



GSE Credit Losses

**Presentation to House Financial
Services Committee**

April 16, 2010

- Where our losses came from: “core” activities
- Where our losses came from: “non-core” activities

Feb 2010 Total Credit Guaranty Book of Business

Goals ¹	Loan Count	SDQ Rate	Default Rate ²
EA/MCM & Housing Goals	560,684	24.61%	0.35%
EA/MCM & Not Housing Goals	96,907	21.53%	0.31%
Other Affordability Goals	9,558,780	6.33%	0.11%
All Else	8,240,231	3.22%	0.07%
Total	18,456,602	5.59%	0.10%

Goals ¹ by Vintage		Loan Count	SDQ Rate	Default Rate ²
2004 & prior	EA/MCM & Housing Goals	115,686	17.59%	0.15%
	EA/MCM & Not Housing Goals	28,669	13.50%	0.12%
	Other Affordability Goals	4,093,365	3.69%	0.06%
	All Else	3,437,844	1.92%	0.03%
2005	EA/MCM & Housing Goals	56,822	22.35%	0.25%
	EA/MCM & Not Housing Goals	11,372	20.05%	0.18%
	Other Affordability Goals	1,006,827	8.44%	0.15%
	All Else	759,917	5.40%	0.13%
2006	EA/MCM & Housing Goals	110,539	25.19%	0.33%
	EA/MCM & Not Housing Goals	14,932	24.30%	0.25%
	Other Affordability Goals	928,934	14.53%	0.27%
	All Else	649,458	9.84%	0.26%
2007	EA/MCM & Housing Goals	224,513	29.70%	0.51%
	EA/MCM & Not Housing Goals	32,444	28.58%	0.57%
	Other Affordability Goals	1,167,942	15.76%	0.27%
	All Else	834,307	9.12%	0.23%
2008	EA/MCM & Housing Goals	45,804	22.67%	0.30%
	EA/MCM & Not Housing Goals	8,087	22.47%	0.32%
	Other Affordability Goals	941,592	5.25%	0.09%
	All Else	790,887	2.31%	0.05%
2009	EA/MCM & Housing Goals	7,046	0.50%	0.00%
	EA/MCM & Not Housing Goals	1,320	0.23%	0.00%
	Other Affordability Goals	1,360,438	0.11%	0.00%
	All Else	1,695,253	0.04%	0.00%
2010	EA/MCM & Housing Goals	274	0.00%	0.00%
	EA/MCM & Not Housing Goals	83	0.00%	0.00%
	Other Affordability Goals	59,682	0.00%	0.00%
	All Else	72,565	0.00%	0.00%
Total		18,456,602	5.59%	0.10%

1- Includes loans that are estimated to meet the affordable goal, special affordable goal or underserved goal on the Feb 2010 book of business (for purposes of this analysis, the entire loan was counted, even if partial housing goal credit applied). This analysis approximates our actual goal reporting framework and will not exactly match our official goal reporting.

2- Calculated as the number of defaulting loans on the Feb 2010 book of business.

Fannie Mae Acquisition Profile by Key Product Features

Credit Characteristics of Single-Family Business Volume ⁽¹⁾

Acquisition Year	2009	2008	2007	2006
Unpaid Principal Balance (billions)	\$ 684.7	\$ 557.2	\$ 643.8	\$ 515.8
Weighted Average Origination Note Rate	4.93%	6.00%	6.51%	6.45%
Original Loan-to-Value Ratio				
<= 60%	32.6%	22.7%	16.7%	18.6%
>60% and <= 70%	17.0%	16.1%	13.5%	15.1%
>70% and <= 80%	39.9%	39.5%	44.7%	49.6%
>80% and <= 90%	6.9%	11.7%	9.1%	6.8%
>90% and <= 100%	3.3%	10.0%	15.8%	9.7%
> 100%	0.4%	0.1%	0.1%	0.2%
Weighted Average Original Loan-to-Value Ratio	66.8%	72.0%	75.5%	73.4%
FICO Scores ⁽²⁾				
0 to < 620	0.4%	2.8%	6.4%	6.2%
>= 620 and < 660	1.5%	5.7%	11.5%	11.2%
>=660 and < 700	6.5%	13.9%	19.2%	19.6%
>=700 and < 740	17.2%	21.7%	22.6%	23.0%
>=740	74.4%	55.8%	40.1%	39.7%
Missing	0.1%	0.1%	0.1%	0.2%
Weighted Average FICO ⁽²⁾	761	738	716	716
Product				
Fixed-rate	96.6%	91.7%	90.1%	83.4%
Adjustable-rate	3.4%	8.3%	9.9%	16.6%
Alt-A	0.0%	3.1%	16.7%	21.8%
Subprime	0.0%	0.3%	0.7%	0.7%
Interest Only	1.0%	5.6%	15.2%	15.2%
Negatively Amortizing	0.0%	0.0%	0.3%	3.1%
Refinance ⁽³⁾	79.9%	58.6%	50.4%	48.3%
Investor	2.5%	5.6%	6.5%	7.0%
Condo/Coop	8.2%	10.3%	10.4%	10.5%

- (1) Percentage calculated based on unpaid principal balance of loans at time of acquisition. Single-family business volume refers to both single-family mortgage loans we purchase for our mortgage portfolio and single-family mortgage loans we securitize into Fannie Mae MBS.
- (2) FICO Credit scores reported in the table are those provided by the sellers of the mortgage loans at time of delivery.
- (3) Refinance under Home Affordable Refinance Program (HARP) represented 5.5% of total refinances from April 2009 to December 31, 2009.

Fannie Mae Credit Profile by Key Product Features

Credit Characteristics of Single-Family Conventional Guaranty Book of Business

As of December 31, 2009	Categories Not Mutually Exclusive ⁽¹⁾								Sub-total of Key Product Features ⁽¹⁾	Overall Book
	Negative-Amortizing Loans	Interest-Only Loans	Loans with FICO < 620 ⁽³⁾	Loans with FICO ≥ 620 and < 660 ⁽³⁾	Loans with Original LTV Ratio > 90%	Loans with FICO < 620 and Original LTV Ratio > 90% ⁽³⁾	Alt-A Loans	Subprime Loans		
Unpaid Principal Balance (billions) ⁽²⁾	\$13.7	\$183.2	\$109.3	\$230.4	\$262.6	\$24.0	\$248.3	\$7.4	\$837.8	\$2,796.5
Share of Single-Family Conventional Guaranty Book	0.5%	6.6%	3.9%	8.2%	9.4%	0.9%	8.9%	0.3%	30.0%	100.0%
Average Unpaid Principal Balance ⁽²⁾	\$131,732	\$243,049	\$123,981	\$139,100	\$143,557	\$118,161	\$166,966	\$148,987	\$152,277	\$153,302
Serious Delinquency Rate	10.29%	20.17%	18.20%	13.01%	13.05%	27.96%	15.63%	30.68%	12.93%	5.38%
Origination Years 2005-2007	60.3%	78.9%	55.2%	53.1%	53.4%	68.9%	73.4%	80.6%	58.8%	36.0%
Weighted Average Original Loan-to-Value Ratio	71.3%	75.7%	76.6%	77.3%	97.2%	98.1%	73.0%	77.2%	79.6%	71.3%
Original Loan-to-Value Ratio > 90%	0.3%	9.2%	21.9%	20.7%	100.0%	100.0%	5.3%	6.8%	31.3%	9.4%
Weighted Average Mark-to-Market Loan-to-Value Ratio	99.0%	106.1%	81.9%	83.6%	103.4%	103.7%	91.6%	96.6%	90.5%	74.6%
Mark-to-Market Loan-to-Value Ratio > 100% and ≤ 125%	14.3%	22.9%	14.2%	14.3%	29.9%	32.2%	15.2%	18.0%	18.2%	8.8%
Mark-to-Market Loan-to-Value Ratio > 125%	34.2%	25.1%	7.8%	9.3%	14.1%	14.2%	17.3%	16.7%	12.7%	5.7%
Weighted Average FICO ⁽³⁾	705	724	588	641	698	592	717	622	686	730
FICO < 620 ⁽³⁾	7.6%	1.3%	100.0%	—	9.1%	100.0%	0.7%	48.5%	13.1%	3.9%
Fixed-rate	0.2%	38.9%	92.7%	91.8%	94.0%	93.9%	72.1%	77.1%	80.8%	91.4%
Primary Residence	69.2%	84.9%	96.7%	94.2%	97.1%	99.4%	77.3%	96.6%	89.5%	89.9%
Condo/Co-op	14.0%	16.5%	4.9%	6.6%	9.9%	6.1%	10.9%	4.4%	9.7%	9.4%
Credit Enhanced ⁽⁴⁾	73.3%	30.5%	32.4%	33.3%	87.3%	91.7%	33.3%	59.9%	41.5%	17.7%
% of 2007 Credit Losses ⁽⁵⁾	0.9%	15.0%	18.8%	21.9%	17.4%	6.4%	27.8%	1.0%	72.3%	100.0%
% of 2008 Credit Losses ⁽⁵⁾	2.9%	34.2%	11.8%	17.4%	21.3%	5.4%	45.6%	2.0%	81.3%	100.0%
% of 2009 Credit Losses ⁽⁵⁾	2.0%	32.6%	8.8%	15.5%	19.2%	3.4%	39.6%	1.5%	75.0%	100.0%
% of 2009 Q1 Credit Losses ⁽⁵⁾	1.8%	34.2%	10.7%	16.0%	22.5%	4.9%	39.2%	2.0%	77.7%	100.0%
% of 2009 Q2 Credit Losses ⁽⁵⁾	2.2%	32.2%	9.2%	16.0%	19.7%	3.5%	41.2%	1.1%	76.0%	100.0%
% of 2009 Q3 Credit Losses ⁽⁵⁾	1.8%	31.8%	8.6%	15.3%	18.9%	3.2%	39.1%	1.6%	74.4%	100.0%
% of 2009 Q4 Credit Losses ⁽⁵⁾	2.0%	32.6%	7.7%	15.1%	17.1%	2.6%	39.0%	1.3%	73.2%	100.0%

- (1) Loans with multiple product features are included in all applicable categories. The subtotal is calculated by counting a loan only once even if it is included in multiple categories.
- (2) Excludes non-Fannie Mae securities held in portfolio and those Alt-A and subprime wraps for which Fannie Mae does not have loan-level information. Fannie Mae had access to detailed loan-level information which constituted over 98% of its single-family conventional guaranty book of business as of December 31, 2009.
- (3) FICO Credit scores reported in the table are those provided by the sellers of the mortgage loans at time of delivery.
- (4) Unpaid principal balance of all loans with credit enhancement as a percentage of unpaid principal balance of single-family conventional guaranty book of business for which Fannie Mae had access to loan-level information. Includes primary mortgage insurance, pool insurance, lender recourse and other credit enhancement.
- (5) Expressed as a percentage of credit losses for the single-family guaranty book of business. For information on total credit losses, refer to Fannie Mae's 2009 Form 10-K.

Fannie Mae Credit Profile by Origination Year and Key Product Features

Credit Characteristics of Single-Family Conventional Guaranty Book of Business by Origination Year

As of December 31, 2009	Overall Book	Origination Year					
		2009	2008	2007	2006	2005	2004 and Earlier
Unpaid Principal Balance (billions) ⁽¹⁾	\$2,796.5	\$616.3	\$354.9	\$423.0	\$292.2	\$292.1	\$818.0
Share of Single-Family Conventional Guaranty Book	100.0%	22.0%	12.7%	15.1%	10.4%	10.4%	29.3%
Average Unpaid Principal Balance ⁽¹⁾	\$153,302	\$217,461	\$196,236	\$184,586	\$169,063	\$157,674	\$105,868
Serious Delinquency Rate	5.38%	0.05%	3.98%	14.06%	12.87%	7.27%	2.97%
Weighted Average Original Loan-to-Value Ratio	71.3%	66.8%	73.2%	77.5%	74.7%	72.2%	69.2%
Original Loan-to-Value Ratio > 90%	9.4%	3.7%	10.5%	19.5%	11.5%	8.3%	7.6%
Weighted Average Mark-to-Market Loan-to-Value Ratio	74.6%	67.1%	79.7%	96.4%	96.9%	84.2%	55.3%
Mark-to-Market Loan-to-Value Ratio > 100% and <= 125%	8.8%	0.8%	10.8%	21.6%	17.4%	12.7%	2.8%
Mark-to-Market Loan-to-Value Ratio > 125%	5.7%	0.0%	2.3%	14.3%	17.6%	10.4%	1.0%
Weighted Average FICO ⁽²⁾	730	762	737	710	713	721	723
FICO < 620 ⁽²⁾	3.9%	0.4%	2.5%	7.1%	5.9%	4.4%	4.6%
Interest Only	6.6%	0.9%	5.4%	15.3%	17.2%	10.1%	1.7%
Negative-Amortizing	0.5%	0.0%	0.0%	0.1%	1.3%	1.5%	0.7%
Fixed-rate	91.4%	97.2%	93.1%	90.4%	85.7%	83.8%	91.6%
Primary Residence	89.9%	92.9%	88.4%	88.2%	86.4%	87.5%	91.3%
Condo/Co-op	9.4%	8.1%	11.3%	11.4%	11.6%	10.3%	7.2%
Credit Enhanced ⁽³⁾	17.7%	6.6%	23.5%	32.2%	27.3%	19.2%	12.0%
% of 2007 Credit Losses ⁽⁴⁾	100.0%	—	—	1.9%	21.3%	23.6%	53.2%
% of 2008 Credit Losses ⁽⁴⁾	100.0%	—	0.5%	27.9%	34.9%	19.3%	17.3%
% of 2009 Credit Losses ⁽⁴⁾	100.0%	0.0%	4.8%	36.0%	30.9%	16.4%	11.9%
% of 2009 Q1 Credit Losses ⁽⁴⁾	100.0%	0.0%	2.6%	34.0%	31.7%	17.6%	14.1%
% of 2009 Q2 Credit Losses ⁽⁴⁾	100.0%	0.0%	4.3%	34.6%	31.7%	16.6%	12.7%
% of 2009 Q3 Credit Losses ⁽⁴⁾	100.0%	0.0%	5.4%	37.5%	30.3%	15.8%	11.1%
% of 2009 Q4 Credit Losses ⁽⁴⁾	100.0%	0.0%	6.0%	36.8%	30.4%	16.2%	10.6%
Cumulative Default Rate ⁽⁵⁾	—	0.00%	0.37%	2.60%	3.25%	2.08%	—

- (1) Excludes non-Fannie Mae securities held in portfolio and those Alt-A and subprime wraps for which Fannie Mae does not have loan-level information. Fannie Mae had access to detailed loan-level information which constituted over 98% of its single-family conventional guaranty book of business as of December 31, 2009.
- (2) FICO Credit scores reported in the table are those provided by the sellers of the mortgage loans at time of delivery.
- (3) Unpaid principal balance of all loans with credit enhancement as a percentage of unpaid principal balance of single-family conventional guaranty book of business for which Fannie Mae has access to loan-level information. Includes primary mortgage insurance, pool insurance, lender recourse and other credit enhancement.
- (4) Expressed as a percentage of credit losses for the single-family guaranty book of business. For information on total credit losses, refer to Fannie Mae's 2009 Form 10-K.
- (5) Defaults include loan liquidations other than through voluntary pay-off or repurchase by lenders and includes loan foreclosures, preforeclosure sales, sales to third parties and deeds in lieu of foreclosure. Cumulative Default Rate is the total number of single-family conventional loans in the guaranty book of business originated in the identified year that have defaulted, divided by the total number of single-family conventional loans in the guaranty book of business originated in the identified year. As of December 31, 2009, 2004 vintage cumulative default rate was 1.31% and 2003 vintage cumulative default rate was 0.75%.

Fannie Mae Credit Profile by State

Credit Characteristics of Single-Family Conventional Guaranty Book of Business by State

As of December 31, 2009	Overall Book	AZ	CA	FL	NV	Select Midwest States ⁽⁵⁾
Unpaid Principal Balance (billions) ⁽¹⁾	\$2,796.5	\$76.1	\$485.0	\$195.3	\$34.7	\$304.1
Share of Single-Family Conventional Guaranty Book	100.0%	2.7%	17.3%	7.0%	1.2%	10.9%
Average Unpaid Principal Balance ⁽¹⁾	\$153,302	\$158,978	\$213,402	\$144,357	\$175,846	\$123,299
Serious Delinquency Rate	5.38%	8.80%	5.73%	12.82%	13.00%	5.62%
Origination Years 2005-2007	36.0%	51.9%	31.3%	54.1%	54.4%	33.2%
Weighted Average Original Loan-to-Value Ratio	71.3%	73.7%	63.4%	73.2%	74.6%	74.6%
Original Loan-to-Value Ratio > 90%	9.4%	9.9%	3.0%	10.4%	9.3%	12.0%
Weighted Average Mark-to-Market Loan-to-Value Ratio	74.6%	99.8%	76.6%	99.8%	122.6%	77.2%
Mark-to-Market Loan-to-Value Ratio >100% and <=125%	8.8%	19.9%	11.7%	19.8%	17.8%	11.9%
Mark-to-Market Loan-to-Value Ratio >125%	5.7%	24.5%	11.1%	25.9%	47.6%	3.0%
Weighted Average FICO ⁽²⁾	730	729	739	720	727	725
FICO < 620 ⁽²⁾	3.9%	3.3%	2.3%	5.1%	3.0%	4.8%
Interest Only	6.6%	13.6%	10.6%	10.8%	18.8%	3.8%
Negative Amortizing	0.5%	0.6%	1.6%	1.0%	1.6%	0.1%
Fixed-rate	91.4%	86.5%	86.8%	87.7%	79.2%	91.8%
Primary Residence	89.9%	83.4%	88.7%	81.9%	80.3%	93.7%
Condo/Co-op	9.4%	5.3%	11.9%	15.3%	7.3%	10.6%
Credit Enhanced ⁽³⁾	17.7%	19.1%	9.3%	20.7%	22.8%	20.8%
% of 2007 Credit Losses ⁽⁴⁾	100.0%	1.8%	7.2%	4.7%	1.2%	46.6%
% of 2008 Credit Losses ⁽⁴⁾	100.0%	8.0%	25.2%	10.9%	4.9%	21.1%
% of 2009 Credit Losses ⁽⁴⁾	100.0%	10.8%	24.4%	15.5%	6.5%	14.8%
% of 2009 Q1 Credit Losses ⁽⁴⁾	100.0%	12.2%	26.3%	12.0%	7.2%	13.8%
% of 2009 Q2 Credit Losses ⁽⁴⁾	100.0%	11.0%	24.7%	14.6%	6.3%	16.2%
% of 2009 Q3 Credit Losses ⁽⁴⁾	100.0%	9.3%	23.9%	16.7%	6.9%	14.9%
% of 2009 Q4 Credit Losses ⁽⁴⁾	100.0%	11.2%	23.6%	17.1%	6.0%	14.4%

- (1) Excludes non-Fannie Mae securities held in portfolio and those Alt-A and subprime wraps for which Fannie Mae does not have loan-level information. Fannie Mae had access to detailed loan-level information which constituted over 98% of its single-family conventional guaranty book of business as of December 31, 2009.
- (2) FICO Credit scores reported in the table are those provided by the sellers of the mortgage loans at time of delivery.
- (3) Unpaid principal balance of all loans with credit enhancement as a percentage of unpaid principal balance of single-family conventional guaranty book of business for which Fannie Mae has access to loan-level information. Includes primary mortgage insurance, pool insurance, lender recourse and other credit enhancement.
- (4) Expressed as a percentage of credit losses for the single-family guaranty book of business. For information on total credit losses, refer to Fannie Mae's 2009 Form 10-K.
- (5) Select Midwest states are Illinois, Indiana, Michigan and Ohio.