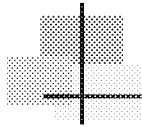


Update on Fannie Mae's Housing Goals Performance

Presentation to the U.S. Department of
Housing and Urban Development
Monday October 31, 2005



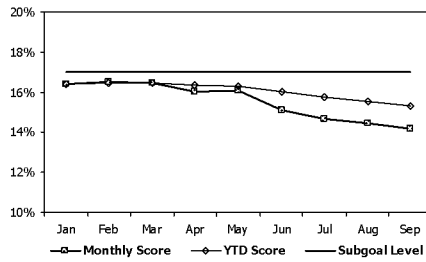
Where Are We On The Goals?

Year To Date Performance		September YTD		
		2005 Goal	Score	Over/Short
Base Goals	Low Mod	52.0%	54.52%	64,300
	Underserved	37.0%	40.34%	87,800
	Special Affordable	22.0%	25.50%	89,300
Home Purchase Subgoals	Low Mod	45.0%	43.22%	(14,000)
	Underserved	32.0%	30.67%	(10,500)
	Special Affordable	17.0%	15.35%	(13,000)

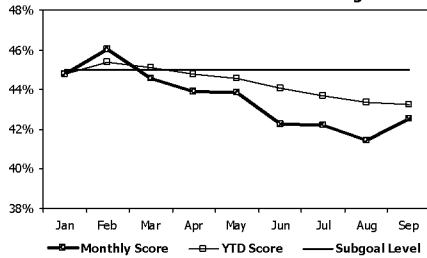
Note: Scores include new SF-OO proxy; Subgoal scores exclude reverse mortgages.

Downward Trend in Subgoal Performance

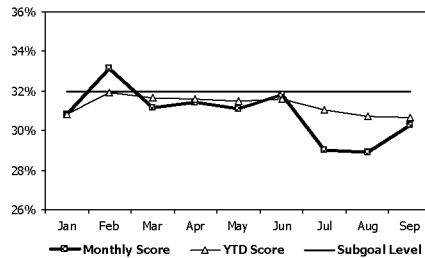
Special Affordable Home Purchase Subgoal



Low-Mod Home Purchase Subgoal



Underserved Areas Home Purchase Subgoal

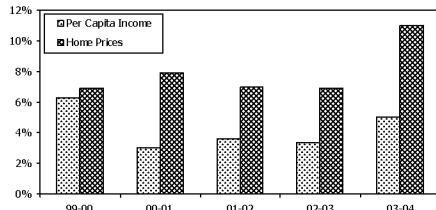


Note: Scores include new SF-OO proxy and exclude reverse mortgages.

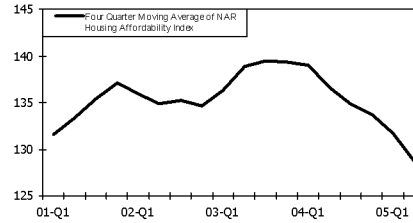
Scores include new SF proxy and exclude reverse mortgages.

Why Are We Behind?

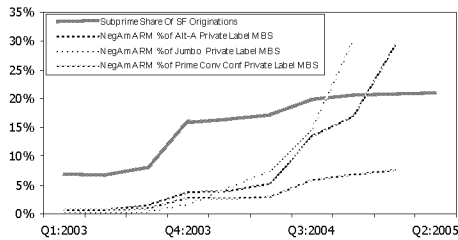
Huge Home Price Gains Relative to Incomes...



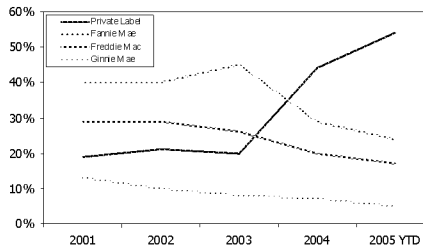
Have Driven Affordability Issues...



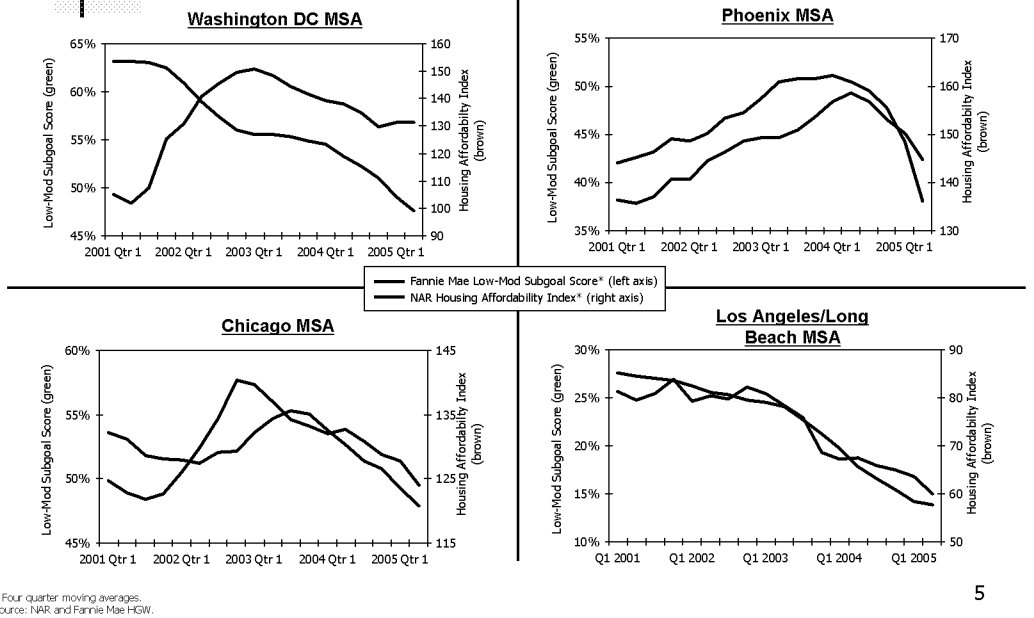
Driving Consumers to Exotic Products...



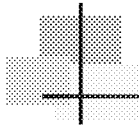
...Being Sold into the Private Label Markets.



Affordability is Related to Subgoal Performance



* Four quarter moving averages.
Source: NAR and Fannie Mae HGW.

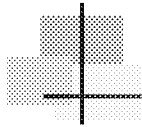


Deliveries from Most Top Lenders Do Not Meet Subgoal

Top Ten Lenders' Performances

Lender	Special Affordable PMM Subgoal 2005 HUD Goal = 17%			
	YTD 2005	Aug-05	Sep-05	Change
1	12.86%	11.31%	12.30%	0.99% ↑
2	13.17%	12.26%	11.77%	-0.49% ↓
3	15.98%	14.17%	16.22%	2.05% ↑
4	13.28%	12.81%	12.81%	0.00% —
5	15.41%	16.76%	15.66%	-1.10% ↓
6	8.34%	9.52%	5.01%	-4.51% ↓
7	20.43%	21.43%	19.88%	-1.55% ↓
8	15.57%	17.32%	14.01%	-3.31% ↓
9	17.86%	17.34%	18.37%	1.03% ↑
10	12.77%	11.01%	9.04%	-1.97% ↓

Note: Top ten lenders determined by low mod denominator. Scores are without missing data proxy adjustments.



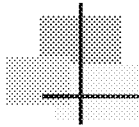
What Are We Doing About It?

Sharper Organizational Focus

- New Community and Multicultural Lending unit created in Single Family
- New SVP for Regulatory and Corporate Goals
- New Risk Transformation Group
- Consolidated Technology Functions

Focused Business Strategies

- Aggressive Business Strategies in Subprime, Manufactured, Affordable lending
- Sales Incentive Program
- MyCommunityMortgage Enhancements



Deal Pipeline Presents Challenges

STAGE	Deal Count	UPB	Est. UPB PMM Spcl. Affordable	Range: Incremental PMM Sp. Afford Loans
Pipeline	19	\$ 29,446,044,286	\$ 2,612,778,183	12,724 14,545
BID	4	\$ 721,577,160	\$ 231,738,707	855 855
Won*	6	\$ 2,531,612,480	\$ 634,821,125	2,845 2,845
Total	29	\$ 32,699,233,926	\$ 3,479,338,014	16,424 18,245

- **Transaction A:**
 - \$18 billion from their portfolio, including \$9 billion in option ARMs
 - Bid MBS on goals rich portion – 3,600 incremental special affordable PMM loans
 - Lender wants long-term standby bid on remaining loans for risk-based capital relief
- **Transaction B:**
 - \$126 million manufactured housing deal – chattel with full recourse
 - 3,700 incremental special affordable
 - Presence of mandatory arbitration and servicing and counterparty issues
- **Transaction C:**
 - Cash bid on 1,300 incremental special affordable loans
 - Loans are 700-800 bps underwater – will need par bid to win deal
 - Approximately \$10 million subsidy required

8

Preliminary Mid-September scores for base regulatory goals are up for Affordable and Underserved, down for Special Affordable

Base Affordable 44.8% up from 44.3% in August

Base Special Affordable 16.23% down from 17.9% in August

Base Underserved 37.7% up from 35.6% in August



Undesirable Tradeoffs Necessary to Meet Goals

Credit Risk

- Incremental business opportunities carry significant additional credit risk
- Having to compromise credit standards and reduce or waive credit enhancement requirements
- Credit enhancement costs at desired levels are too high to win deals

Negative Returns

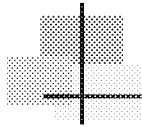
- Deal economics are well below target returns; some deals are producing *negative* cash flows
 - Competition driving G-fees to zero on some goals-rich deals
 - Back-end credit enhancement costs more than total G-fee received (e.g. \$16,000 per incremental special affordable loan)
 - G-fees may not cover expected losses

Liquidity to Questionable Products

- Buying exotic product encourages continuation of risky lending
 - Many products in market present with significant risk-layering
 - Consumers are at risk of payment shock and loss of equity
- Potential need to waive our responsible lending policies to get goals business
 - For example: MH loans with mandatory arbitration clauses

Conflicting Goals

- Income and minority objectives often conflict
- Pursuing subgoals undermines efforts to increase minority PMMs, especially for Hispanics



2006 Could Get Worse

All base goals, Low/Mod and Underserved PMM subgoals increase in 2006

Loan limit increase adds billions of negative loan volume

Deliveries of Alt-A, Interest Only, and ARMs with poor scores could increase

Affordability trends worsen, widening the gap for goals-rich borrowers

Subprime share of minority and low-income PMM loans continue to increase

SF volumes do not grow significantly

SF refinance share continues projected fall from 52% to 39% – reducing drag on base goals performance

Market moves back to produce more 30-year FRM

Multifamily share of total business expected to remain favorable