



FANNIE HOUSING

AUDIT TEAM

Tuesday, Ma

FM-FCIC-2_00000394



WHAT ARE THE GOALS?



HOUSING GOALS DEFINED

BASE GOALS

Three Affordable Housing Goals mandated by Congress in the Federal Housing Enterprise Financial Safety and Soundness Act of 1992 (the GSE Act)

- **Low- and Moderate-Income Housing Goal**
Targets families w/ incomes at or below the area median income
- **Special Affordable Housing Goal**
Targets very low income families (at or below 60% of the area median income) and low-income families in low-income areas (at or below 80% of the area median income)
- **Underserved Areas Housing Goal**
Targets families living in low-income census tracts OR in low- or middle-income census tracts w/ high minority populations

The base goals are expressed in percentage terms, as *the minimum share of housing units financed by a GSE's mortgage purchases (SF and MF) in a particular year.*



HOUSING GOALS DEFINED

PMM SUBGOALS

- Established by HUDs 2004 Regulation under each of the Housing Goals
- Help GSEs increase support of first-time homebuyers
- Expressed as percentages of the total number of mortgages purchased by the GSEs that finance the purchase (not refinance) of single family, owner-occupied properties located in metropolitan areas

SPECIAL AFFORDABLE MULTIFAMILY SUBGOAL

- Dollar-based multifamily subgoal established by HUD in its 1995 Regulation
- Sets a minimum dollar volume of qualifying multifamily purchases that the GSEs must meet annually

HOUSING GOALS REQUIREMENTS

Goals Increase Substantially Through 2008

Base Goals	2005	2006	2007	2008
■ Low- and Moderate-Income	52%	53%	55%	56%
■ Special Affordable	22%	23%	25%	27%
■ Underserved Areas	37%	38%	38%	39%

Home Purchase (PMM) Subgoals	2005	2006	2007	2008
■ Low- and Moderate-Income	45%	46%	47%	47%
■ Special Affordable	17%	17%	18%	18%
■ Underserved Areas	32%	33%	33%	34%

■ Multifamily Special Affordable Subgoal	\$5.49 billion
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HOUSING GOALS PERFORMANCE AND COST OF MEETING THE GOALS



FANNIE MAE'S RECENT PERFORMANCE

	2005		2006	
	Goal	Performance	Goal	Performance
Low-Mod Base Goal	52%	55.06%	53%	59.63%
Special Affordable Base Goal	22%	26.28%	23%	27.84%
Underserved Base Goal	37%	41.43%	38%	43.59%
Low-Mod Subgoal	45%	44.59%	46%	46.92%
Special Affordable Subgoal	17%	17.03%	17%	17.94%
Underserved Subgoal	32%	32.56%	33%	34.49%
MF SA Subgoal	\$5.49 billion	\$10.39 billion	\$5.49 billion	\$13.39 billion

Fannie Mae has met its required base goals every year since 1994.



COST OF HOUSING GOALS IN 2006

Initiative	Volume (billions)	Cash Flow Cost (millions)	Opportunity Cost (millions)
Private Label Subprime Securities	\$50.0	\$0.0	\$40.0
Manufactured Housing	\$1.2	\$26.9	\$56.8
CRA Related Product	\$12.9	\$69.7	\$316.8
DU Bump and Others	\$3.8	\$42.8	\$61.0
Total	\$67.9	\$139.4	\$474.6

YEAR-TO-DATE PERFORMANCE

	2007 Goal	March 2007 YTD	Overage / Shortage
BASE GOALS			
Low – Mod	55%	52.95%	(17,000)
Special Affordable	25%	24.98%	(150)
Underserved	38%	42.63%	41,000
PMM SUBGOALS			
Low – Mod	47%	40.51%	(16,000)
Special Affordable	18%	14.97%	(7,000)
Underserved	33%	33.10%	250



SPECIAL INITIATIVES UTILIZED TO MEET THE GOALS

- DU Boost
- MyCommunity Mortgage (MCM)
- Manufactured Housing
- Private Label Securities

May 2007 Home Purchase Subgoals Forecast

Category	Total Volumes (\$B)	PMM LMI (Target=47%)	PMM SA (Target=18%)	PMM USA (Target=33%)
		Incrementals	Incrementals	Incrementals
SF Business w/o Initiatives	\$ 572.0	(139,000)	(78,300)	(34,500)
AMI Impact		(3,000)	(2,000)	na
Deferrals		4,000	2,000	(500)
Private Label Securities	\$ 43.0	32,000	13,000	23,000
My Community Mortgage*	\$ 14.5	37,000	23,500	11,000
Investor Channel**	\$ 4.0	13,000	8,000	5,000
Housing Finance Authority*	\$ 5.3	17,000	12,000	4,000
DU Boost (expires May 19)*	\$ 3.7	13,000	8,000	4,000
Manufactured Housing	\$ 0.8	8,000	9,000	4,000
Shortage/Surplus	\$ 643.3	(18,000)	(5,000)	16,000

NOTE:

* HFA, MCM, DU volumes EXCLUDE overlap among the three initiatives. Gross MCM volume projected at \$17B.

** IC incrementals are based on commitment and volume is based on YTD March 2007 richness to meet the incremental goals.

TOTAL SF volumes are based on \$596B expected for YTD 2007, which do not include expected volumes from MH/IC Goals deals.

Increases in SF volume, lower goals richness for deliveries, HUD AMI changes, and changes to the DU Boost have worsened the 2007 goals outlook.



ANNUAL HOUSING ACTIVITIES REPORT & CERTIFICATIONS

- The GSEs are required to submit to HUD an Annual Housing Activities Report (AHAR) describing their annual performance in meeting or exceeding the goals.
- A senior officer must certify as follows:

“To the best of my knowledge and belief, the information provided herein is true, correct and complete.”

- Chief Business Officer, Rob Levin, signed the 2006 certification submitted to HUD in March 2007 and is expected to sign again in 2008 for 2007.
- The 2006 certification included qualifications and disclosures of weaknesses and uncertainties for SF and MF.



IF FANNIE MAE MISSES A GOAL. . .

- HUDs Secretary will provide a written notice of determination.
- Within 30 days of receiving HUDs notice of determination, Fannie Mae may provide written response to HUDs Secretary.
- HUDs Secretary will determine whether Fannie Mae failed to meet the goal and whether the goal was feasible, taking into account the following factors:
 - Market Conditions;
 - Economic Conditions;
 - Fannie Mae's Financial Position.
- If it is determined that Fannie Mae failed to meet a feasible goal, Fannie Mae must develop and submit to HUD a housing plan.



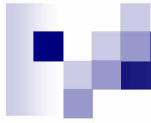
IF FANNIE MAE MISSES A GOAL . . .

- Fannie Mae must submit the housing plan within 30 days of receipt of notification; this deadline has been established by HUDs Secretary.
- HUDs Secretary must approve or disapprove the housing plan within 30 days of receiving it.
- The Secretary must provide written notification to Fannie Mae once the housing plan is approved or disapproved.
- If the housing plan is disapproved, Fannie Mae will have 30 days within which to submit an amended housing plan.

In 2005, HUD determined that Fannie Mae was approximately 4,500 loans (.4%) short of meeting the LMI subgoal; however, HUD required no further action from Fannie Mae.



HOUSING GOALS AND AUDIT



2006 HOUSING GOALS AUDIT

- In 2006, Fannie Mae's Internal Audit team conducted a review of various functions related to the accumulating, processing, scoring, reviewing, and reporting of housing goals data.
- In its final report, the Audit team reported six findings that required corrective action, all of which were rated either medium or low priority.
- To date, five of the six issues have been resolved by the Housing Goals team and closed by Audit. The Housing Goals team expects to resolve the remaining open item by the end of May 2007.



HOUSING GOALS TEAMS



HOUSING GOALS ANALYTICS, MODELING AND REPORTING TEAM

Beth Cramer

- Responsible for the development of short- and long-term strategies for meeting the goals
- Creates models and forecasts for managing business strategies
- Manages Fannie Mae's annual analysis of Home Mortgage Disclosure Act (HMDA) information
- Conducts ad hoc analyses and housing goals research
- Reports regularly on HUD goals performance, minority lending, and first-time homebuyer goals
- Tracks and reports on special goals-related business initiatives
- Works with other business units to automate monthly reporting, maintain and improve the Housing Goals Workstation, and develop new dashboards



HOUSING GOALS POLICY TEAM

Michelle McDonough Winters

- Conducts formal reviews of new and/or enhanced products and initiatives to ensure compliance with housing goals and HUD regulations
- Leads housing goals policy development internally
- Supports Compliance and Ethics in its interactions with the Department of Housing and Urban Development (HUD) and implements new housing goals regulations
- Develops regulatory communication and comment letters
- Leads housing goals education and training efforts



HOUSING GOALS BUSINESS PROCESS MANAGEMENT TEAM

Danny Smith

- Manages the annual housing goals data certification process in preparation for submission of the Annual Housing Activities Report (AHAR) to HUD
- Responsible for housing goals regulatory compliance activity
- Responsible for Housing Goals audit preparation, response, follow-up and issues resolution
- Partners with FMIS team to coordinate monthly compliance reporting pertaining to missing data and FMIS-produced housing goals data
- Focuses on strengthening internal controls and housing goals business process management activity for housing goals across the company



REGULATORY AND CORPORATE HOUSING GOALS UNIT

Contact Information

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QUESTIONS?



THANK YOU!