 78 64 125 1,161 Other expenses 18 20,20 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> | | | | | | | | | | | |
| Obb textinguishment losses, net (includes debt extinguishment losses related to consolidated trusts of \$29 and \$129 for the three months and nine months ended September 30, 2010, respectively. (214) (11) (497) (280) Income (losses) from partnership investments 47 520 37 1,448 Fee and other income 233 194 674 8 Non-interest income (loss) 418 100 1,008 4,365 Administrative expenses: 325 293 973 831 Salaries and employee benefits 325 293 973 801 Professional services 335 47 124 141 Occupancy expenses 43 47 124 141 Ober administrative expenses 730 54 149 122 Total administrative expenses 730 54 149 122 Provision for guaranty losses 787 64 1,255 1,161 Other expenses 243 231 613 828 Total expenses 1,34 1,092 1,4159 | | | | | | | | | | | |
| consolidated trusts of \$29 and \$129 for the three months and nine months ended September 30,001, respectively. Coll (4) (4) (520) (37) (1,448) Fee and other income 253 194 674 820 Non-interest income (loss) 253 194 (1,008) 4368 Administrative expenses: 253 193 973 831 Professional services 305 178 759 501 Professional services 305 178 759 501 Occupancy expenses 305 178 759 501 Oction administrative expenses 57 44 144 142 Other administrative expenses 78 19,35 111 52,785 Foreclosed property expense 78 19,35 111 52,785 Foreclosed property expense 78 19,35 111 52,885 Total expenses 18,38 20,207 3,984 56,394 Other expenses 11,333 18,81 18,28 Total expenses | - · · · · · · · · · · · · · · · · · · · | | 323 | | (1,530) | | (8//) | | (2,173) | | |
| Income (losses) from partnership investments 47 (520) (37) (1,448) Fee and other income 253 194 674 583 Non-interest income (loss) 418 (104) (1,008) 43,606 Administrative expenses 252 293 973 831 Administrative expenses 305 178 759 501 Professional services 43 47 124 141 Occupancy expenses 43 47 124 141 Other administrative expenses 730 562 2,005 1,595 Profesion for guaranty losses 78 19,350 111 52,785 Foreicosed property expense 78 64 1,255 1,616 Other expenses 278 64 1,255 1,616 828 Total expenses 1,338 20,207 3,984 56,369 Other expense 1,339 1,017 1,150 57,592 Loss before federal income taxes 1,339 1,183 | | | (214) | | (11) | | (407) | | (280) | | |
| Fee and other income 253 194 674 583 Non-interest income (loss) 418 (104) (1,008) (4,366) Administrative expenses: 3 2 973 831 Professional services 305 178 759 501 Occupancy expenses 43 47 124 141 Other administrative expenses 57 44 149 122 Total administrative expenses 78 44 149 122 Proscional programmy losses 78 44 125 1,61 Other expenses 78 64 1,25 1,61 Other expenses 1,33 20,20 3,98 56,369 Loss before federal income taxes 1,33 1,00 1,41,50 57,79 | | | | | | | | | | | |
| Non-interest income (loss) 418 (100) (1,008) (4,366) Administrative expenses: 325 293 973 831 Professional services 305 178 759 501 Occupancy expenses 43 47 124 141 Other administrative expenses 57 44 149 122 Total administrative expenses 787 64 149 125 Provision for guaranty losses 787 64 125 1,161 Foreclosed property expense 787 64 1,255 1,161 Other expenses 243 231 613 828 Total expenses 1,338 20,207 3,984 56,369 Loss before federal income taxes 1,334 10,007 (1,151) 67,592 Net loss 1,134 1,1884 1,140 1,743 1,884 1,404 7,743 Resilitor federal income taxes 1,133 1,1884 1,140,87 7,743 1,849 1,449 5 | | | | | | | | | | | |
| Administrative expenses: Salaries and employee benefits 325 293 973 831 Professional services 305 178 759 501 Occupancy expenses 43 47 124 141 Other administrative expenses 57 44 149 122 Total administrative expenses 78 562 2,005 1,595 Provision for guaranty losses 78 19,350 111 52,785 Foreclosed property expense 787 64 1,255 1,161 Other expenses 243 231 613 828 Total expenses 1,838 20,207 3,984 56,369 Total expenses 1,838 20,207 3,984 56,369 Loss before federal income taxes (1,340) (19,027) (1,150) (57,592) Renefit of federal income taxes (1,331) (18,884) (14,083) (56,849) Less: Net (income) loss attributable to the noncontrolling interest 8 12 4 55 | | | | _ | | _ | | _ | _ | | |
| Salaries and employee benefits 325 293 973 831 Professional services 305 178 759 501 Occupancy expenses 43 47 124 141 Other administrative expenses 57 44 149 122 Total administrative expenses 78 19,350 111 52,785 Provision for guaranty losses 78 19,350 111 52,785 Foreclosed property expense 78 64 1,255 1,616 Other expenses 243 231 613 828 Total expenses 1,338 20,207 3,984 56,369 Loss before federal income taxes (1,340) (19,027) (14,150) (57,592) Renefit for federal income taxes (1,331) (18,884) (14,003) (56,849) Net loss (1,311) (18,884) (14,003) (56,849) Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Preferred stock dividends | | | 410 | | (104) | | (1,008) | | (4,300) | | |
| Professional services 305 178 759 501 Occupancy expenses 43 47 124 141 Other administrative expenses 57 44 149 122 Total administrative expenses 730 562 2,005 1,595 Provision for guaranty losses 78 19,350 111 52,785 Foreclosed property expense 787 64 1,255 1,161 Other expenses 243 231 613 828 Total expenses 1,838 20,207 3,984 56,369 Loss before federal income taxes (1,340) (19,027) (14,150) (57,592) Benefit for federal income taxes (9) (143) (67) (743) Net loss (1) (1,331) (18,884) (14,087) (56,849) Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Net loss attributable to common stockholders (2,116) (883) (5,550) (1,323) Net | | | 325 | | 203 | | 073 | | 831 | | |
| Occupancy expenses 43 47 124 141 Other administrative expenses 57 44 149 122 Total administrative expenses 730 562 2,005 1,595 Provision for guaranty losses 78 19,350 111 52,785 Foreclosed property expense 787 64 1,255 1,161 Other expenses 243 231 613 828 Total expenses 1,338 20,207 3,984 56,369 Loss before federal income taxes (1,340) (19,027) (1,415) (57,592) Benefit for federal income taxes (1,331) (1,884) (14,083) 56,849 Net loss (1,311) (18,872) (14,087) 56,794 Net loss attributable to fannie Mae (1,331) (18,872) (14,087) 56,794 Prefered stock dividends (2,116) (883) (5,550) (1,321) Net loss attributable to common stockholders (2,116) (883) (5,550) (1,321) N | ··· | | | | | | | | | | |
| Other administrative expenses 57 44 149 122 Total administrative expenses 730 562 2,005 1,595 Provision for guaranty losses 78 19,350 111 52,785 Foreclosed property expense 787 64 1,255 1,161 Other expenses 243 231 613 828 Total expenses 1,338 20,207 3,984 56,369 Loss before federal income taxes (1,340) 19,027 (14,150) (57,592) Benefit for federal income taxes (9) 143 (67) (743) Net loss (1,331) (1,884) (14,083) (56,894) Less: Net (income) loss attributable to the noncontrolling interest (8) 12 (4) 55 Net loss attributable to Fannie Mae (1,339) (18,824) (15,550) (1,323) Prefered stock dividends (2,116) (883) (5,550) (1,323) Net loss attributable to common stockholders (3,455) (19,637) (58,117) <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> | | | | | | | | | | | |
| Total administrative expenses 730 562 2,005 1,595 Provision for guaranty losses 78 19,350 111 52,785 Foreclosed property expense 787 64 1,255 1,161 Other expenses 243 231 613 828 Total expenses 1,838 20,207 3,984 56,369 Loss before federal income taxes (1,340) (19,027) (14,150) (57,592) Benefit for federal income taxes (9) (143) (67) (743) Net loss (1,331) (18,884) (14,083) (56,849) Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Preferred stock dividends (2,116) (883) (5,550) (1,323) Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) | | | | | | | | | | | |
| Provision for guaranty losses 78 19,350 111 52,785 Foreclosed property expense 787 64 1,255 1,161 Other expenses 243 231 613 828 Total expenses 1,838 20,207 3,984 56,369 Loss before federal income taxes (1,340) (19,027) (14,150) (57,592) Benefit for federal income taxes (9) (143) (67) 743) Net loss (1,331) (18,884) (14,083) (55,849) Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Preferred stock dividends (2,116) (883) (5,550) (1,323) Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) Loss per share - Basic and Diluted | • | | | _ | | _ | | _ | | | |
| Foreclosed property expense 787 64 1,255 1,161 Other expenses 243 231 613 828 Total expenses 1,838 20,207 3,984 56,369 Loss before federal income taxes (1,340) (19,027) (14,150) (57,592) Benefit for federal income taxes (9) (143) (67) (743) Net loss (1,331) (18,884) (14,083) (55,849) Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Net loss attributable to Fannie Mae (2,116) (883) (5,550) (1,332) Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) | • | | | | | | | | | | |
| Other expenses 243 231 613 828 Total expenses 1,838 20,207 3,984 56,369 Loss before federal income taxes (1,340) (19,027) (14,150) (57,592) Benefit for federal income taxes (9) (143) (67) (743) Net loss (1,331) (18,884) (14,083) (56,849) Less: Net (income) loss attributable to the noncontrolling interest (8) 12 (4) 55 Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Preferred stock dividends (2,116) (883) (5,550) (1,332) Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) | | | | | | | | | | | |
| Total expenses 1,838 20,207 3,984 56,369 Loss before federal income taxes (1,340) (19,027) (14,150) (57,592) Benefit for federal income taxes (9) (143) (67) (743) Net loss (1,331) (18,884) (14,083) (56,849) Less: Net (income) loss attributable to the noncontrolling interest (8) 12 (4) 55 Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Preferred stock dividends (2,116) (883) (5,550) (1,332) Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) Loss per share - Basic and Diluted \$ (0.61) \$ (3.47) \$ (3.45) \$ (10.24) | | | | | | | | | | | |
| Loss before federal income taxes (1,340) (19,027) (14,150) (57,592) Benefit for federal income taxes (9) (143) (67) (743) Net loss (1,331) (18,884) (14,083) (56,849) Less: Net (income) loss attributable to the noncontrolling interest (8) 12 (4) 55 Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Preferred stock dividends (2,116) (883) (5,550) (1,333) Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) Loss per share - Basic and Diluted \$ (0.61) \$ (3.47) \$ (3.45) \$ (10.24) | | | | | | | | | | | |
| Benefit for federal income taxes (9) (143) (67) (743) Net loss (1,331) (18,884) (14,083) (56,849) Less: Net (income) loss attributable to the noncontrolling interest (8) 12 (4) 55 Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Preferred stock dividends (2,116) (883) (5,550) (1,332) Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) Loss per share - Basic and Diluted \$ (0.61) \$ (3.47) \$ (3.45) \$ (10.24) | • | | (1,340) | | (19.027) | | (14,150) | | | | |
| Net loss (1,331) (18,884) (14,083) (56,849) Less: Net (income) loss attributable to the noncontrolling interest (8) 12 (4) 55 Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Preferred stock dividends (2,116) (883) (5,550) (1,332) Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) Loss per share - Basic and Diluted \$ (0.61) \$ (3.47) \$ (3.45) \$ (10.24) | | | | | | | | | | | |
| Less: Net (income) loss attributable to the noncontrolling interest (8) 12 (4) 55 Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Preferred stock dividends (2,116) (883) (5,550) (1,323) Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) Loss per share - Basic and Diluted \$ (0.61) \$ (3.47) \$ (3.45) \$ (10.24) | | | | | | | | | | | |
| Net loss attributable to Fannie Mae (1,339) (18,872) (14,087) (56,794) Preferred stock dividends (2,116) (883) (5,550) (1,323) Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) Loss per share - Basic and Diluted \$ (0.61) \$ (3.47) \$ (3.45) \$ (10.24) | | | | | | | | | | | |
| Preferred stock dividends (2,116) (883) (5,550) (1,323) Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) Loss per share - Basic and Diluted \$ (0.61) \$ (3.47) \$ (3.45) \$ (10.24) | , , , | | | | | | | | | | |
| Net loss attributable to common stockholders \$ (3,455) \$ (19,755) \$ (19,637) \$ (58,117) Loss per share - Basic and Diluted \$ (0.61) \$ (3.47) \$ (3.45) \$ (10.24) | | | | | | | | | | | |
| Loss per share - Basic and Diluted \$ (0.61) \$ (3.47) \$ (3.45) \$ (10.24) | | \$ | | \$ | | \$ | | \$ | | | |
| | | | (-,) | ÷ | (: , : = 0) | Ť | (. ,== .) | ÷ | (,) | | |
| | Loss per share - Basic and Diluted | \$ | (0.61) | \$ | (3.47) | \$ | (3.45) | \$ | (10.24) | | |
| | - | | | | | | | | | | |

See Notes to Condensed Consolidated Financial Statements

FANNIE MAE

(In conservatorship)

Condensed Consolidated Statements of Cash Flows

(Dollars in millions) (Unaudited)

For the Nine Months Ended September 30, 2010 2009 Cash flows used in operating activities: \$ (14,083)\$ (56,849)Reconciliation of net loss to net cash used in operating activities Amortization of debt of Fannie Mae cost basis adjustments 1,225 2,807 Amortization of debt of consolidated trusts cost basis adjustments (721)Provision for loan and guaranty losses 21.041 60,455 Valuation (gains) losses (2,023)2.961 Current and deferred federal income taxes 272 (1,861)Derivatives fair value adjustments 910 (708)Purchases of loans held for sale (61) (91,889)Proceeds from repayments of loans held for sale 1,991 43 Net change in trading securities, excluding non-cash transfers (36,227)9,150 Other, net (6,222)(4,575)Net cash used in operating activities (35,846)(78,523)Cash flows provided by investing activities: Purchases of trading securities held for investment (7,984)(27,183)Proceeds from maturities of trading securities held for investment 1,997 9,413 Proceeds from sales of trading securities held for investment 21,488 7,395 Purchases of available-for-sale securities (262)(158,893)Proceeds from maturities of available-for-sale securities 12,927 37.842 270,678 Proceeds from sales of available-for-sale securities 6,680 (59,145) Purchases of loans held for investment (35,169)Proceeds from repayments of loans held for investment of Fannie Mae 15,025 26,576 Proceeds from repayments of loans held for investment of consolidated trusts 378,941 19,210 Net change in restricted cash (11,111)(66,017) Advances to lenders (44,951)Proceeds from disposition of acquired property and preforeclosure sales 28,079 15,791 33,219 Net change in federal funds sold and securities purchased under agreements to resell or similar arrangements 23.101 (19,632) Other, net (476)Net cash provided by investing activities 374,427 103,112 Cash flows used in financing activities: Proceeds from issuance of short-term debt of Fannie Mae 555,422 1,118,028 Proceeds from issuance of short-term debt of consolidated trusts 10,067 (1,210,316) Payments to redeem short-term debt of Fannie Mae (537,181)Payments to redeem short-term debt of consolidated trusts (27,852)232,956 Proceeds from issuance of long-term debt of Fannie Mae 335,115 Proceeds from issuance of long-term debt of consolidated trusts 182,014 Payments to redeem long-term debt of Fannie Mae (311,257)(211,063) Payments to redeem long-term debt of consolidated trusts (560,170)(394)Payments of cash dividends on senior preferred stock to Treasury (5,554)(1,320)Proceeds from senior preferred stock purchase agreement with Treasury 25,200 44,900 Net change in federal funds purchased and securities sold under agreements to repurchase 185 47 Net cash used in financing activities (334,011) (27,140) Net increase (decrease) in cash and cash equivalents 4,570 (2,551)Cash and cash equivalents at beginning of period 6,812 17,933 15,382 Cash and cash equivalents at end of period \$ 11,382 \$ Cash paid during the period for: \$ 107,324 \$ 21,403 Interest Income taxes 876

See Notes to Condensed Consolidated Financial Statements

\$

322,923

142,736

40,795

49,305

4

65,218

3,744

Non-cash activities (excluding transition-related impacts - see Note 2):

Transfers from advances to lenders to loans held for investment of consolidated trusts

Transfers from advances to lenders to investments in securities

Net transfers from mortgage loans to acquired property

Net transfers from mortgage loans held for investment of consolidated trusts to mortgage loans held for

Mortgage loans acquired by assuming debt

investment of Fannie Mae

FANNIE MAE

(In conservatorship)

Condensed Consolidated Statements of Changes in Equity (Deficit) (Dollars and shares in millions, except per share amounts) (Unaudited)

Fannie Mae Stockholders' Equity (Deficit)

| | - | | | Fan | nie Mae Sto | ckholders | Equity (De | ficit) | | | | |
|---|---------------------------|------------------|--------------------|--------------------|--------------------|------------------|-----------------------|--------------------------------------|---------------------------------------|------------|--------------------|-----------------------|
| | Shares Outstanding Senior | | | Senior | Preferred | Common | Additional Paid-In | Retained Earnings (Accumulated | Accumulated Other Comprehensive | Treasury | Non Controlling | Total Equity |
| Balance as of December 31, 2008 | Preferred | Preferred 597 | 1,085 \$ | Preferred 1,000 | Stock \$ 21,222 | \$ 650 | \$ 3,621 | \$ (26,790) | Loss \$ (7,673) | \$ (7,344) | \$ 157 \$ | (Deficit) (15,157) |
| Cumulative effect from the adoption of a | | 371 | 1,005 \$ | 1,000 | \$ 21,222 | \$ 050 | 9 5,021 | \$ (20,770) | \$ (7,075) | φ (7,544) | g 157 g | (15,157) |
| new accounting standard on other-than- | | | | | | | | | | | | |
| temporary impairments, net of tax | - | - | - | - | - | _ | - | 8,520 | (5,556) | - | - | 2,964 |
| Change in investment in noncontrolling | | | | | | | | | | | | |
| interest | - | - | - | - | - | - | - | - | - | - | 3 | 3 |
| Comprehensive loss: | | | | | | | | | | | | |
| Net loss | - | - | - | - | - | - | - | (56,794) | = | - | (55) | (56,849) |
| Other comprehensive loss, net of tax effect: | | | | | | | | | | | | |
| Changes in net unrealized losses on | | | | | | | | | | | | |
| available-for-sale securities | | | | | | | | | | | | |
| (net of tax of \$3,039) | - | - | - | - | - | - | - | - | 5,644 | - | - | 5,644 |
| Reclassification adjustment for other-than- | | | | | | | | | | | | |
| temporary impairments recognized | | | | | | | | | | | | |
| in net loss (net of tax of \$2,536) | - | - | - | - | - | - | - | - | 4,809 | - | - | 4,809 |
| Reclassification adjustment for gains | | | | | | | | | | | | |
| included in net loss (net of tax of \$102) | - | - | - | - | - | - | - | - | (190) | - | - | (190) |
| Unrealized gains on guaranty assets and | | | | | | | | | | | | |
| guaranty fee buy-ups | - | - | - | - | - | - | - | - | 196 | - | - | 196 |
| Amortization of net cash flow hedging | | | | | | | | | | | | |
| gains | - | - | - | - | - | - | - | - | 9 | - | - | 9 |
| Prior service cost and actuarial gains, | | | | | | | | | | | | |
| net of amortization for defined | | | | | | | | | | | | |
| benefit plans | - | - | - | - | = | - | = | = | 22 | - | = | 22 |
| Total comprehensive loss | | | | | | | | | | | | (46,359) |
| Senior preferred stock dividends | - | - | - | - | - | - | (1,320) | - | - | - | - | (1,320) |
| Increase to senior preferred liquidation | | | | | | | | | | | | |
| preference | - | - | - | 44,900 | - | - | - | - | - | - | - | 44,900 |
| Conversion of convertible preferred stock | | | | | | | | | | | | |
| into common stock | - | (15) | 24 | - | (765) | 13 | 752 | - | - | - | - | - |
| Other | | | 1 | - | | | 58 | 1 | | (50) | | 9 |
| Balance as of September 30, 2009 | 1 | 582 | 1,110 \$ | 45,900 | \$ 20,457 | \$ 663 | \$ 3,111 | \$ (75,063) | \$ (2,739) | \$ (7,394) | \$ 105 \$ | (14,960) |
| Balance as of December 31, 2009 | 1 | 580 | 1,113 \$ | 60,900 | \$ 20,348 | \$ 664 | \$ 2,083 | \$ (90,237) | \$ (1,732) | \$ (7,398) | s 91 s | (15,281) |
| Cumulative effect from the adoption of | | | | | | | | | | | | |
| the accounting standards on transfers of | | | | | | | | | | | | |
| financial assets and consolidation | - | - | - | - | - | - | - | 6,706 | (3,394) | - | (14) | 3,298 |
| Balance as of January 1, 2010, adjusted | 1 | 580 | 1,113 | 60,900 | 20,348 | 664 | 2,083 | (83,531) | (5,126) | (7,398) | 77 | (11,983) |
| Change in investment in noncontrolling | | | | | | | | | | | | |
| interest | - | - | - | - | - | - | - | - | - | - | (1) | (1) |
| Comprehensive loss: | | | | | | | | | | | | |
| Net loss | - | - | - | - | - | - | - | (14,087) | - | - | 4 | (14,083) |
| Other comprehensive loss, net of tax effect: | | | | | | | | | | | | |
| Changes in net unrealized losses on | | | | | | | | | | | | |
| available-for-sale securities, (net of tax | | | | | | | | | | | | |
| of \$1,889) | - | - | - | - | - | - | - | - | 3,507 | - | - | 3,507 |
| Reclassification adjustment for other-than- | | | | | | | | | | | | |
| temporary impairments recognized | | | | | | | | | | | | |
| in net loss (net of tax of \$239) | - | - | - | - | - | - | - | - | 460 | - | - | 460 |
| Reclassification adjustment for gains | | | | | | | | | | | | |
| included in net loss (net of tax of \$16) | - | - | - | - | - | - | - | - | (29) | - | - | (29) |
| Unrealized gains on guaranty assets and | | | | | | | | | | | | |
| guaranty fee buy-ups | - | - | - | - | - | - | = | = | 1 | - | - | 1 |
| Prior service cost and actuarial gains, | | | | | | | | | | | | |
| net of amortization for defined benefit | | | | | | | | | _ | | | _ |
| plans | - | - | - | - | - | - | - | - | 5 | - | - | 5 |
| Total comprehensive loss | | | | | | | | | | | | (10,139) |
| Senior preferred stock dividends | - | - | - | - | - | - | (2,240) | (3,314) | - | - | - | (5,554) |
| Increase to senior preferred liquidation | | | | | | | | | | | | |
| preference | - | - | - | 25,200 | - | - | - | - | - | - | - | 25,200 |
| Conversion of convertible preferred stock | | | | | | | | | | | | |
| tore common and | | (3) | 4 | | (100) | ~ | 10: | | | | | |
| into common stock | - | (3) | 4 | - | (127) | 3 | 124 | - | = | - (2) | - | 20 |
| into common stock Other Balance as of September 30, 2010 | | (3) - 577 | 4 1 1,118 \$ | | | 3 - \$ 667 | 33 | \$ (100,932) | \$ (1,182) | (3) | s 80 s | (2,447) |

See Notes to Condensed Consolidated Financial Statements

Supplemental Non-GAAP Consolidated Fair Value Balance Sheets

| | As of September 30, 2010 | | | | | | | | As of December 31, 2009 ⁽¹⁾ | | | | | | | | | |
|---|---------------------------|-----------|-----|-------------------------------|-----------|-----|-----------|---------|---|---------------------------|-----|--------------------------------------|----------|----|-----------------------|----------|--|--|
| | GAAP Carrying Value | | | Carrying Fair Value Estimated | | | | | | GAAP Carrying Value | | Fair Value Adjustment ⁽²⁾ | | | stimated air Value | | | |
| | | | | | | | (Dollar | rs in n | nillio | ons) | | | | | | | | |
| Assets: | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ | 71,146 | | \$ | - | \$ | 71,146 | (3) | \$ | 9,882 | | \$ | - | \$ | 9,882 | (3) | | |
| Federal funds sold and securities purchased under agreements to resell or similar | | 20.006 | | | | | 20.006 | (3) | | 50 604 | | | (20) | | 50.656 | (3) | | |
| arrangements | | 20,006 | | | - | | 20,006 | | | 53,684 | | | (28) | | 53,656 | | | |
| Trading securities | | 69,459 | | | - | | 69,459 | | | 111,939 | | | - | | 111,939 | | | |
| Available-for-sale securities | | 102,185 | | | - | | 102,185 | (-) | | 237,728 | | | - | | 237,728 | (-) | | |
| Mortgage loans: | | 022 | | | 0 | | 932 | (3) | | 10.462 | | | 152 | | 18,615 | (3) | | |
| Mortgage loans held for sale | | 923 | | | 9 | | 932 | | | 18,462 | | | 153 | | 18,015 | ., | | |
| Mortgage loans held for investment, net of allowance for loan losses: | | | | | | | | | | | | | | | | | | |
| Of Fannie Mae | | 364,746 | | | (36,151) | | 328,595 | | | 246,509 | | | (5,209) | | 241,300 | | | |
| Of consolidated trusts | | 2,545,162 | , | | 66,355 | (4) | 2,611,517 | • | _ | 129,590 | | | (45) | | 129,545 | | | |
| Total mortgage loans | | 2,910,831 | | | 30,213 | | 2,941,044 | | | 394,561 | | | (5,101) | | 389,460 | | | |
| Advances to lenders | | 7,061 | | | (236) | | 6,825 | (3) | | 5,449 | | | (305) | | 5,144 | | | |
| Derivative assets at fair value | | 955 | | | - | | 955 | (3) | | 1,474 | | | - | | 1,474 | | | |
| Guaranty assets and buy-ups, net | | 419 | , | | 387 | _ | 806 | (3) (7) | | 9,520 | | | 5,104 | | 14,624 | | | |
| Total financial assets | | 3,182,062 | | | 30,364 | | 3,212,426 | | | 824,237 | | | (330) | | 823,907 | | | |
| Master servicing assets and credit enhancements | | 491 | | | 3,539 | | 4,030 | | | 651 | | | 5,917 | | 6,568 | | | |
| Other assets | | 47,069 | , | | (251) | _ | 46,818 | (8) | _ | 44,253 | | | 373 | | 44,626 | (8) | | |
| Total assets | \$ | 3,229,622 | | \$ | 33,652 | \$ | 3,263,274 | | \$ | 869,141 | | \$ | 5,960 | \$ | 875,101 | = | | |
| Liabilities: | | | | | | | | | | | | | | | | | | |
| Federal funds purchased and securities sold | | | | | | | | | | | | | | | | | | |
| under agreements to repurchase | \$ | 185 | | \$ | - | \$ | 185 | (3) | \$ | - | | \$ | - | \$ | - | (3) | | |
| Short-term debt: | | | | | | | | | | | | | | | | | | |
| Of Fannie Mae | | 219,166 | | | 150 | | 219,316 | | | 200,437 | | | 56 | | 200,493 | | | |
| Of consolidated trusts | | 5,969 | | | - | | 5,969 | (3) | | - | | | - | | - | (3) | | |
| Long-term debt: | | | | | | | | | | | | | | | | | | |
| Of Fannie Mae | | 592,881 | (9) | | 30,869 | | 623,750 | | | 567,950 | | | 19,473 | | 587,423 | | | |
| Of consolidated trusts | | 2,385,446 | (9) | | 128,233 | (4) | 2,513,679 | | | 6,167 | (9) | | 143 | | 6,310 | | | |
| Derivative liabilities at fair value | | 1,641 | | | - | | 1,641 | (3) | | 1,029 | | | - | | 1,029 | | | |
| Guaranty obligations | | 747 | | | 3,134 | _ | 3,881 | (3) | | 13,996 | | | 124,586 | | 138,582 | _ | | |
| Total financial liabilities | | 3,206,035 | | | 162,386 | | 3,368,421 | (3) | | 789,579 | | | 144,258 | | 933,837 | (3) | | |
| Other liabilities | | 26,034 | | | (415) | _ | 25,619 | (10) | | 94,843 | | | (54,878) | | 39,965 | (10) | | |
| Total liabilities | | 3,232,069 | | | 161,971 | | 3,394,040 | | | 884,422 | | | 89,380 | | 973,802 | | | |
| Equity (deficit): | | | | | | | | | | | | | | | | | | |
| Fannie Mae stockholders' equity (deficit): | | | | | | | | | | | | | | | | | | |
| Senior preferred ⁽¹¹⁾ | | 86,100 | | | - | | 86,100 | | | 60,900 | | | - | | 60,900 | | | |
| Preferred | | 20,221 | | | (19,916) | | 305 | | | 20,348 | | | (19,629) | | 719 | | | |
| Common | | (108,848) | | | (108,403) | _ | (217,251) | | _ | (96,620) | | | (63,791) | | (160,411) | <u> </u> | | |
| Total Fannie Mae stockholders' | | | | | | | | | | | | | | | | | | |
| deficit/non-GAAP fair value of net assets | \$ | (2,527) | | \$ | (128,319) | \$ | (130,846) | | \$ | (15,372) | | \$ | (83,420) | \$ | (98,792) |) | | |
| Noncontrolling interests | | 80 | | | | _ | 80 | | | 91 | | | | | 91 | | | |
| Total deficit | | (2,447) | | | (128,319) | _ | (130,766) | | | (15,281) | | | (83,420) | | (98,701) | <u> </u> | | |
| Total liabilities and equity (deficit) | \$ | 3,229,622 | | \$ | 33,652 | \$ | 3,263,274 | = | \$ | 869,141 | | \$ | 5,960 | \$ | 875,101 | = | | |
| | | | | | | | | | | | | | | | | | | |

Explanation and Reconciliation of Non-GAAP Measures to GAAP Measures

- (1) Certain prior period amounts have been reclassified to conform to the current period presentation.
- (2) Each of the amounts listed as a "fair value adjustment" represents the difference between the carrying value included in our GAAP condensed consolidated balance sheets and our best judgment of the estimated fair value of the listed item.
- (3) We determined the estimated fair value of these financial instruments in accordance with the fair value accounting standard as described in "Note 16, Fair Value."
- (4) Fair value exceeds the carrying value of consolidated loans and debt of consolidated trusts due to the fact that the loans and debt were consolidated in our GAAP condensed consolidated balance sheet at unpaid principal balance at transition. Also impacting the difference between fair value and carrying value of the consolidated loans is the credit component of the loan. This credit component is reflected in the net guaranty obligation, which is included in the consolidated loan fair value, but was presented as a separate line item in our fair value balance sheet in prior periods.
- (5) Includes certain mortgage loans that we elected to report at fair value in our GAAP condensed consolidated balance sheet of \$707 million as of September 30, 2010. We did not elect to report any mortgage loans at fair value in our consolidated balance sheet as of December 31, 2009.
- (6) Performing loans had a fair value of \$2.8 trillion and an unpaid principal balance of \$2.7 trillion as of September 30, 2010 compared to a fair value of \$345.5 billion and an unpaid principal balance of \$348.2 billion as of December 31, 2009. Nonperforming loans, which include loans that are delinquent by one or more payments, had a fair value of \$178.7 billion and an unpaid principal balance of \$301.5 billion as of September 30, 2010 compared to a fair value of \$43.9 billion and an unpaid principal balance of \$79.8 billion as of December 31, 2009. See "Note 16, Fair Value" for additional information on valuation techniques for performing and non performing loans.
- (7) In our GAAP condensed consolidated balance sheets, we report the guaranty assets as a separate line item. Other guaranty related assets are within the "Other assets" line items and they include buy-ups, master servicing assets and credit enhancements. On a GAAP basis, our guaranty assets totaled \$419 million and \$8.4 billion as of September 30, 2010 and December 31, 2009, respectively. The associated buy-ups totaled \$1 million and \$1.2 billion as of September 30, 2010 and December 31, 2009, respectively.
- (8) The line items "Master servicing assets and credit enhancements" and "Other assets" together consist of the assets presented on the following six line items in our GAAP condensed consolidated balance sheets: (a) Total accrued interest receivable, net of allowance; (b) Acquired property, net; (c) Deferred tax assets, net; (d) Partnership investments; (e) Servicer and MBS trust receivable and (f) Other assets. The carrying value of these items in our GAAP condensed consolidated balance sheets together totaled \$47.6 billion and \$46.1 billion as of September 30, 2010 and December 31, 2009, respectively. We deduct the carrying value of the buy-ups associated with our guaranty obligation, which totaled \$1 million and \$1.2 billion as of September 30, 2010 and December 31, 2009, respectively, from "Other assets" reported in our GAAP condensed consolidated balance sheets because buy-ups are a financial instrument that we combine with guaranty assets in our disclosure in "Note 16, Fair Value." We have estimated the fair value of master servicing assets and credit enhancements based on our fair value methodologies described in Note 16.
- (9) Includes certain long-term debt instruments that we elected to report at fair value in our GAAP condensed consolidated balance sheets of \$3.3 billion as of September 30, 2010 and December 31, 2009.
- (10) The line item "Other liabilities" consists of the liabilities presented on the following six line items in our GAAP condensed consolidated balance sheets: (a) Accrued interest payable of Fannie Mae; (b) Accrued interest payable of consolidated trusts; (c) Reserve for guaranty losses; (d) Partnership liabilities; (e) Servicer and MBS trust payable; and (f) Other liabilities. The carrying value of these items in our GAAP condensed consolidated balance sheets together totaled \$26.0 billion and \$94.8 billion as of September 30, 2010 and December 31, 2009, respectively. The GAAP carrying values of these other liabilities generally approximate fair value. We assume that certain other liabilities, such as deferred revenues, have no fair value. Although we report the "Reserve for guaranty losses" as a separate line item in our condensed consolidated balance sheets, it is incorporated into and reported as part of the fair value of our guaranty obligations in our non-GAAP supplemental consolidated fair value balance sheets.
- (11) The amount included in "estimated fair value" of the senior preferred stock is the liquidation preference, which is the same as the GAAP carrying value, and does not reflect fair value.