


A Report on
Fannie Mae's Mission Activities



April 2011



In this Mission Report, the company has presented a number of estimates, forecasts, expectations, and other forward-looking statements, including statements regarding the company's future results; the profitability of its loans; the performance and caliber of loans it has acquired and will acquire; its credit loss reduction efforts; its planned homeowner initiatives; and macroeconomic factors, such as growth in the U.S. economy, housing activity, and household formation. 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 homeowners; 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 annual report on Form 10-K for the period ended December 31, 2010 and in our other filings made with the SEC from time to time, could result in actual results being materially different from what is set forth in the forward-looking statements.

Any forward-looking statements made by Fannie Mae speak only as of the date on which they are made. Fannie Mae is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, subsequent events, or otherwise.

A Message from Phil Laskawy and Mike Williams

Fannie Mae has served the housing market and America's families for more than 70 years, and we remain deeply committed to our mission. We help ensure that working families have access to mortgage credit to buy homes they can afford over the long term or that they can secure quality rental housing.

We're also focused on helping struggling families. We understand the human cost of the housing crisis to people and communities. Working with our partners, we're doing everything we can to help families avoid foreclosure and keep their homes whenever possible.

Everyone with a stake in housing — from families to lenders and others — wants a stronger housing market. At Fannie Mae, we're helping build a stronger foundation for housing — one based on returning to common sense lending standards and redefining sensible risk.

We are also committed to creating long-term value to help build a stable, sustainable housing market for the future.

The work that we do affects families and neighborhoods across the country, every day. This report illustrates how we are putting our resources to work for the housing market, for communities across the country, and for the American people.

Phil Laskawy

Chairman of the Board

Mike Williams

President and Chief Executive Officer

Introduction

Who Is Fannie Mae Today?

A company on a mission. Fannie Mae exists to serve America's housing market. We're a national mortgage finance company, but we don't offer home loans. We stand behind mortgage lenders — local and national banks, thrifts, credit unions, and other financial institutions in all 50 states — to buy the mortgage loans they originate, replenishing their funds so they can lend to other homeowners and apartment owners. Lenders and Fannie Mae work together to help families buy homes or refinance their mortgages. Similarly, we keep funds flowing to support affordable rental housing. Fannie Mae has served at the center of the U.S. mortgage market since 1938. Our mission to provide liquidity, stability, and affordability to the U.S. housing market has never been more critical than it is right now.

A vital role in the market. Fannie Mae plays an even greater role in the housing market today as our nation recovers from the worst housing crisis since the Great Depression. In uncertain economic times, funds for mortgages tend to dry up as investors who supply financing leave the market. That threatens to stall mortgage lending, construction, home sales, and financing for apartments. And since housing activity represents about 15 percent of our gross domestic product, the entire U.S. economy suffers. Fannie Mae's role in the market — and our charter requiring us to serve in all communities at all times, good and bad — gives us a unique ability to respond to market challenges. When others pull back or leave the market, we step forward.

An urgent responsibility. Our mandate is to keep money flowing to mortgage lenders and to make sure people can still buy, refinance, or rent housing. We launched an unprecedented effort to help struggling homeowners keep making their mortgage payments and avoid losing their homes. Today, we continue to focus on delivering on our important mission, building a sustainable foundation for housing for the future, and strengthening our company so we can better serve the housing market and families.

How Has Fannie Mae Helped?

Steady, measurable progress. The housing market is showing some signs of improvement but the recovery is still fragile, and many homeowners continue to struggle. We have made important progress since being placed in conservatorship, but we have much more work to do.

- We provided nearly \$1.5 trillion in funds to the mortgage market in 2009 and 2010.
- We are building a new book of business (loans acquired from 2009 forward) that we expect to be profitable and managing losses on our legacy book (loans prior to 2009) through our foreclosure prevention efforts.
- In 2009 and 2010, we helped more than one million families buy homes and more than four million families refinance into lower-cost, safer mortgages. Approximately 1.95 million of these mortgages are on properties owned by families earning at or below the median income in their area.
- We helped more than 700,000 homeowners struggling to pay their mortgages work out their loans in 2009 and 2010. That helped to protect neighborhoods, home prices, and the housing market.
- We are also a leading provider of capital to the rental housing market. In conjunction with our multifamily lenders and housing partners, Fannie Mae provided approximately \$37 billion in debt financing for the rental housing market in 2009 and 2010.
- We continue our commitment to affordable rental housing. In 2009 and 2010, 87 percent and 91 percent, respectively, of the multifamily units we financed were affordable to families earning at or below the median income in their area.
- In 2010, on top of our daily work, Fannie Mae employees gave more than 69,000 volunteer hours to efforts focused on preventing foreclosures, strengthening communities, and addressing homelessness. Our commitment is both professional and personal.

These numbers demonstrate that Fannie Mae and our partners are playing a meaningful role in supporting America's housing market and serving America's families.

How Is Fannie Mae Moving Forward?

The housing recovery remains uneven. Creating solutions will require practical, effective, and long-term changes across the housing market.

Fannie Mae has conducted focused market research to understand evolving consumer attitudes and their potential impact on the housing market. Our National Housing Survey was developed to identify, assess, and track emerging consumer attitudes on important housing issues. Our Own-Rent analyses examine why Americans choose either to buy or to rent their homes. Our extensive analyses also provide insights into specific demographic, income, and educational groups.

Over the past year, our research has identified several important themes. For example, the vast majority of Americans continue to believe that owning a home makes more sense for them than renting. They want to own primarily for non-financial reasons, which include obtaining a good place to raise their children, promoting safety, and having more space. Additionally, the perception that owning a home is a safe investment remains strong but has declined meaningfully from levels seen prior to the housing market downturn. And, many Americans, especially renters, have grown more cautious and realistic about homeownership. (To access the complete survey, visit www.fanniemae.com/media/survey.)

At Fannie Mae, we are focusing on **five actions** to build a stronger, more sustainable foundation for housing:

- **Keep liquidity flowing.** In 2010, we estimate our competitive market share was almost 40 percent of single-family and approximately 35 percent of multifamily mortgage financing. We continue our commitment to our fundamental mission — providing mortgage liquidity in all cycles, good and bad.
- **Help distressed homeowners.** Everyone loses when families are faced with a foreclosure. The cost to homeowners, their neighborhoods, the market, and to our company can be severe. We will continue to find ways to help. We have one of the largest foreclosure prevention operations in the country. Our efforts help stabilize communities and help Fannie Mae avoid losses, which benefits taxpayers.
- **Encourage sustainable lending.** Fannie Mae has strengthened lending standards to help ensure that working Americans who buy homes can afford them over the long term. We are emphasizing long-term, fixed-rate mortgages — loans that protect homeowners from interest rate swings. Through our Loan Quality Initiative, we are helping minimize future risk for borrowers, lenders, and Fannie Mae by requiring borrowers to provide more information about their credit status earlier in the process and by enhancing property appraisals. We are also creating tools for lenders to better understand the quality of a loan before they sell it to Fannie Mae. In addition, we are committed to working with our regulator, the Federal Housing Finance Agency (FHFA), and others to develop a better model for servicing mortgages to help reduce risk, increase flexibility, and improve service for borrowers.
- **Support rental housing.** As demographics change, demand for quality affordable rental housing will continue to grow. Fannie Mae provides critical capital to help meet this need and has guaranteed the credit risk of more than \$1 of every \$5 of outstanding multifamily debt.
- **Build a better company.** We are working to improve performance. Loans acquired since the start of 2009 comprise more than 40 percent of our book of business, and we expect them to be profitable over their lifecycle. As we continue to build this new book of business, our foreclosure prevention efforts help reduce losses on our legacy book of business. We are also driving operational excellence to strengthen our company's capabilities, reduce risk, and be a responsible steward of the resources we've been provided.

We know the mortgage market will change in the years ahead. As we prepare for change, Fannie Mae is focused on creating value and delivering on our responsibilities to the U.S. housing market.

Our efforts are making a difference to families and communities across the country. We will continue to work with industry partners, lenders, and families to build a stronger housing market for the future.

Providing Liquidity and Affordability to the Housing Market

Investor capital is essential to keep the mortgage market functioning. During the housing crisis, many mortgage investors left the market or sharply reduced their involvement. Fannie Mae has supported mortgage lenders with the funds they need to provide financing for families, refinance loans, and finance multifamily housing at affordable rates.

Supporting Homeownership

Fannie Mae plays a significant role in providing liquidity to the single-family mortgage market. The interest rate for 30-year fixed-rate conforming mortgages is lower than the rate for “jumbo” mortgage loans (or loans above our current \$417,000 limit in most markets and \$729,750 in certain high-cost areas).

- In 2010, Fannie Mae worked with approximately 1,100 lenders to provide financing for 599,000 borrowers to buy homes and for 2.1 million homeowners to refinance their loans.
- Our Refi Plus™ initiative, which streamlines the refinancing process, served approximately 659,000 of our borrowers.

America’s Favorite Mortgage

The 30-year fixed-rate mortgage is the most popular choice for America’s homeowners. It provides predictable payments that protect homeowners from interest rate swings. We believe this creates more stability for borrowers and for the housing market. Since the 30-year fixed-rate mortgage was developed, it has enabled millions of families to buy homes.

Fannie Mae emphasizes long-term, fixed-rate mortgages that are pre-payable (without penalty) as a way to support sustainable homeownership. Fixed-rate mortgages accounted for 83 percent of all outstanding single-family mortgages according to FHFA’s latest available data.

What Lenders Have to Say About Fannie Mae

“It is organizations like ours that will help rebuild and reaffirm the confidence in the housing market that has been lacking. Small businesses like mine are those that employ locally, that continue to pay taxes, continue to eke out a living. ... We know Fannie Mae has made us a priority. They go above and beyond in involving us in events, in information distribution so that we can grow our business soundly and responsibly.”

— Chris George, Founder and President, CMG Mortgage, a leading mortgage bank located in San Ramon, CA

Supporting Smaller Lenders

The credit crunch has hit small and mid-sized lenders especially hard. These lenders are particularly vulnerable when credit lines dry up and investors reduce their interest in acquiring mortgage-related assets. Fannie Mae met the liquidity needs of many small to mid-sized lenders by purchasing over \$80 billion of their mortgage loan production in 2010.

We worked with various trade associations and affinity groups, whose membership includes many of the lenders in this segment, to help them realize the value of their Fannie Mae relationship. We dedicated a team of people who were focused on the unique needs of the lenders’ business models to help the lenders meet their specific objectives. In addition, we provided classroom training on mortgage lending fundamentals for more than 1,000 employees of our customers in various cities around the country, and offered free access via eFannieMae.com to hundreds of live Web seminars, recorded tutorials, and job aids.

Credit Union Partnerships

Many families utilize credit unions, or cooperative financial institutions that make loans and provide other banking services to their members, when obtaining a mortgage. Historically, credit unions kept mortgages on their balance sheets because they represented solid, reliable assets. Credit unions had good track records on borrower screening and low foreclosure risk.

However, the weak economy has prompted many credit unions to look for new ways to manage their core assets and ensure their mortgage loan liquidity. Earning investment income is always important, but not-for-profit credit unions also maintain a commitment to serve their members' financing needs when buying homes or making other major expenditures.

Fannie Mae helps credit unions balance their portfolios, freeing up capital for new lending and mitigating risk. We do so by purchasing new or seasoned loans in exchange for cash, thus replenishing their supply of funds for additional lending, or for a mortgage-backed security to hold in their portfolios or sell to an investor. In 2010, Fannie Mae purchased \$21.3 billion in loans originated by credit unions.



Combating Mortgage Fraud

According to the FBI, "Combating significant mortgage fraud is a priority, because mortgage lending and the housing market have a significant overall effect on the nation's economy." The U.S. enjoys accessible, affordable mortgage funding, based largely on investor interest in mortgage-backed investments. Lack of investor confidence in the mortgages backing those investments could reduce demand, making mortgages more difficult and costly to obtain.

Fannie Mae is committed to preserving the quality of our mortgages and we are actively working to combat fraud. We partner with lenders, law enforcement, non-profits, and others to prevent or stop fraud schemes and develop solutions to prevent future losses due to fraud. Our efforts include:

- **Prevention** — Fannie Mae's Loan Quality Initiative provides tools to help lenders identify and avoid potential fraud.
- **Education** — Fannie Mae's Mortgage Fraud Program offers live and Web-based education on fraud trends. Our Mortgage Fraud Resources Web page on eFannieMae.com features the latest fraud prevention tools, information, and presentations.
- **Enforcement** — Fannie Mae enforces our lenders' contractual representations regarding mortgage fraud, reinforcing accountability for the quality of loans sold to us. We report mortgage fraud to FHFA and ultimately to law enforcement through the Financial Crimes Enforcement Network.

Fannie Mae also invests in efforts to combat fraud directed at homeowners. One recent success is the Loan Modification Scam Prevention Network (LMSPN) we founded in collaboration with the U.S. Department of Housing and Urban Development (HUD), Freddie Mac, and a variety of banks and nonprofit organizations to assist homeowners victimized by foreclosure rescue schemes. (For more information, visit LoanScamAlert.org and PreventLoanScams.org.)

The coalition conducts a national media outreach campaign to educate the public on potential scams and facilitates law enforcement referrals and prosecution. Since the launch of the LMSPN database in February 2010, more than 10,000 homeowners have reported scams or potential scams, totaling over \$27 million in lost money.

Supporting Multifamily Rental Housing

In the wake of the housing crisis, many Americans seeking a viable and more affordable housing option are choosing renting over buying. Fannie Mae has long played a significant role in providing financing for the multifamily rental housing sector and continues to do so, largely by packaging multifamily loans into mortgage-backed securities and providing a credit guarantee on the securities. Fannie Mae's Multifamily Mortgage Business has several business channels that focus on numerous types of multifamily housing including:

- Conventional rental properties (large and small) that provide safe, decent, and affordable housing;
- Rent-restricted housing that is targeted to lower-income populations;
- Seniors housing, including independent and assisted living;
- Manufactured housing communities;
- Cooperative housing; and
- Student housing.

Last year, in conjunction with our lender and housing partners, Fannie Mae provided nearly \$17 billion in debt financing for the rental housing market. We did this by acquiring approximately 2,300 multifamily mortgages across the country.

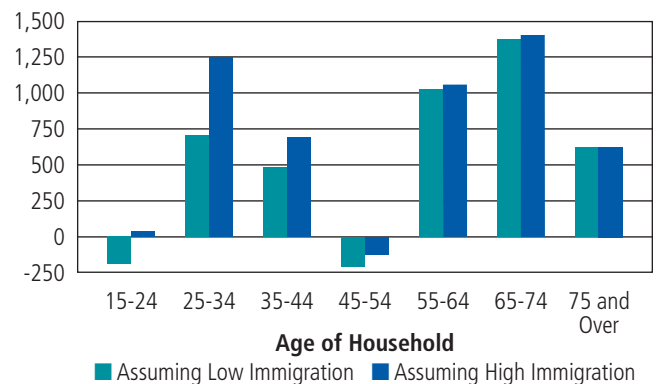
Our financing supports both the workforce rental and rent-restricted housing markets. Approximately 91 percent of the multifamily units we financed in 2010 were affordable to families earning at or below the area median income for their communities.



Rentals as a Key Component of the Nation's Housing

As demographics in this country change, demand for affordable rental housing will continue to grow. According to the Harvard Joint Center for Housing Studies (JCHS), the number of renter households in America is expected to surge over the next ten years. Depending on immigration, that growth could be anywhere from 3.8 million to 5 million rental households over the ten-year period.

Projected Renter Household Growth, 2010-2020 (In Thousands)



Notes: High immigration projection assumes immigration rises from 1.1 million in 2005 to 1.5 million in 2020, as estimated by the Census Bureau's 2008 population projections. Low immigration projection assumes immigration is half the Census Bureau's projected totals. Source: JCHS household projections.

Small Multifamily Rental Loans

Smaller rental properties are critically important because they provide many of the housing opportunities needed for working families. However, financing these properties can be challenging. Fannie Mae plays a key role in ensuring the small multifamily loan market has the liquidity it needs.

The lending market for smaller rental properties is fragmented, with more than 2,600 lenders originating an average of six small loans each. Smaller rental property financing also tends to rely on a broad range of borrowers, including individual investors, entrepreneurs, or smaller commercial businesses of varying credit profiles that invest in a limited number of properties. This can create financial, underwriting, and credit issues for national investors in these loans, which limits the supply of low-cost financing.

Fannie Mae helps ensure that the small rental property loan market has the funding it needs. "Small multifamily loans" are loans under \$3 million (or \$5 million in higher-cost areas). Over the past ten years, we have developed a dedi-

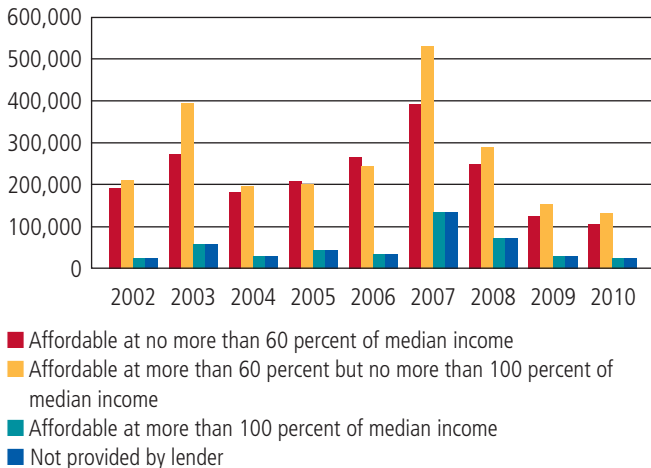
cated small multifamily loan platform to provide consistent liquidity to the small rental property loan market and financed more than \$60 billion of small multifamily loans.

During 2010, Fannie Mae acquired 1,177 small multifamily loans totaling \$2.3 billion, which accounted for 51 percent of our total multifamily loan count. As of December 31, 2010, we had a \$33 billion book of business in more than 29,000 small multifamily loans. These properties tend to be more affordable and concentrated in urban areas in proximity to transportation and jobs, helping to lower the cost of living.

Fannie Mae's Significant Impact on Affordable Rentals

Fannie Mae plays a significant role in funding affordable rental housing for American families.

Distribution of Rental Units Financed with Multifamily Mortgage and Securities Purchases by Fannie Mae 2002-2010 as per the Annual Housing Activities Reports



Source: Fannie Mae Annual Housing Activities Reports 2002-2010

Multifamily Green Initiative

Fannie Mae's Green Initiative assists multifamily property owners seeking to reduce utility costs, operate their properties more efficiently, and reduce their impact on the environment through energy and water efficiency property improvement projects and rehabilitations. By focusing on energy and water efficiency, Fannie Mae is helping maintain the quality and affordability of America's multifamily rental housing. Our work toward this goal includes:

- **Establishing the Green Rental Housing Task Force** — Fannie Mae has organized a task force to bring together a broad range of industry experts to provide information for the Green Initiative strategy. The group is also working to integrate energy efficiency performance metrics into multifamily underwriting and existing loan products.
- **Rehabilitating Fannie Mae-owned properties** — In select cases, Fannie Mae is acquiring and rehabilitating multifamily properties that have entered into foreclosure. By investing in these properties, Fannie Mae is helping to keep housing affordable for families while improving the quality of the properties. Fannie Mae intends to sell the properties after the market has stabilized, thereby returning value to the market.

Supporting Affordable Housing

Fannie Mae helps provide financing to enable Americans to buy or rent quality affordable housing. In 2010, we supported lending that served more than 750,000 low-income families, including more than 87,000 very low-income households.

Housing Finance Agency Partnerships

Fannie Mae has a long-standing partnership with state Housing Finance Agencies (HFAs) and their nonprofit trade association, the National Council of State Housing Agencies (NCSHA). These entities work to meet affordable housing needs across the country through a variety of housing initiatives, including homeownership and rental housing programs for low- and moderate-income families and first-time home buyers.

HFA Single-Family Business

In 2006, Fannie Mae entered into an Affinity Agreement with state HFAs and NCSHA. The agreement provides preferred pricing and terms to HFAs in exchange for high-performing loans. To date, 34 HFAs have participated and delivered approximately \$6.4 billion in volume. In 2010, Fannie Mae purchased more than 3,700 HFA loans, with a principal balance of \$593 million. Of this volume, approximately 69 percent was purchased through the Affinity Agreement. Fannie Mae hopes to continue our partnership with the state HFAs and NCSHA by rolling out a second Affinity Agreement in 2011.

Treasury Initiative

In October 2009, the U.S. Department of Treasury, in collaboration with HUD and FHFA, launched an initiative to provide \$23 billion in financing and liquidity to participating state and local HFAs. Fannie Mae and Freddie Mac have supported the design, implementation, and 50/50 funding of the HFA initiative, which consists of two programs: the New Issue Bond Program (NIBP) and the Temporary Credit and Liquidity Facilities Program (TCLF).

During 2010, HFAs used \$5.1 billion in total NIBP funding, including \$3.9 billion to support bonds that were utilized to finance single-family mortgage loans, and \$1.2 billion to support bonds that were utilized to finance long-term multifamily mortgage loans. HFAs may continue to with-



draw NIBP funding through the end of 2011. At the end of 2010, there was \$6.9 billion in total outstanding principal balance on the TCLF, which provides a credit and liquidity backstop for the HFAs.

Hardest-Hit Fund (HHF)

In early 2010, the Obama Administration launched the Hardest-Hit Fund program, making funds available to HFAs in 18 jurisdictions that have experienced sustained unemployment rates at or above the national average. The majority of the funds is being used to assist unemployed and underemployed homeowners by providing temporary mortgage payment assistance or loan modifications. Michigan, Arizona, and Ohio were among the first states to roll out their programs. In October 2010, Fannie Mae issued a letter to all servicers instructing them to work closely with the HFAs participating in the Hardest-Hit Fund program to assist borrowers as part of the HHF Unemployment Program.



Preserving and Supporting Affordable Housing

In Madison, WI, the owner of a housing complex for residents with annual incomes of approximately \$20,000 or less decided to sell the property, putting the building's Section 8 status at potential risk. Section 8 provides federal housing assistance to occupants in the form of rental subsidies. If the property had been sold to a for-profit buyer, the new owner could have decided to stop offering Section 8 housing, forcing the more than 200 low-income seniors living in the complex to find new homes. Adding to the challenge, Section 8 housing in the area was scarce, and the displaced residents would have had to go through the process of applying for Section 8 vouchers.

A local, well-known nonprofit organization committed to preserving affordable housing decided to buy the property, entering into a purchase agreement with the owner. HUD approved the borrower so the building could continue to provide Section 8 assistance, Fannie Mae agreed to purchase the loan, and the nonprofit acquired the property — successfully preserving more than 200 units of affordable housing.

Since the organization was a nonprofit, when it assumed ownership of the building it became eligible for a property tax reduction. Fannie Mae worked closely with the group and the lender to approve additional financing through a supplemental loan based on its new savings, completing the process in just one month. This allowed the nonprofit to recoup a portion of its equity, enabling it to invest more into the property for enhancements and to preserve additional housing properties in the area to help other underprivileged seniors and families.

As part of our effort to support affordable housing, Fannie Mae completes hundreds of preservation transactions every year. In 2010 alone, Fannie Mae provided \$643 million in financing that supported the preservation of apartment rent restrictions for over 14,000 affordable rental units.

Rural Affordable Housing: Hancock County 538 Loan

In Carthage, IL, a developer affiliated with the local hospital sought to build a 21-unit supportive living complex for senior citizens nearby. More than half of the apartments would be reserved for persons with low incomes. The project was particularly important to the community because the area had a shortage of supportive housing for the elderly.

In many instances, developers looking to build small multifamily unit projects in rural markets have a difficult time securing funding. The income these projects generate from rents often cannot support the fixed operating costs involved, including debt payments. The developer for this project was also looking to fund the project at a time when investor interest was scarce. However, in this case, one of Fannie Mae's approved multifamily affordable lenders stepped up and worked closely with the developer to facilitate financing for the project.

The project was able to qualify for federal low-income housing tax credits, which resulted in less debt and more affordable rents. The lender then brought the loan to the U.S. Department of Agriculture (USDA) and Fannie Mae. As part of its Rural Development (RD) 538 program, which encourages partnerships between RD, private lenders, and public agencies, the USDA agreed to guarantee 90 percent of the loan. Fannie Mae worked closely with the USDA and the approved lender to move the deal forward, and the project was able to secure the necessary permanent financing.

Today, this supportive living complex is home for more than 21 senior citizens and an important anchor for the Carthage community. It's also a strong example of how Fannie Mae can work with the USDA and approved lenders to facilitate financing and development in rural America.

Housing Goals and Duty to Serve Underserved Markets

Housing Goals

Fannie Mae is subject to affordable housing goals established by FHFA. Last year, the structure of these goals changed.

Single-Family

Our 2010 and 2011 single-family housing goal benchmarks, and our 2010 performance against these benchmarks, are outlined below. Our 2010 results have not been validated by FHFA, and after validation they may differ from the results reported below. Although we did not meet all of our single-family housing goal benchmarks, we may still meet our goals. In addition to the benchmarks, our single-family housing goals performance will be measured against the share of goals-qualifying originations in the primary mortgage market. We will be in compliance with the housing goals if we meet either the benchmarks or market share measures.

Single-Family Housing Goals	Result	Benchmark	Number of Mortgages
Low-income families ¹ home purchases	25.1%	27.0%	120,445
Very low-income families ² home purchases	7.2	8.0	34,680
Low-income areas (with disaster areas) ³ home purchases	24.0	24.0	115,040
Low-income areas (without disaster areas) ⁴ home purchases	12.4	13.0	59,184
Low-income families ¹ refinancing	20.9	21.0	417,474

- (1) Families with income no higher than 80 percent of area median income.
 (2) Families with income no higher than 50 percent of area median income.
 (3) Families in low-income census tracts, moderate-income families in minority census tracts, or moderate-income families in designated disaster areas.
 (4) Families in low-income census tracts or moderate-income families in minority census tracts.

Multifamily

FHFA also established a new multifamily housing goal and subgoal. For each of 2010 and 2011, our multifamily mortgage acquisitions must finance at least 177,750 units affordable to low-income families, and at least 42,750 units affordable to very low-income families. There is no market-based alternative measurement for the multifamily goals. Our 2010 results were 212,768 and 53,184 units, respectively.

Duty to Serve

FHFA will also require GSEs to provide market leadership in three specific areas: affordable housing preservation, manufactured housing, and rural areas. Fannie Mae is preparing a plan of action for implementation when FHFA issues the final Duty to Serve rule.

Other Affordable Housing Contributions

Fannie Mae offers specialized mortgage financing solutions that help increase the supply of affordable owned and rental housing as well as preserve the existing inventory.

Single-Family

Our single-family acquisitions include several products that address specific housing needs. For instance, during 2010, Fannie Mae purchased:

- \$831 million in mortgages targeted specifically to lower-income and/or first-time home buyers through banks and state housing finance agencies.
- \$944 million in mortgages secured by manufactured homes.
- \$138 million in single-family mortgages in rural areas.

Multifamily

Our multifamily mortgage business provided more than \$1.4 billion in affordable lending in 2010 including:

- \$643 million in mortgages that preserved over 14,000 rent-restricted affordable units.
- \$804 million in financing that supported over 11,000 units of rental housing to targeted populations, including nearly 1,300 units for the homeless and more than 6,700 units for elderly who rely on Medicaid.

Helping Distressed Families & Communities

Fannie Mae is committed to helping struggling homeowners and preventing foreclosures whenever possible and, when foreclosures are unavoidable, putting properties back to productive use to help protect property values.

Helping Families Avoid Foreclosure

Fannie Mae works with mortgage servicers, housing counselors, and other partners to help distressed homeowners understand their options and find the best solution to meet their needs. Our goal is to help as many families as possible stay in their homes, protect property values in communities across the country, and build a stronger foundation for the U.S. housing market.

As part of our foreclosure prevention efforts, Fannie Mae plays two distinct and central roles in the Administration's Making Home Affordable Program. The Making Home Affordable Program consists primarily of the Home Affordable Refinance Program (HARP), under which we acquire or guarantee loans that are refinancings of mortgage loans we own or guarantee, and Freddie Mac does the same, and the Home Affordable Modification Program (HAMP), which provides for the modification of mortgage loans owned or guaranteed by us or Freddie Mac, as well as other mortgage loans. These two programs were designed to expand the number of borrowers who can refinance or modify their mortgages to achieve a monthly payment that is more affordable now and into the future or to obtain a more stable loan product, such as a fixed-rate mortgage in lieu of an adjustable-rate mortgage. We participate in the Making Home Affordable Program, and our sellers and servicers offer HARP and HAMP to Fannie Mae borrowers. We also serve as Treasury's program administrator for HAMP and other initiatives under the Making Home Affordable Program.

In 2010, we completed more than 500,000 mortgage loan workouts, including more than 440,000 solutions — such as modifications, repayment plans, and forbearances — that allowed families to keep their homes. Details of our efforts include:

- Completed approximately 403,000 permanent modifications.
- Completed nearly 37,000 repayment, forbearance, or other home retention plans.
- Executed over 75,000 pre-foreclosure (e.g., “short”) sales and deeds-in-lieu of foreclosure.
- Acquired approximately 2,113,000 refinance loans, including approximately 659,000 loans through the company's Refi Plus™ initiative, which includes 222,000 loans through HARP.

In addition, we continued to conduct extensive homeowner education under our Know Your Options™ campaign and in-person and phone outreach through our Mortgage Help Centers across the country. In 2010, Fannie Mae opened Mortgage Help Centers in Atlanta, Chicago, Dallas/Fort Worth, Los Angeles, Miami, and Phoenix.

We use direct mail and phone calls to encourage homeowners to pursue foreclosure alternatives, and have also established partnerships with counseling agencies in communities to provide similar services. Also, our KnowYourOptions.com Web site helps educate distressed homeowners about their options to avoid foreclosure and encourages struggling families to take action by contacting their mortgage company or a housing counselor.

Know Your Options™

In 2010, Fannie Mae launched KnowYourOptions.com, a bilingual consumer education Web site that outlines the options that may be available to homeowners who are struggling with their mortgage payments and provides guidance on how they can contact and work with their mortgage company to find solutions. The site has had more than 210,000 unique visitors and has been well-received by independent reviewers and industry experts.

KnowYourOptions.com is part of Fannie Mae's Know Your Options consumer initiative — an unprecedented effort to assist distressed homeowners and help them avoid foreclosure. This initiative is not only helping families, it's also working to help stabilize communities and help Fannie Mae mitigate credit losses, which benefits taxpayers.



Mortgage Help Centers

Our Mortgage Help Centers are designed so that struggling families who have a Fannie Mae mortgage can walk in and talk with our staff and a local counselor. We then help the families organize their financial documents and work with servicers to find an affordable and sustainable solution.

The Mortgage Help Centers across the country are an essential component of our goal to bring stability to the housing market and minimize the negative impact foreclosure has on families and communities. By working quickly to outline the options available, struggling families can make decisions to put themselves on a stronger financial footing. On average, help center staff is able to process the mortgage and communicate an outcome to a customer in 30 days. The services provided at our help centers are free of charge. These efforts are creating value for the future by stabilizing neighborhoods.

Turning Foreclosed Properties into Homes

Despite our comprehensive foreclosure prevention efforts, some foreclosures cannot be avoided. When all other options are exhausted and foreclosure is the end result, we do our best to sell these properties quickly to people who will make the properties their homes — helping to stabilize neighborhoods and home values. Once Fannie Mae acquires the properties, we focus our marketing efforts toward owner occupants, including first-time home buyers. One of the ways we do this is by making repairs to many of our properties, which makes them more attractive to

What Families are Saying about Fannie Mae's Mortgage Help Centers

"I am so grateful for the opening of the Fannie Mae Mortgage Help Center in this community. It is the best thing that could have ever happened to help people in this community, like myself, who are struggling with their housing situations and have not received adequate help from their lenders." — *Culver City, CA*

owner-occupant buyers and also makes them more eligible for financing. During 2010, Fannie Mae made repairs to more than 87,000 properties.

Fannie Mae works with real estate agents to market these properties directly to consumers under the HomePath™ initiative. Launched in 2010, HomePath.com makes available to the public every Fannie Mae property available for sale. Fannie Mae also offers special financing options for first-time buyers with our HomePath Mortgage and Renovation Mortgage™ products. The products enable a buyer to purchase a Fannie Mae home with as little as 3 percent down. In 2010, we also offered an incentive of up to 3.5 percent closing cost assistance to buyers who purchased a HomePath property as their primary residence.

Helping Owner Occupants with First Look™

Owner occupants are vital to any neighborhood and community. In an effort to promote neighborhood stabilization through higher owner occupancy rates, in August of 2009 we created First Look. The program focuses on providing potential buyers who intend to live in the homes a head-start to bid on HomePath properties. Owner occupants (or any organization using public funds) can submit an offer on a Fannie Mae property without competition from investors for the first 15 days. Fannie Mae also supports prospective home buyers by partnering with public entities and non-profits to help them take advantage of Neighborhood Stabilization Program (NSP) funds to purchase HomePath properties. In 2010, Fannie Mae sold more than 120,000 HomePath properties to owner-occupant and NSP buyers.

Helping Stabilize Hard-Hit Neighborhoods

Stabilizing neighborhoods and building communities has been part of our mission for decades. Fannie Mae partners with nonprofit entities across the country whose focus is community development and neighborhood stabilization. Some examples of these partnerships in 2010 included working with Habitat for Humanity in 25 states to sell 179 properties to 70 of their affiliates — where properties are transformed into homes for owner occupants — and selling

200 properties to the Cuyahoga County Land Bank in Cleveland, OH — where they take dilapidated properties and convert them into land for urban farms and neighborhood parks.

Assisting Families with Stability and Transitioning

Renters in foreclosed properties often face uncertainty through no fault of their own. Through our Tenant-in-Place rental program, Fannie Mae offers these renters several options that provide them the opportunity for greater stability or time to transition to new housing. Options for renters may include remaining under their pre-existing lease pursuant to the Protecting Tenants at Foreclosure Act of 2009, entering into a lease with Fannie Mae, or receiving financial assistance for relocation. When it is time to sell the property, Fannie Mae also works with renters who may be interested in purchasing the property or with investors who would purchase the property with the intent of continuing the lease. Fannie Mae has helped over 13,000 families remain in their homes after foreclosure since these rental initiatives were introduced in 2009.

Rehabilitation of Foreclosed Property Helps Revitalize Neighborhood in Riverside, CA

Fannie Mae's work to put foreclosed homes to productive use is having a strong impact across the country. In Riverside County, CA, a developer bought a Fannie Mae-owned foreclosed property in 2010 using funds from the development firm's public-private partnership with the Riverside County Economic Development Agency (RivCo). The partnership's primary goal is to stabilize neighborhoods that have been devastated by the foreclosure crisis and to ensure long-term affordability by requiring future sales to low- and moderate-income families for the next 45 years.

The family — first-time buyers — that purchased the home qualified for RivCo's down payment assistance program. The house is now noticeably improved and well-maintained, which is helping revitalize the surrounding neighborhood. The developer also recently acquired and renovated a second Fannie Mae foreclosed home in the same community. In total, RivCo has funded the acquisition and renovation of 18 Fannie Mae homes — and the ripple effect continues as other homes on these streets are also noticeably enhanced.

Redeveloped Rental Property Helps to Address Homelessness in Tulsa, OK

In June 2010, Fannie Mae sold a 54-unit apartment complex in Tulsa, OK to a community nonprofit organization.

How First Look is Helping Families

"We recently sold a home to a young family who had been trying for more than a year to buy a property. They had made several offers, only to lose the bids to all-cash investors. When they called me, they seemed reluctant to write another offer. But, after I explained the First Look program, they decided to give it one more try. Because of First Look, they were successful in buying their first home."

— Christopher Suarez, Quantum Realtors

This organization used both stimulus funds from the state of Oklahoma and privately raised funds, as well as HUD's Supportive Housing Program and other subsidies to acquire, redevelop, and operate the property. The organization, which owns and manages a considerable portfolio of affordable housing, has begun to rehabilitate the property and helped the existing tenants move to other affordable housing units around Tulsa during the repairs.

Some of the units will provide permanent supportive housing for chronically homeless individuals. Others will be used for a program that provides an alternative to incarceration for mothers, enabling them to have regular visitation time with their children as they take advantage of the social and educational services they need to achieve stability and self-sufficiency. The remaining units will be market-rate rental housing.

Foreclosed Multifamily Property in Dearborn, MI Becomes Homeownership Opportunity for Tenants

In Dearborn, MI, a multifamily property consisting of 33 detached single-family homes went into foreclosure, transferring ownership to Fannie Mae. We reached out to existing tenants who might be interested in buying their homes, including coordinating through a local broker to translate documents into Arabic and holding meetings in the local community center.

Our efforts helped these families access the information they needed to move forward. Ultimately, many of the existing tenants bought their homes — most of them first-time home buyers. This was a positive outcome for both the families and their neighborhood. The homes remained occupied and were purchased by people with strong roots in the community, helping ensure stability.

Committed to Our Core Values

Fannie Mae is deeply committed to social responsibility within and outside of our organization.

Workplace and Supplier Diversity

Fannie Mae is committed to diversity and inclusion within our culture, our people, and our business. We strive to create an environment where employees — our greatest asset — can fully engage and contribute their ideas and perspectives toward innovative solutions that meet the company's goals and create value in the housing market.

We work to attract diverse talent, understanding that each employee brings unique and valuable skills, perspectives, and experiences to Fannie Mae. We also work to develop all of our current employees in ways that give each individual the opportunity to succeed, contribute to the company's success, and serve the needs of our customers, partners, and communities.

Fannie Mae offers resource groups that bring together employees who share common cultural, lifestyle, spiritual, professional, or other interests. The groups, which are open to all employees, are designed to help strengthen leadership abilities, share and leverage cultural and business competencies, increase awareness of diverse cultures, positively affect diverse communities, and help Fannie Mae meet its business and mission objectives.

As part of our commitment to diversity, Fannie Mae also focuses on the consideration of minorities; women; individuals with disabilities; and minority-, women-, and disabled-owned businesses in all of our contracting activities. Additionally, Fannie Mae supports increased procurement opportunities for qualified diverse suppliers that are Small Businesses; Veteran-Owned Businesses; HUBZone (Historically Underutilized Business Zone) Businesses; 8(a) Businesses; and Gay-, Lesbian-, Bisexual-, and Transgender-Owned Businesses in our procurement process. We take diversity into account as we make decisions in our evaluation process.

Fannie Mae participates in numerous business opportunity fairs and conferences across the country. We are also members of several business councils that address diverse supplier business concerns. Our partnership and support extends to organizations and events within the real estate and financial services industries, as well as to entities dedicated to creating greater access to business opportunities for diverse individuals and firms across the economy.

Environmental Stewardship — Urbana Data Center Fifth Anniversary

In 2010, Fannie Mae's technology center in Urbana, MD — the nation's first LEED®-certified data center — marked its fifth anniversary. The energy-efficient design has reduced energy consumption by 35 percent. This has produced a net savings of \$340,000 annually or \$1.7 million over its five years of operation.

The LEED designation, awarded by the U.S. Green Building Council (USGBC) in June 2005, recognized a number of energy-saving innovations. For example, the data center has a unique irrigation design that uses waste water from the cooling plant and captured rain water. In addition, its landscaping features drought-tolerant plants. As a result of these factors, the facility preserves nearly 13,000 gallons of municipal water per day from consumption and waste, and has saved more than 23 million gallons over five years.

The LEED rating system is a voluntary, consensus-based national standard for developing high-performance, sustainable buildings. LEED certification distinguishes building projects that have demonstrated a commitment to sustainability by meeting the highest performance standards.



Habitat for Humanity International

In 2010, Fannie Mae provided a grant to Habitat for Humanity International for its Neighborhood Revitalization Initiative. The grant will be used to help Habitat affiliates across the country acquire properties — some of them foreclosed — rehabilitate them, and resell them to low-income families.

The grant will also help develop and deliver training and technical assistance to Habitat affiliates and enhance their best practices under mortgage lending laws.

Committed to the Communities We Serve

2010 Corporate Giving

Fannie Mae's Office of Community and Charitable Giving provides grant investments to nonprofit organizations that help struggling borrowers avoid foreclosure; work to stabilize neighborhoods by acquiring, rehabilitating, and reselling foreclosed properties; provide affordable rental housing; strive to prevent and end homelessness; and create strong neighborhoods. Last year, Fannie Mae's support helped our grant partners:

- Provide foreclosure prevention information and counseling to more than 370,000 at-risk families nationwide, assisting more than 104,000 families avoid foreclosure.
- Acquire more than 10,000 foreclosed properties to help stabilize neighborhoods hard hit by foreclosures.
- Preserve more than 4,000 affordable for-sale or rental units nationwide.
- Develop and complete more than 9,000 units of permanent supportive housing.
- Produce more than 2,000 units of affordable for-sale or rental housing.



Nearly 130,000 people participated in the 2010 Help the Homeless Program.

Help the Homeless

Homelessness is a chronic problem in the Washington, DC metropolitan area. Among the homeless population, one out of four is a child.

Fannie Mae's Help the Homeless Program (HTH) is a public awareness program that raises funds to support nonprofit organizations working to prevent and end homelessness in our nation's capital. The initiative also encourages volunteerism in service to the homeless and those at risk of becoming homeless.

Fannie Mae employees started the program in 1988 with a modest walk. Since that time, HTH has grown extensively and, in 2010, included a Walkathon on the National Mall and 715 community Mini-Walks in the DC metro area. Overall, nearly 130,000 people participated last year, raising \$6.5 million.

The HTH Program focuses on the homeless in our community by supporting a "continuum of care," whereby service providers that offer permanent affordable housing, permanent supportive housing, transitional housing, prevention and rapid re-housing, social services, and emergency shelters are selected to become HTH beneficiaries.

All six of these focus areas align the program with Fannie Mae's corporate priorities of providing stability and affordability to the U.S. housing market by directly supporting foreclosure prevention and affordable housing. The agencies in the HTH Program help more than 400,000 clients, offering more than 6,200 housing units to the Washington, DC metro area.

One hundred percent of registration fees, sponsorships, and donations to HTH go directly to nonprofit beneficiary organizations dedicated to assisting the homeless. The HTH Program does not use any of those monies to underwrite its efforts. In a recent poll conducted among past participants, the practice of having 100 percent of all walker registration fees and donations going directly to the nonprofits was a top driver for participation, second to helping homeless children.



Employee Volunteerism and Giving

Through Fannie Mae's SERVE employee volunteer and giving program (Serving, Engaged, Ready to Volunteer Employees), approximately 54 percent of our employee workforce gave over 69,000 volunteer hours in 2010. Their efforts benefited nearly 1,000 nonprofit organizations, schools, and community groups in our company's headquarters of Washington, DC, and across the country. In addition, Fannie Mae employees donated more than \$1.2 million to nonprofits in 2010.



Fannie Mae employee Ransom Miller has served over 4,200 families in the Washington, DC area through Project GiveBack, a public-service nonprofit he started in 1995.

Employee Volunteer Profile

Ransom Miller embodies the spirit of service that Fannie Mae employees demonstrate every day in communities across the country.

In 1995, Miller, who works in Fannie Mae's corporate tax division, founded Project GiveBack — a small Washington, DC nonprofit with a simple mission to provide families with food at Thanksgiving. He collected \$500 in donations from friends and colleagues that first year, bought enough food to feed six families for a week, and delivered it the Saturday before Thanksgiving.

Inspired by this early success, he made plans to expand the effort. He never imagined how much it would grow.

On the Saturday before Thanksgiving 2010, Miller was up before sunrise sorting through piles of turkeys, chickens, fish fillets, sausages, beef patties, stuffing, and sweet potatoes at the Bell Multicultural High School. He and approximately 500 volunteers busily packed boxes of food to distribute later that day to 1,000 families across the Washington metropolitan area.

Over the past 16 years, Miller has raised more than \$230,000 for Project GiveBack and fed more than 4,200 families.

This year, Miller plans to recruit volunteers from the Fannie Mae Dallas and Chicago offices, Baltimore, Oklahoma City, and Houston and show them how to organize Thanksgiving food drives in their cities. "I think there's a real need for programs like this across the country, especially in this economy," said Miller. "I'd love to help make it happen."

Looking Ahead

In 2011, we expect the U.S. economy to move from a fragile recovery to a steadier expansion, as well as slightly stronger growth in housing activity. But given the many variables, our optimism remains tempered. Many families continue to struggle. The housing market continues to work through a backlog in inventory. And housing prices remain uneven.

While Fannie Mae made important progress in 2010, we have much more work to do to help the U.S. housing market get back on track. In addition to providing liquidity and helping distressed families, we will continue our efforts to build a better foundation for housing in the future — one based on stronger lending standards, a common-sense definition of what constitutes appropriate risk, and quality affordable home and rental options.

We will continue to strengthen our company so we can better serve the housing market, deliver on our mission, and create value for taxpayers.





3900 Wisconsin Avenue, NW
Washington, DC 20016-2892
Phone (202) 752-7000
www.fanniemae.com