

2014

YEAR IN REVIEW



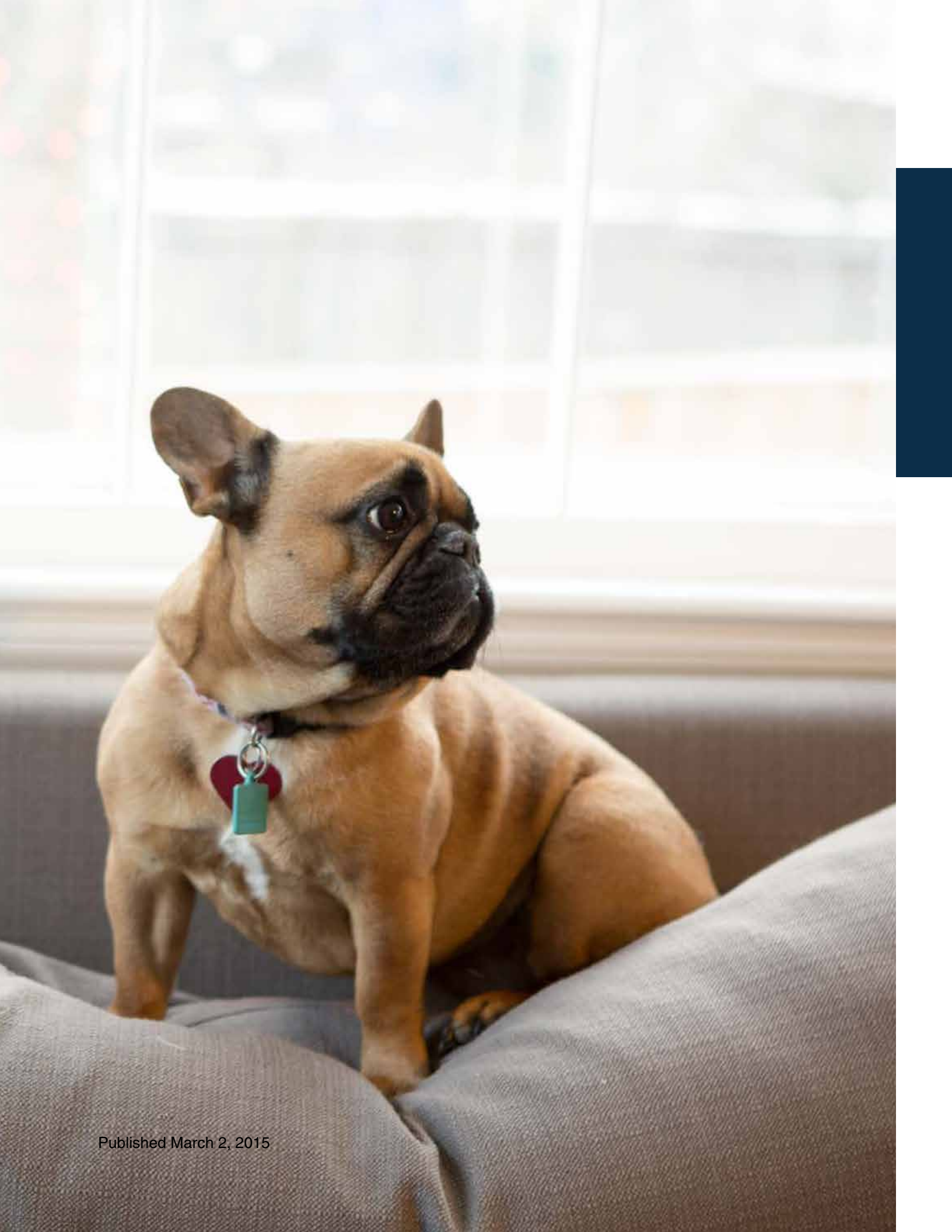


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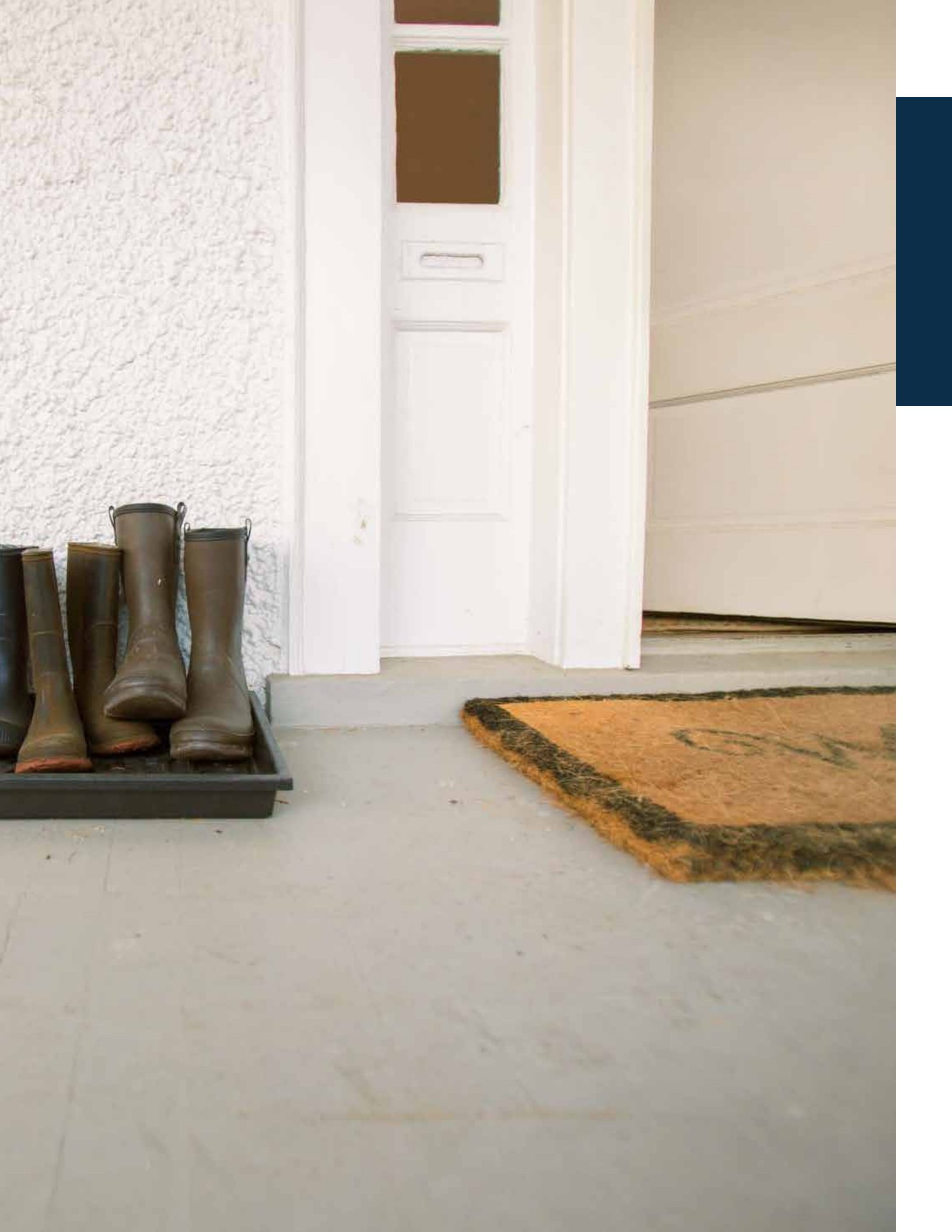
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For more information on our business, including information on our 2014 financial results and credit performance, the credit profile of our book of business, our expectations for our future financial performance, and significant risks relating to our business, see our annual report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission on February 20, 2015 ("2014 Form 10-K").

This report includes our expectations regarding the focus of our business, our dividend payments to Treasury and the impact of our actions on our business and the U.S. housing finance system. These expectations are forward-looking statements based on our current assumptions regarding numerous factors. Our actual results and future expectations may differ materially from our current expectations as a result of many factors, including those discussed in the "Risk Factors" section of and elsewhere in our 2014 Form 10-K. These forward-looking statements are representative only as of the date they are made, and we undertake no obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under the federal securities laws.



In the Words of Our CEO



Growing up in Pennsylvania, my family and I lived in a modest three-bedroom semi-detached house in a suburban neighborhood, where all the little houses looked nearly the same. I shared a bedroom with my two brothers. I still remember that home vividly, down to the last detail.

Whether you own or rent, or are saving up to buy your first home, or you work behind the scenes to build or invest in America's housing, you should have the ability to create your own memories – now and for years to come.

It is our mission at Fannie Mae to ensure that families across the country have access to mortgage credit to buy, refinance, or rent homes that are affordable for the long term. It is what motivates our work to help build a better housing finance system for the future. We take great pride in, and are inspired by, the promise of working together to build something strong and lasting.

For me personally, it is a privilege to lead an organization that is so committed to our important work, and our progress is a continuing source of satisfaction. We have come a very long way. We have improved our business, maintained responsible lending standards, enhanced our risk management capabilities, and created new tools that benefit lenders and the housing finance system. We continued to reduce delinquencies and achieve strong credit performance in 2014. We have helped many families who are struggling with their mortgages to keep their homes and avoid foreclosure.

Our investments in our infrastructure are making it more efficient, to the benefit of our customers and the country. We are the largest source of funding for single-family mortgages in the U.S., and we remain a leading source of financing and securitization for quality rental housing for people of all income levels throughout the nation. At the same time, we also are taking steps to attract more private capital to the market, which reduces risk and minimizes taxpayer exposure.

We have provided solid value to America by improving our financial performance since entering into conservatorship, helping to stabilize the housing market in the wake of the financial crisis. While they do not reduce the draws we have taken from Treasury, we have paid \$134.5 billion in dividends to the taxpayers for the nation's investment in us.

This is a testament to our employees' hard work to improve the housing finance system, provide liquidity, and help the housing market recover. It demonstrates our ability to deliver positive outcomes for the housing finance system and for taxpayers.

In 2015, we will remain focused on providing our partners – large and small – with the best customer service and competitive products so they can serve all segments of the market confidently, efficiently, and profitably. We will continue to push ahead on the things we control and effectively respond to changes we do not control.

Fannie Mae will lead housing finance forward. We are committed to being America's most valued housing partner.

A handwritten signature in dark ink, appearing to read "Timothy J. Mayopoulos". The signature is fluid and cursive, with a large initial "T" and "M".

—Timothy J. Mayopoulos

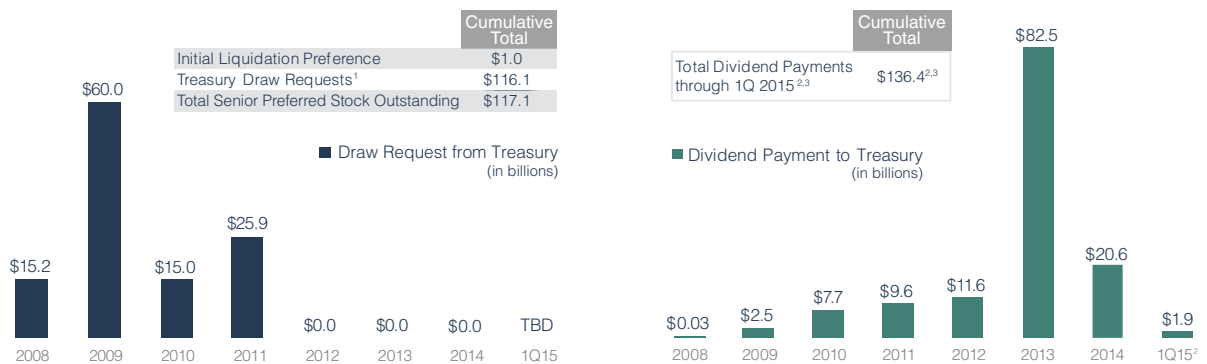


Building a Stronger Future

Fannie Mae’s business relies on intelligent risk management, and in 2014 we made strong progress in enhancing our infrastructure to make the housing finance system safer and more efficient. We completed new risk-sharing initiatives to increase the role of private capital in the market, helping to protect taxpayers. We worked closely with our servicers to help thousands of distressed homeowners avoid foreclosure, and we continued to acquire loans with strong overall credit profiles. We continued to put the legacy issues resulting from the financial crisis behind us, and re-committed ourselves to our customers as we contribute to a stronger, more sustainable housing system. We focused on delivering excellent results and preparing the company to succeed in a new competitive market in the future. These critical reforms are underway, they have reduced the risk to Fannie Mae’s business, and help us meet the strategic goals of our conservatorship.

For 2014, we reported \$14.2 billion in net income and \$14.7 billion in comprehensive income. Our 2014 financial results enabled us to pay \$20.6 billion in dividends to Treasury for the year, resulting in a cumulative total of \$134.5 billion in dividends through December 31, 2014 – approximately \$18 billion more than we have received in support. As of March 31, 2015, we expect to have paid a total of \$136.4 billion in dividend payments to Treasury. Our payments do not reduce our prior draws.

Our progress goes far beyond our financial results. To help protect the foundation of America’s housing finance system, beginning in 2008 we took actions to significantly strengthen our underwriting and eligibility standards and change our pricing to promote sustainable homeownership and stability in the market. These actions have improved the credit quality of our book of business and contributed to better credit performance. In turn, this has helped to support families and stabilize neighborhoods, home prices, and the housing market – all contributing to a stronger housing system in America, built to last for generations to come.



¹ Treasury draw requests are shown in the period for which requested and do not include the initial \$1.0 billion liquidation preference of Fannie Mae’s senior preferred stock, for which Fannie Mae did not receive any cash proceeds. The payment of dividends does not offset prior Treasury draws.

² Fannie Mae expects to pay a dividend for the first quarter of 2015 calculated based on our net worth of \$3.7 billion as of December 31, 2014 less the applicable capital reserve amount of \$1.8 billion.

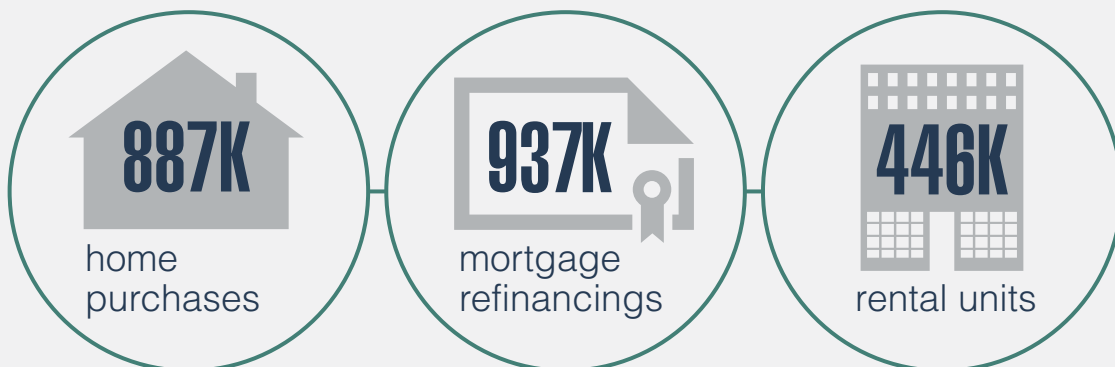
³ Amounts may not sum due to rounding.

We also have made important progress toward our goals in conservatorship to build new capabilities that increase the safety and soundness of the housing finance system and encourage more market participation. For example, we remain committed to working with the Federal Housing Finance Agency (FHFA) to develop a new common securitization platform, intended to simplify and modernize the way mortgage loans are securitized. We also have been working with FHFA and the industry on new financial and operational requirements for mortgage insurers that should dramatically improve mortgage insurance risk management. Additionally, we are working to develop a single common mortgage-backed security for Fannie Mae and Freddie Mac, with a goal of increasing liquidity in the housing finance market.

In 2014, we completed four new credit risk transfer transactions, which transferred a portion of the existing credit risk on our single-family guaranty book of business to private investors. By increasing the role of private capital in the mortgage market, these transactions help to reduce taxpayer exposure from borrower defaults.

These initiatives, along with others we are pursuing, are designed to ensure that we effectively respond to changes in the market and build a stronger, more sustainable system. While the future of our company remains uncertain, we are looking ahead and improving the way we operate with FHFA's guidance to support America's housing. We have made significant progress, reflecting the commitment of Fannie Mae employees to strengthen our company's foundation, provide reliable access to affordable mortgage credit, and supply the tools and resources the industry needs for the long term.

Our **\$434 billion** in liquidity in 2014 enabled:





Focused on Our Partners

As America's housing industry continues to adjust and grow in the wake of the financial crisis, Fannie Mae has re-committed to being the partner of choice in the secondary mortgage market. To do so, we will provide a superior customer experience that allows our lenders to work quickly and with certainty. Customer service is not new to us – our dedicated account teams work closely with our lenders every day, continually learning how they operate and finding constructive solutions that deliver the full value of Fannie Mae. However, we are making it easier, more efficient, and more effective to do business with us, today and in the future, so our customers can serve the market safely and profitably.

Lowering repurchase risk understandably is a priority area for our customers. Based on their feedback, we have made significant changes to our representation and warranty framework to help lenders reduce their repurchase risk relating to loans they deliver to us. We provided lenders with greater clarity on the circumstances that would result in a repurchase request. We are expediting our review of newly acquired performing loans to identify loan defects earlier in the process and are making more frequent use of the alternatives to repurchase specified in our Selling Guide.

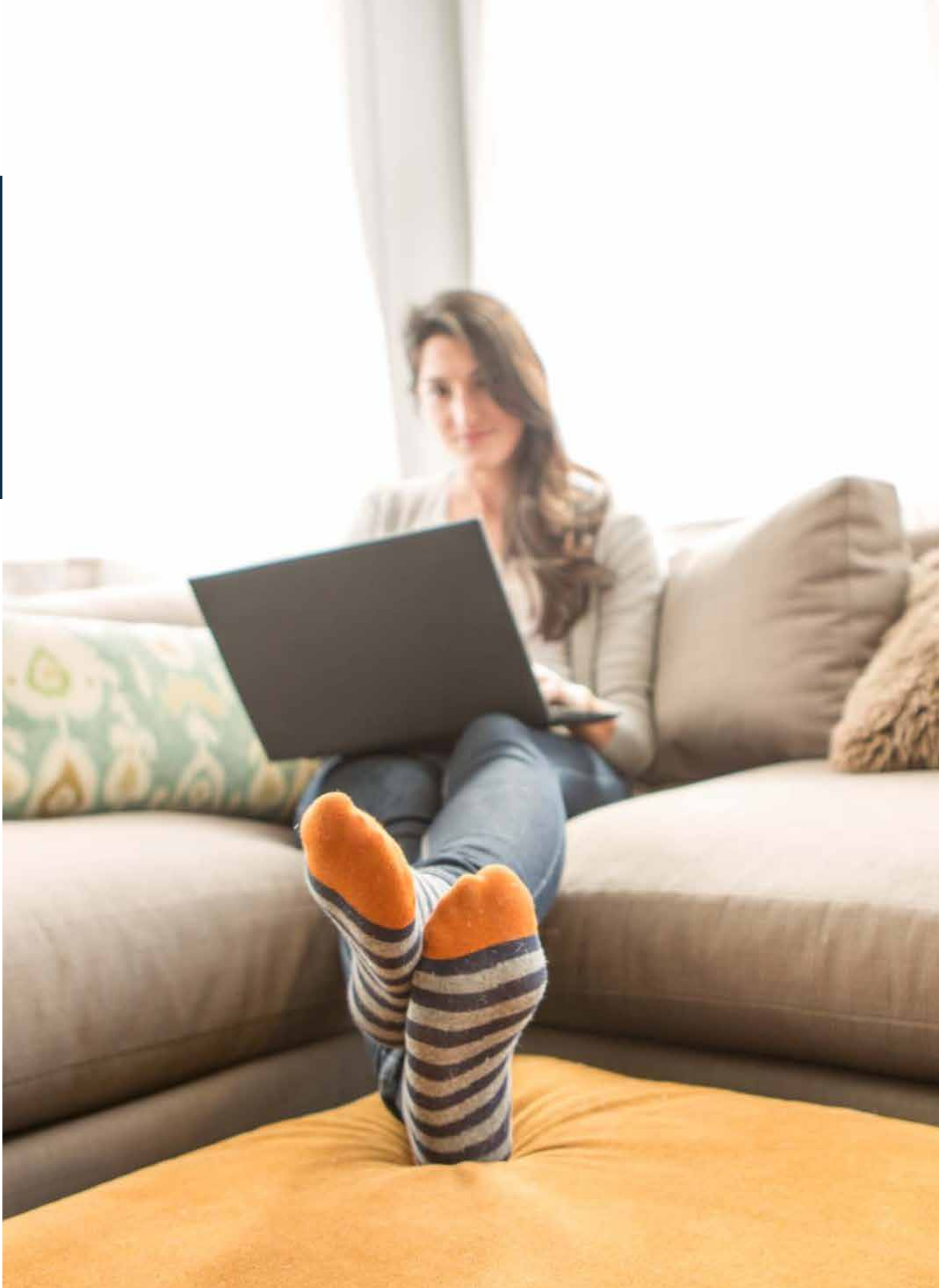
Visit fanniemae.com/progress to learn more about our lender resources.



Also, we are providing lenders with training and feedback to help them resolve origination issues and reduce loan origination defects, and our innovative tools such as EarlyCheck™ and Collateral Underwriter™ are helping them deliver loans that meet our eligibility standards. We see Collateral Underwriter as a major step toward mitigating repurchase risk for lenders. With access to the same system we use internally at Fannie Mae to analyze appraisals, lenders can compare a property against our database and against other pieces of information we have about the home and neighboring properties, helping them to address appraisal quality before delivering a loan to Fannie Mae – at no additional cost. By reducing the potential for repurchases down the road, our tools provide lenders the clarity they need to serve the market.

We provide best-in-class products and resources that meet the needs of our customers, large and small. In fact, we are the preferred partner for smaller originators, including community banks, credit unions, independent mortgage bankers, and state and local Housing Finance Agencies. Our account teams are focused on the specific and unique business needs of our smaller customers to help them meet their objectives.

Additionally, through our capital markets activities, we enable lenders to replenish their funds and originate new loans through a variety of options. Lenders can sell their loans to Fannie Mae





for cash through our robust cash window or swap their loans for Fannie Mae mortgage-backed securities (Fannie Mae MBS), which lenders can keep for their portfolio or sell to investors. Under our early lender funding programs, we purchase whole loans or pools of loans on an accelerated basis – this allows lenders to receive quicker payment, which replenishes their funds and enables them to originate more single-family loans.

Fannie Mae also is a leading source of financing and securitization for quality rental housing in America. Our multifamily business is taking steps to continue to strengthen relationships with our lenders, provide financing solutions to help them compete in the market, and create securities that are attractive to our investors. In 2014, we provided \$28.9 billion in multifamily financing to serve multiple segments of the multifamily market, resulting in 446,000 units of rental housing. We accomplished this in partnership with our 24 approved Delegated Underwriting and Servicing (DUS®) lenders, who delivered nearly 100 percent of Fannie Mae’s 2014 multifamily loan acquisitions.

For 27 years, Fannie Mae’s unique DUS program has played a significant role in the multifamily housing market, providing lenders and borrowers with efficient and reliable financing solutions every day while helping to protect taxpayers. Our DUS program was the original “skin in the game” model in mortgage lending, with our DUS lenders sharing the first loss on the loans they originate and deliver to us. Through this shared-risk model, Fannie Mae provides certainty and speed of execution, competitive pricing, and strong credit risk management to our multifamily lenders and their borrowers.

At Fannie Mae, we recognize and appreciate what is most important to our lender partners. We are focused on providing the products, services, and clarity they need to serve their customers and reduce barriers to lending to qualified borrowers.

\$28.9B

in total financing provided to the multifamily market in 2014

+85%

of rental units financed in 2014 were affordable for those at or below area median income

0.05%

multifamily loans 60+ days delinquent as of 12/31/2014



Committed to Doing More

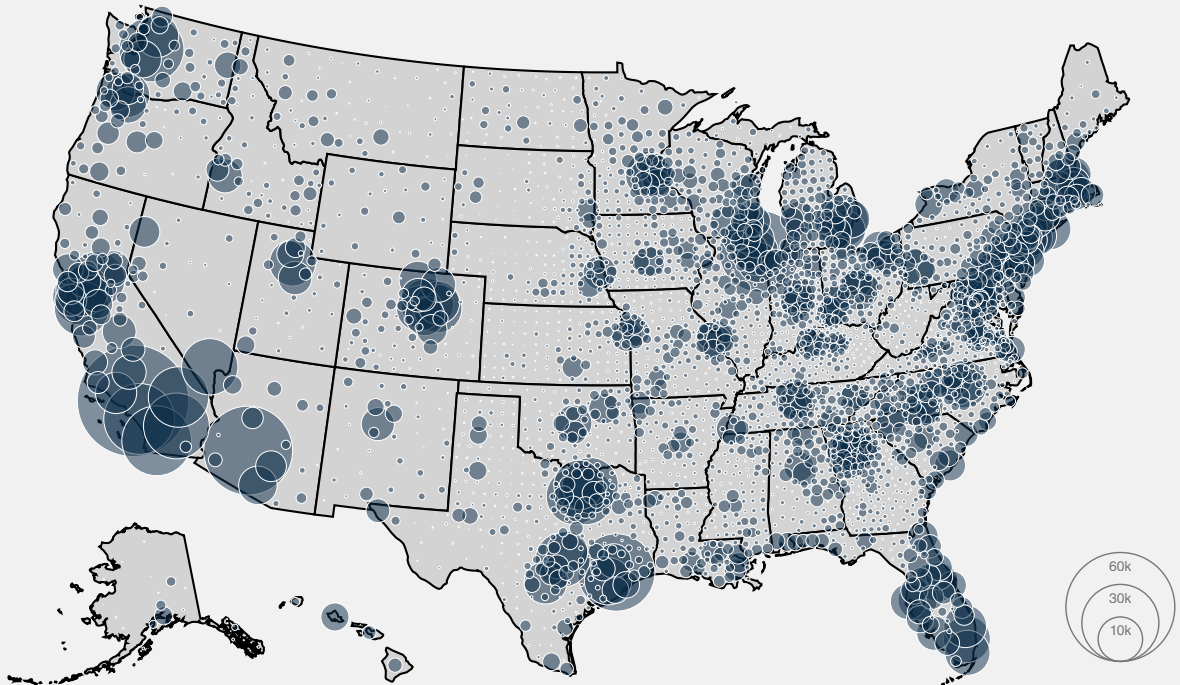
Fannie Mae serves an essential role in the market – and that role is as important now as it was in 1938, when we were created to bolster the nation’s housing system during the Great Depression. It’s why we exist today under FHFA supervision. We help to ensure that qualified home buyers across the nation have access to mortgage credit in good times and bad, and that quality, affordable rental housing is available. With the support of our conservator, we can be counted on when people need us most.

We are proud to be the leading provider of liquidity to America’s housing and mortgage market. In 2014, our approximately \$434 billion in financing enabled 887,000 home purchases, 937,000 mortgage refinances, and 446,000 units of rental housing from coast to coast. We also remain a leading provider of the prepayable 30-year fixed-rate mortgage, which protects homeowners from fluctuations in interest rates. This is just one of the ways we are helping people who are financially ready to own a home while limiting risk to lenders and taxpayers. Additionally, through our unparalleled loss mitigation platform and broad suite of loan workout options, in 2014 we provided approximately 165,000 solutions that helped families in distress avoid foreclosure.



Supporting the Housing Market in 2014

We enabled people to buy, refinance, and rent homes across the United States.





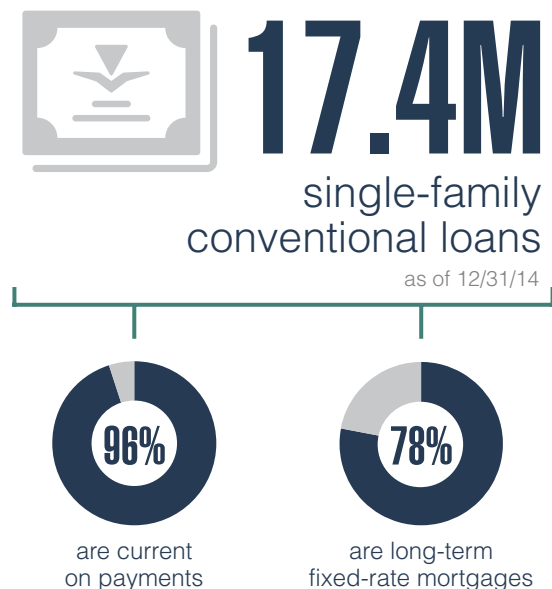
While we have made good progress, we are not satisfied with the status quo – we strive for continuous improvement through innovation to help more creditworthy borrowers buy homes. We are focused on doing more to expand access to mortgage credit in a responsible and sustainable manner.

Together with our partners we are working to reduce the barriers that qualified borrowers might face. For instance, by providing greater clarity on our representation and warranty framework, we intend to help mortgage originators serve the market more confidently and lend to the full scope of our credit parameters, enabling more creditworthy borrowers to qualify for a mortgage loan.

Additionally, we expanded our low down payment offerings in 2014 to re-introduce loans with a 97 percent loan-to-value (LTV) ratio. These loans are available to first-time home buyers who qualify for a mortgage but don't have the resources to make a large down payment. Higher LTV products are not new at Fannie Mae – the 97 percent LTV option builds on our successful lower down payment programs offered through state Housing Finance Agencies, and we have offered a 5 percent down payment option for more than 25 years.

We believe these products will encourage lenders to make credit available to a larger number of creditworthy borrowers. Importantly, we conduct this business in a safe and prudent way, having eliminated the practices that led to significant problems leading up to the housing crisis. For instance, we require borrowers to purchase mortgage insurance on most of our higher LTV ratio loans, which reduces taxpayer exposure. Also, home purchase loans we acquire must have appropriate documentation and income verification – we do not accept so-called “no-doc” or “low-doc” loans*.

These are just a few of the actions we are taking to reduce barriers to affordable mortgage credit in a responsible manner. There is no single solution that will help us achieve this – rather, it requires sustained focus fueled by constant innovation. Fannie Mae is proud to lead the way.



*Refi Plus™ loans are subject to different eligibility requirements.

Giving Back to Our Communities

As part of our efforts to build a better housing finance system, we strive to help the thousands of individuals and families who don't have a place to call home. Fannie Mae has a strong tradition of giving back to those in need, particularly the homeless and those at risk of becoming homeless. Our employee volunteer and philanthropic efforts, which build and strengthen relationships with the communities we serve, are aligned with the company's priority to ensure that affordable housing is accessible in all communities across the country at all times.

Our workforce rallies together throughout the year to support homeless service providers, staff borrower outreach events, rebuild homes in hard-hit neighborhoods, refurbish inner-city schools, host food and clothing drives for struggling families, and much more. In 2014, more than 3,000 Fannie Mae employees raised more than \$148,000 and volunteered a total of 23,115 hours on a wide range of projects and initiatives.

Additionally, our Help the Homeless Program provides a fundraising model that benefits organizations working to prevent and end homelessness across the country. Each year, Fannie Mae employees join thousands of others across the country who support the program by participating in community events, making donations, and volunteering their time and energy. The program has proudly distributed more than \$100 million to Help the Homeless nonprofit beneficiaries since 1988.

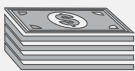
In 2014



3,000+ Fannie Mae employees



23,115 volunteer hours



\$148,000+ raised



11 nonprofits benefitted





FannieMae[®]

www.fanniemae.com/progress

3900 Wisconsin Avenue, NW
Washington, DC 20016

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