APPENDIX

Volume 3

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EXHIBIT 22

In the Matter of:

Fairholme Funds, Inc., et al. v. USA

June 19, 2014

Condensed Transcript with Word Index

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THE COURT: The date of the third amendment?

MS. HOSFORD: Yes.

Moving on to the second issue that we raised in our motion, we would ask that the Court limit the proposed scope of discovery to the issues that were actually raised in the February 26th order. And as we've set forth in our motion and in the chart that we attached to our reply, we have agreed to provide documents on whether FHFA was an agent and arm of the Treasury in response to requests 1, 11, 14 and 16. But the other requests that are grouped under requests relating to whether FHFA is the United States vastly exceed the scope of that issue.

Like we are willing to produce anything that bears on the relationship between the two agencies, but we are not going to respond to any and all documents reflecting communications between Treasury and the Justice Department, which has no relevance to that issue, or documents relating to whether -- FHFA's determination that it's obligated to maximize Treasury's return on its investment.

Obviously, many of those documents are also going to be privileged, but they're not even responsive to the Court's order, which was a pre -- you know, the Court ordered this discovery, as the Court knows, in advance of a motion to dismiss. And by definition, in advance of a motion to dismiss, discovery should be limited to the narrow scope of

the issues on which the discovery is required. This is not the normal situation under Rule 26 where you -- you know, all relevant documents to the case should be produced.

So, therefore, we've suggested that we will respond to request 1A and request 4 and for the date range of July 1 to December 31st, 2008.

The question about whether FHFA -- I'm sorry. On the question of the solvency of the enterprises and expectations of profitability at the time of the conservatorship, we would respond to requests 1A and 4 because they're directly responsive to the Court's order. The first one is financial projections in the possession of FHFA and/or Treasury in connection with the conservatorship, and the second one is documents relating to the decision to leave the GSE's existing capital structure in place. That's exactly what the Court ordered in the order and that's exactly what we're willing to produce documents on, and within a reasonable time frame, July 1st to December 31st, 2008.

Now, in their opposition brief, Plaintiffs claim that they had actually suggested that they were looking for documents regarding the solvency of the enterprises, not only in 2008, but throughout basically the conservatorships and focusing on 2012. But if you read their motion for discovery and the declaration attached thereto, there was no mention of

any dates other than the time that the conservatorships were entered into. Plaintiffs have indicated that they mentioned it in their reply brief, but it did not appear in the Court's order and we had no chance to respond to dates set forth the first time in Plaintiffs' reply brief.

So, on the issue of the solvency of Fannie Mae and Freddie Mac, like I said, we're okay with request 1A and request 4, but requests 2, 3 and 5 go far beyond that topic. Two goes to the decision to compensate Treasury through 79.9 percent warrants. That doesn't really go to profitability, and if it does, it's satisfied by 1A. Three goes to the valuation of the warrants from 2008 to 2013. As I mentioned, that's not within the scope of the dates. And five, were they ask about government stock dividends, that's not even related to profit because the dividends were fixed at 10 percent.

So, Plaintiffs are essentially trying to use this pre-motion to dismiss decision discovery to get full-blown discovery, and we think that is not warranted under the circumstances of the case and not warranted in light of the substantial harms and the statute that we -- that I made reference to earlier.

Just getting back to the statute, again, briefly, there is precedent for courts to find that discovery should not be produced in reliance on 4617(f). Like I said, we're

not asking the Court not to exercise jurisdiction over the case except in the context for a motion to dismiss, which we understand is deferred. But 4617(f) is an important tool to protect the conservator from the type of second guessing and invasive, intrusive discovery that will have a deleterious effect on its ability to manage the enterprises.

THE COURT: Was there anything else?

MS. HOSFORD: Nothing else, Your Honor.

THE COURT: I just have a question for you. Could you please explain the litigation position or what I see as a conflict with -- or an inconsistency with, on the one hand, the Government are saying Plaintiffs lack standing, this Court lacks jurisdiction because the conservatorship is not part of the Government, it's not a Government entity. And, yet, when Plaintiffs seek discovery, it's the position of the United States that any documents generated by the conservatorship are subject to the deliberative process privilege?

MS. HOSFORD: Yes, Your Honor. First of all, there is case law out there, and we cite it in our brief, acknowledging that FHFA does enjoy the deliberative process privilege even when it's acting as conservator. Even setting that aside, in the context of this case, it's very important. If the Court were ultimately to find that the FHFA is the United States -- or is not the United States, I'm sorry, and previously they had had to disclose documents that would have been subject to deliberative process privilege, we have a potential waiver situation there and we have disclosure of a lot of documents that can be very harmful to the agency under the assumption that they are the United States when it could ultimately be determined that they are not the United States.

So, FHFA is merely trying to protect its rights at this point. Because the issue is still open, they are not willing to just give up on the deliberative process privilege. So, that's the situation.

THE COURT: No, I -- I -- okay. Thank you.

MS. HOSFORD: Okay. Thank you, Your Honor.

MR. COOPER: Good morning again, Judge Sweeney.

THE COURT: Good morning.

MR. COOPER: Your Honor, let me just preface the points I plan to make in response to counsel's presentation. Contrary to counsel's claim, we have attempted truly to tether very tightly to this Court's February discovery order and the Court's articulation of the issues that have been placed in dispute by the Government, jurisdictional, ripeness and reasonable expect -- investment-backed expectation issues, carefully tried to tether them to those issues. And we believe that every one of the requests that we've made is carefully and tightly tethered to those issues.

Let me first address the blanket exemptions or

privilege or relief that counsel seeks for producing a particular range of documents, not just time-limited, but in terms of subject matter. Their first point, Your Honor, is that for the Courts to order this discovery, it would inevitably impact and affect -- restrain and affect the exercise of the powers or functions of the conservator. As the Court mentioned, the provision, in and of itself on its face, doesn't reach something like discovery in a lawsuit brought for damages in the Court of Federal Claims. There's precedent on this subject, as the Court knows, from the FIRREA example which provided the precise model for this provision.

But, Your Honor, more importantly, the language of the statute itself makes clear that what is contemplated there is some type of judicial order that would restrain the ability -- the ability of the conservator to exercise its discretionary powers and functions. There is -- it's inconceivable that a discovery order could affect the ability of the conservator to exercise his powers. To be sure, it's conceivable that it could affect or influence how the conservator exercised his discretion with respect to those powers. That is conceivable. But that's not what the statute is designed, by any means, to reach.

But the Court has cut through all of this with the obvious and complete cure or protection for all of the

Government's concerns, which is a protective order. And Your Honor has identified and we welcome the sanction that the Court has suggested and we don't need it because we're officers of the court. We've done this many, many times, as has the Government. It has engaged in protective orders in countless cases. Countless cases, Your Honor.

THE COURT: I thought it would -- I thought a bit of increased security by fashioning what I mentioned a few minutes ago, because of the leak that occurred in Judge Wheeler's case -- we handle bid protest cases involving millions and millions of dollars every day and we don't have leaks. And attorneys representing a Plaintiff have direct access to the opposing clients', the Defendant/Intervenor's, proprietary information, information that is so sensitive it could make or break a corporation and we don't have leaks. But there was a leak in Judge Wheeler's case and it seemed to me that instead of perhaps economics driving it, it could have been either somewhat politically motivated or -- I mean, I don't know. I'm just speculating and judges shouldn't speculate.

But it occurred to me that if I had this caulk in place, this severe sanction looming, that when counsel is tapping various associates or paralegals or whomever to assist in a review of documents, the fear of God would be put in that individual that there would not be a leak because it

will be so -- the sanction will be swift and so severe that that person would lose their job and in addition to facing other sanctions that I could fashion, that, you know, their direct employer, Plaintiffs' counsel, would come down on them like a ton of bricks and that you would just emphasize the importance of -- which I'm sure you do in every case, but you would emphasize the importance of the sanctity of that protective order.

MR. COOPER: To be sure, Your Honor.

THE COURT: And I have no doubt all of the counsel in this room, in front of the bar, for that matter behind the bar, would never do anything to violate a protective order. But in case someone on Plaintiffs' side might be so sympathetic for the Plaintiff that their heart would overcome common sense and they would do something unprincipled, they would think twice before they did it.

MR. COOPER: Yes, Your Honor. But, of course -- and, Your Honor, that is a complete protection for the interest the Government has advanced and that it has supported with its declarations. That interest is founded on one concern. One concern. Public disclosure. Public disclosure of the information that is exchanged in discovery. That is what it found -- it bases its request for this sweeping exemption essentially from discovery and what it bases its request for these time limitations. Public

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disclosure. The protective order completely protects against that -- against that possibility, Your Honor.

Let's really just pause for a moment and consider what it is the Government is claiming here. They're claiming a privilege -- a sweeping and blanket privilege that flows, they say, from this statutory provision that just doesn't exist, one that basically says, in discovery, in a case properly brought before this Court for money damages, not for equitable injunction type relief, but for money damages, there can be no discovery, period. It's a new privilege essentially, governmental privilege that they're inventing. And it, Your Honor, just doesn't exist. But even if it did, it would be completely addressed by the protective order.

Let me move to the deliberative process privilege claim that counsel makes, and it directs this claim as well to the discovery requested with respect to profitability in requests 1 through 5, and the requests made with respect to when, whether and how the conservatorships may be terminated, requests 6 through 10. I want to make two threshold points on that.

First, there is no blanket categorical privilege for deliberative process or any other privilege. Documents are privileged standing in their own shoes, each document. In a claim of privilege, the burden is on the party asserting a privilege to establish that a document or information or,

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you know, the answer to a deposition question, whatever it may be, is privileged information. And that's true of the deliberative process privilege. It's true of the executive privilege. It's true of every privilege. And, so, there's no blanket -- there's no blanket exemption from having to go through the document-by-document process and to provide a log to the other side so those claims can -- can at least, at that level, be verified as being reasonable.

Now, the second point, Your Honor, the Court put your finger on it, is that the Government, first, concedes -- and there's certainly no dispute between the parties here -- that Fannie and Freddie are private corporations. So, no matter what else they may claim, they're not claiming that documents in Fannie and Freddie's possession are privileged, and it's obvious that they can't be. But they're going farther and they're saying specifically that FHFA, as conservator for Fannie and Freddie, and they say this in terms, is not the United States, it is Fannie and Freddie. It is as though we are seeking relief in this case and seeking discovery from the management of private corporations. That's their argument, Your Honor, as the Court points out.

And, Your Honor, we've said to be sure, no, FHFA is a Government agency, this Court has got Tucker Act jurisdiction over our claim against the Government for the

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conduct of Treasury and FHFA together in imposing the third amendment, the Net Worth Sweep. And in response to their claim that that's not true, of course, we asked for discovery. Well, we think it's true. We think your public statements essentially make that true and our discovery request cites specific public documents that -- you know, through our discovery requests. We give an example of a public document that is of the ilk that we're requesting.

But, Your Honor, our point is the Government can't both say our client, FHFA, is not the United States; it's not an arm or an agent of Treasury; it wasn't acting for the benefit of the taxpayers. All of the metrics that the Court itself identified in the discovery order don't exist as a matter of fact. They can't say that on the one hand and then say, but we can't -- we're not going to give you the information going to that issue because we're relying on a uniquely government privilege that they've just excluded their client from claiming with their own position. They can't do both of those --

THE COURT: And so far, I haven't gotten -- I haven't received a good answer from the Government. Counsel is very able. But counsel has expressed concern of what could happen if certain documents are released, which I do not want to see happen, but counsel didn't answer to my satisfaction the discrepancy between sort of using the

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deliberative process as sword and shield. On one hand, FHFA is a government entity, you know, for purposes of booting the Plaintiffs out of court and not part of the Government, but for purposes of forwarding discovery, all of a sudden deliberative process is appropriate because they are part of the Government. So, it's a schizophrenic approach and I'm just waiting to hear a reasonable explanation.

MR. COOPER: Well, Your Honor, I don't think you'll find one, particularly in light of the fact that, as I mentioned, it is the Government's burden to establish its entitlement to the privilege. And out of its own mouth, it disqualifies it -- disqualifies itself from the very privilege that they seek, that uniquely governmental privilege not available to private parties and certainly not available to the conservator if the conservator is not the United States as they maintain.

The other thing I'd like to address on this is counsel's claims made in their briefing to the Court and here again and emphasized here, that what we're seeking is information relating to ongoing deliberations within the agencies with respect to how, whether and when the conservatorships will be terminated. That's --

THE COURT: Well, I do have a -- I do have a concern about that. Here's why and why I'd like to see discovery in waves. I -- right now, at this juncture, we're not here to determine whether or not a taking occurred. What we are determining is whether the Plaintiffs can meet the United States' jurisdictional challenge, which is these -- the conservators, the conservatorship, is not part of the United States. It's not a government agency, excuse me. It's not a government agency. Therefore, the Plaintiffs are not properly before this Court because in this Court, the only entity that can be sued is the United States Government.

MR. COOPER: Your Honor, that --

THE COURT: So, some of the requests seem to get into merits arguments.

MR. COOPER: Yes.

THE COURT: And that concerns me because I'm not allowing, I think -- as the breadth of discovery that Plaintiff seeks, I think, and I understand why advocates do it, they're looking for too much. But I think the Government is offering too little.

MR. COOPER: Well, Your Honor, on that point, I want to -- first of all, I want to agree with the Court's point, but to add this, and that's their jurisdictional claim, isn't only that FHFA is not the United States; it is also that this case is not ripe for your consideration. And that is the claim under which they seek to shield and to prevent discovery with respect to profitability, these profitability projections that we have sought and they've

agreed to provide, at least with respect to those narrow time ranges and -- and on that, let me just go ahead and make the point before I lose it, which is that they've basically said, okay, we'll give you this information, the information relating to profitability projections and when, whether and how the conservatorships will be terminated, we'll give you that for two narrow time ranges.

One, the seven-and-a-half months before the third amendment, that is from, I think, January 1st, 2012 to August 17th, 2012, when the Net Worth Sweep was adopted. Those seven-and-a-half months, we'll give you that. And we'll give you that information with respect to the period of time when the conservatorships were put in place. And, again, their claim for not giving us any of the information relating to those two ripeness issues in between is -- it's not clear. I'm not sure what it is.

Because, Your Honor, how is it going to be -- how do they support the proposition that this is -- what they're willing to give us is deliberative process -- is not deliberative process and is not a threat to the ongoing management of conservatorships, but what they're not willing to give us between those two dates somehow is. The only possible claim has to be that it's just too burdensome, and they haven't made that claim. They haven't made that argument.

But, Your Honor, on the ripeness issue, the issue here is not -- or at least let me put it this way. Counsel argues emphatically that this relates to ongoing deliberations within the Government, within the agencies about how, whether and when the conservatorships will terminate. And they say that isn't and can't be known because it will be Congress that terminates those -- terminates those conservatorships if and when they ever are terminated.

Your Honor, the issue isn't before this Court, isn't what decision is Congress going to make. If that were the question, there would never be a ripe case before this Court, because every case that is brought before this Court, Congress can change it like that with legislation. It can -- if Congress enacted a measure that would appeal the Net Worth Sweep, which they could certainly do, well, my case would be transformed substantially in this courtroom. It could do that. It could do any number of things.

But what Congress may or may not do is not the question here. It's whether or not the Government has made a policy decision with respect to when, whether and how the conservatorships will terminate, and it clearly has, or at least our point is that there's a wealth of public information and statements to support the proposition that it has. And in the face of their denial that it has, we're

entitled to discovery to bring information to this Court to prove that this case is ripe. It is ripe.

The Government has basically made the decision -- the policy decision that the Government, the FHFA, will never end the conservatorships. They have said -- and they will not be ended unless and until Congress does so, and they say that in their papers. We anticipate, they say over and over, that Congressional action will be what ultimately resolves the question about Fannie and Freddie and the conservatorships.

And, so, they've made the decision that the conservatorships will continue in kind of a state of perpetual servitude, Fannie and Freddie, to the Government as the Government extracts from Fannie and Freddie all of their earnings and the OMB, and a document attached to our appendix projects profitability projection. And by the way, I asked my colleagues to find out how many public reports the Government, FHFA, Treasury, OMB have published that include projections of the profitability of the future financial performance of Fannie and Freddie. We've been able to come up with 83. That's that stack right there, are public profitability reports, Your Honor.

The notion that information with respect to profitability is so sensitive is difficult to take in the light of that. But --

EXHIBIT 23
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EXHIBIT 24
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EXHIBIT 25
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EXHIBIT 26

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GSE Preferred Stock Purchase Agreements (PSPA) Overview and Key Considerations

Sensitive and Pre-Decisional

June 13, 2012

Discussion Agenda

Sensitive / Pre-Decisional

1) Executive Summary
2) Overview of the GSE Preferred Stock Purchase Agreements (PSPAs)
3) Key Considerations With Existing PSPAs
4) GSE Financial Projections
   - Base Case
   - Stress Case
5) Treasury's PSPA Modification Proposal

TREASURY-3834

Section 1: Executive Summary

Sensitive / Pre-Decisional

TREASURY-3835

Executive Summary

Sensitive / Pre-Decisional

- U.S. Department of Treasury (Treasury) provides capital support to Fannie Mae and Freddie Mac (the GSEs), pursuant to the Preferred Stock Purchase Agreements (PSPAs).

- Financial modeling by the GSEs, the Federal Housing Finance Agency (FHFA) and Treasury highlights that a majority of future draws will likely be necessary to cover dividend payments to Treasury.

- This circularity (i.e. the GSEs drawing from Treasury to pay dividends to Treasury) reduces Treasury's ability to support the capital needs of the GSEs once the final level of the caps are fixed as of the December 31, 2012 financials.

- Consequently, Treasury proposes to modify the PSPAs to protect the solvency of the GSEs.

  - Replace the fixed 10 percent quarterly cash dividend paid by each GSE to Treasury with a variable quarterly dividend equal to any net worth above a certain dollar threshold (a net worth sweep) otherwise the quarterly dividend is zero.

- Over time and based on earnings projections of the GSEs, there should be no material difference in the net cash returned to taxpayers (i.e., the difference between draws taken and dividends received) as would be expected with the fixed ten percent dividend.

TREASURY-3836

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Primary GSE Financial Forecast Assumptions

Sensitive / Pre-Decisional

- As conservator, FHFA evaluated the GSEs financial future by performing sensitivity analyses, commonly referred to as the "stress tests."
  - The sensitivity analyses included a base and downside case and were projected out to year 2014.
  - The sensitivity analyses were based on assumptions about GSE operations, loan performance, macroeconomic and financial market conditions, and house prices.
- Treasury also evaluated the financial prospects of the GSEs.
  - Grant Thornton was engaged as an independent, third-party consultant to perform a valuation of the entities for the Treasury Financial Report and OMB budget estimation figures.
  - Grant Thornton developed their own forecasts based, in part, on the forecasts prepared by each GSE based on a consistent set of assumptions provided by FHFA.
  - The Grant Thornton models were projected out until each GSE depleted its PSPA capacity.
- Both the FHFA and Grant Thornton analyses were used to generate the forecast estimates on the subsequent pages.

TREASURY-3837

Section 2: Overview of the GSE Preferred Stock Purchase Agreements

Sensitive / Pre-Decisional

1) Executive Summary

2) Overview of the GSE Preferred Stock Purchase Agreements (PSPAs)

3) Key Considerations With Existing PSPAs

4) GSE Financial Projections

- Base Case
- Stress Case

5) Treasury's PSPA Modification Proposal

Conservatorship & the PSPAs

Sensitive / Pre-Decisional

- In September 2008, the FHFA placed Fannie Mae and Freddie Mac into conservatorship.
  - As stated by FHFA, the goals of conservatorship include: (1) helping restore confidence in the GSEs, (2) enhancing the GSEs' capacity to fulfill their role in the housing market, and (3) mitigating the systemic risk that has contributed to market instability.
- When the GSEs entered conservatorship, each GSE received capital support through PSPAs with the Treasury.
  - The PSPAs were designed to provide confidence to the market that the GSEs would remain solvent.
- Under the PSPAs, Treasury committed to make advances of funds to each GSE for each calendar quarter in which the liabilities of the respective GSE exceeded its assets in order to maintain solvency (i.e. maintain positive net worth).
  - Operationally, there is a one quarter lag between the net worth deficit being measured and subsequently cured by a PSPA draw. (I.e., a one-quarter delayed payment)

Conservatorship & the PSPAs (Cont'd)

Sensitive / Pre-Decisional

- The initial cap on the Treasury Senior Preferred Stock funding commitment to each GSE was $100 billion. In return for the commitments, Treasury received a preferred stock certificate from each GSE and an initial $1 billion liquidation preference. Treasury also received warrants with the right to purchase up to 79.9 percent of the common equity of each GSE.
  - Under the terms of each preferred stock certificate, the "liquidation preference" value increases dollar-for-dollar by the amount of each advance of funds made by Treasury to the respective GSE under the commitment.
  - The cash dividend rate on the preferred stock under the PSPAs was set at 10 percent of the cumulative liquidation preference.
- Since they were initially established, the PSPAs have been amended twice:
  - First, in May 2009, when the commitment caps were increased to $200 billion for each GSE;
    - Retained portfolio cap increased to $900 billion (from $850 billion) at December 31, 2009 with 10% annual declines based on the cap (in place of the year-end balance).
  - Second, in December 2009, when the fixed $200 billion cap was amended to increase by the amount of draws between January 1, 2010 and December 31, 2012.
  - After December 31, 2012, the commitment cap becomes fixed again and the unused balance of the commitment will be available to be drawn under the existing terms of the PSPAs.

TREASURY-3840

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PSPAs: Key Terms

Sensitive / Pre-Decisional

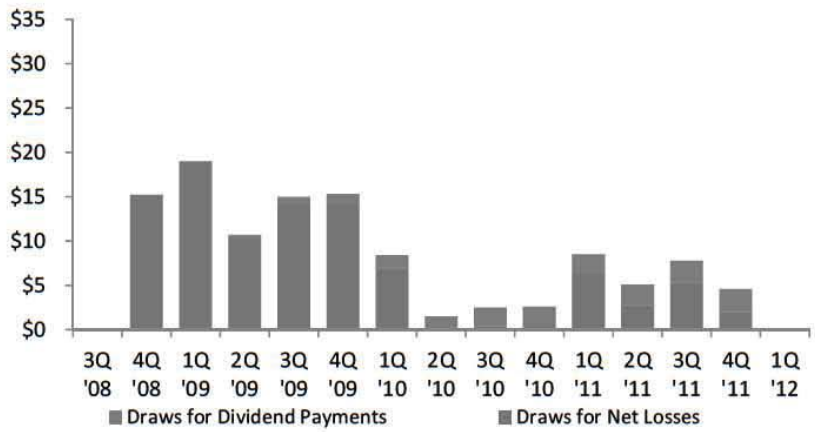
As of December 31, 2011	
Core Terms	
Amended & Restated PSPAs	Signed on September 26, 2008.
Amendments Dated	1st Amendment – May 6, 2009; 2nd Amendment – December 24, 2009.
Liquidation Preference	Increases with draws under the funding commitment.(1)
Dividend Rate	Cash 10%; if elected to be paid in kind ("PIK") 12%.
Seniority of Senior Preferred Stock	Senior Preferred Stock is senior to the existing preferred stock issued prior to conservatorship and common equity but is junior to all debt claims and obligations.
Covenants	
Retained Investment Portfolio	Reduce by 10% per year until the GSEs' retained portfolios each reach $250 billion.
Dividend Payments to Other Parties	None permitted until senior preferred stock is repaid in full.
Asset Sales	No sale, transfer, or disposition of any assets other than dispositions for fair value in the ordinary course of business.
Leverage Limitation	Not permitted to increase debt to more than 120% of the total amount of mortgages and mortgage-backed securities owned by each enterprise.
Other Terms	
Warrants	Right to purchase up to 79.9 percent of the common equity at one-thousandth of one cent ($0.00001) per share, fully diluted. Warrants expire Sept. 7, 2028.

(1) As amended on December 24, 2009, each PSPA commits Treasury to provide additional support to each Enterprise through the end of 2012 in exchange for a greater liquidation preference. Treasury's financial commitment now equals the greater of $200 billion or $200 billion plus cumulative net worth deficits experienced during 2010, 2011, and 2012, less any surplus remaining as of December 31, 2012. Beginning in 2013, the capacity available becomes fixed and the remaining capacity declines as there are further draws.

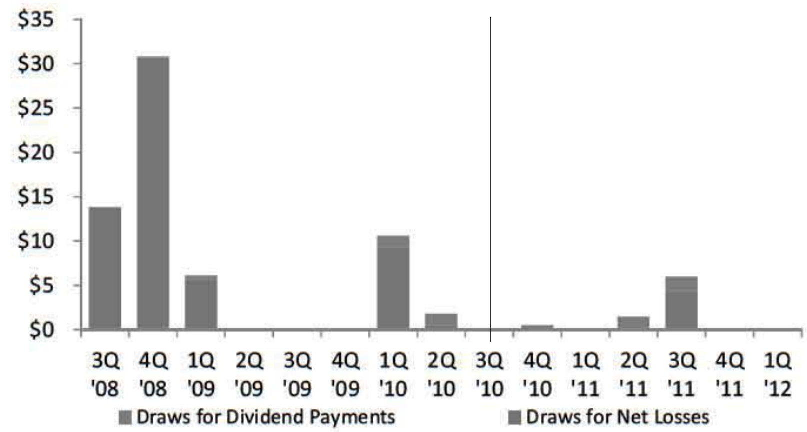
PSPAs: Usage To Date

Sensitive / Pre-Decisional

Fannie Mae:
$ in Billions



Freddie Mac:
$ in Billions



- Cumulative gross draws by Fannie Mae through March 31, 2012 total **$117.2 billion** (including the initial $1.0 billion liquidation preference), of which $19.4 billion were drawn to fund senior preferred stock dividends paid to Treasury.
- Cumulative gross draws by Freddie Mac through March 31, 2012 total **$72.3 billion** (including the initial $1.0 billion liquidation preference), of which $7.0 billion were drawn to fund senior preferred stock dividends paid to Treasury.
- Since 2008, nearly **17%** of the total PSPA draws by Fannie Mae and nearly **10%** of the total PSPA draws by Freddie Mac have been used to pay senior preferred stock dividends back to Treasury.

TREASURY-3842

Remaining Preferred Stock Purchase Agreement Capacity

Sensitive / Pre-Decisional

- Initial Purchase Agreement had a specified funding commitment cap of $100 billion for each GSE.
- The May 2009 amendment increased the specified cap for each institution to a fixed $200 billion.
- The Dec. 2009 amendment modified the fixed cap and allowed the cap to increase dollar for dollar for any draws between Jan. 1, 2010 and Dec. 31, 2012.
    - At the end of 2009, Fannie Mae had drawn $75.2 billion and Freddie Mac had drawn $50.7 billion, excluding the initial $1.0 billion liquidation preference for which the GSEs did not receive cash proceeds.
- At the end of 2012, these caps become fixed and there will be ~$125 billion of capacity remaining for Fannie Mae and ~$149 billion for Freddie Mac.
    - This remaining capacity will decline to the extent there are further draws from 2013 onward.

Fannie Mae:

PSPA cap as of 12/24/09 amendment	$200 billion
+ Est. PSPA draws[1] Jan. '10 – Dec. '12	+ $65.9 billion
Total est. PSPA cap on Dec. 31, 2012	$265.9 billion
- PSPA draws through Dec. 31, 2009	- $75.2 billion
- Est. PSPA draws[1] Jan. '10 – Dec. '12	- $65.9 billion
= Remaining capacity Dec. 31, 2012 *(less any positive net worth on Dec. 31, 2012)*	$124.8 billion

Freddie Mac:

PSPA cap as of 12/24/09 amendment	$200 billion
+ Est. PSPA draws[2] Jan. '10 – Dec. '12	+ $25.1 billion
Total est. PSPA cap on Dec. 31, 2012	$225.1 billion
- PSPA draws through Dec. 31, 2009	- $50.7 billion
- Est. PSPA draws[1] Jan. '10 – Dec. '12	- $25.1 billion
= Remaining capacity Dec. 31, 2012 *(less any positive net worth on Dec. 31, 2012)*	$149.3 billion

[1] Actual draws between January 1, 2010 and March 31, 2012, forecasted draws thereafter. Forecasted draws through December 31, 2012 as estimated by the base case forecast in the Federal Housing Finance Agency's annual "Projections of the Enterprises' Financial Performance" report, released October 2011.

Section 3: Key Considerations With Existing PSPAs

Sensitive / Pre-Decisional

Structural Considerations With The PSPAs

Sensitive / Pre-Decisional

- A large percentage of recent draws has been used to fund dividend payments.
  - Of Fannie Mae's $117.2 billion draw, $19.4 billion (~17%) has been used to fund dividends.
  - Of Freddie Mac's $72.3 billion draw, $7.0 billion (~10%) has been used to fund dividends.
- Financial modeling employed by the GSEs, FHFA and Treasury highlights that a majority of future draws will likely be used to pay dividend payments to Treasury.
  - "Our annual dividend obligation on the senior preferred stock exceeds our annual historical earnings in all but one period… it is unlikely that we will regularly generate net income… in excess of our annual dividends payable to Treasury. As a result, there is significant uncertainty as to our long-term financial sustainability. Continued cash payment of senior preferred dividends… will have an adverse impact on our future financial condition and net worth…" – Freddie Mac 2011 10-K.
  - "We will continue to need funds from Treasury as a result of a number of factors, including the dividends we are required to pay Treasury on the senior preferred stock… As a result of our draws, we do not expect to earn profits in excess of our annual dividend obligation to Treasury for the indefinite future…" – Fannie Mae 2011 10-K.
- The circularity described above (i.e. the GSEs drawing from Treasury to pay dividend payments to Treasury) reduces Treasury's ability to support the capital needs of the GSEs once the final level of the caps are fixed as of the December 31, 2012 financials.

TREASURY-3845

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Section 4: GSE Financial Projections

Sensitive / Pre-Decisional

1) Executive Summary
2) Overview of the GSE Preferred Stock Purchase Agreements (PSPAs)
3) Key Considerations With Existing PSPAs
4) **GSE Financial Projections**
   - **Base Case**
   - **Stress Case**
5) Treasury's PSPA Modification Proposal

TREASURY-3846

Fannie Mae Base Case PSPA Forecast

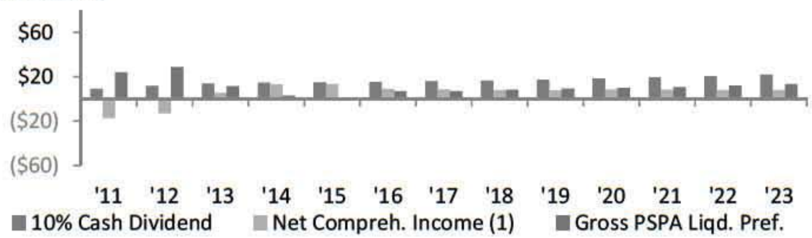
Sensitive / Pre-Decisional

Projections: $ in billions	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net Comprehensive Income (Loss)[1]	($13.1)	$5.4	$13.1	$13.5	$9.1	$8.5	$8.0	$7.9	$8.5	$8.4	$8.1	$8.0
Total Gross PSPA Draw	$28.7	$11.4	$2.9	$1.2	$7.0	$7.1	$8.2	$9.4	$9.8	$10.7	$12.1	$13.5
Total Dividend Paid	($11.8)	($14.0)	($14.8)	($15.0)	($15.2)	($15.9)	($16.6)	($17.5)	($18.4)	($19.4)	($20.6)	($21.8)
Total PSPA Draw Net of PSPA Dividends	$16.9	($2.6)	($11.9)	($13.8)	($8.2)	($8.8)	($8.4)	($8.1)	($8.6)	($8.7)	($8.5)	($8.3)
Projected End of Period Net Worth[2]	*($6.2)*	*($3.4)*	*($2.2)*	*($2.5)*	*($1.6)*	*($1.9)*	*($2.3)*	*($2.4)*	*($2.5)*	*($2.9)*	*($3.3)*	*($3.6)*
Percent of Dividends Funded by PSPA Draws	100%	81%	20%	8%	46%	45%	49%	54%	53%	55%	59%	62%
Dollar Amt. of Dividends Funded by Earnings	$0.0	$2.6	$11.9	$13.8	$8.2	$8.8	$8.4	$8.1	$8.6	$8.7	$8.5	$8.3
Cumulative Cash Dividends Funded by Earnings	**$0.0**	**$2.6**	**$14.5**	**$28.3**	**$36.5**	**$45.3**	**$53.7**	**$61.7**	**$70.4**	**$79.1**	**$87.6**	**$95.9**
Cumulative Net Return To Taxpayers By FY2023[3]	-	-	-	-	-	-	-	-	-	-	-	**$92.4**
Beginning PSPA Liquidation Preference	$112.6	$141.3	$152.7	$155.6	$156.8	$163.8	$170.9	$179.1	$188.5	$198.3	$209.0	$221.1
Total Gross Liquidation Preference	$28.7	$11.4	$2.9	$1.2	$7.0	$7.1	$8.2	$9.4	$9.8	$10.7	$12.1	$13.5
Cumulative Gross Liquidation Preference	$141.3	$152.7	$155.6	$156.8	$163.8	$170.9	$179.1	$188.5	$198.3	$209.0	$221.1	$234.6
Remaining PSPA Funding Capacity	*$125.0*	*$120.8* [4]	*$117.9*	*$116.7*	*$109.7*	*$102.6*	*$94.4*	*$85.0*	*$75.2*	*$64.5*	*$52.4*	*$38.9*
Cumulative Net PSPA Investment[5]	**$112.3**	**$109.7**	**$97.7**	**$84.0**	**$75.8**	**$67.0**	**$58.6**	**$50.5**	**$41.9**	**$33.2**	**$24.7**	**$16.4**

TREASURY-3847

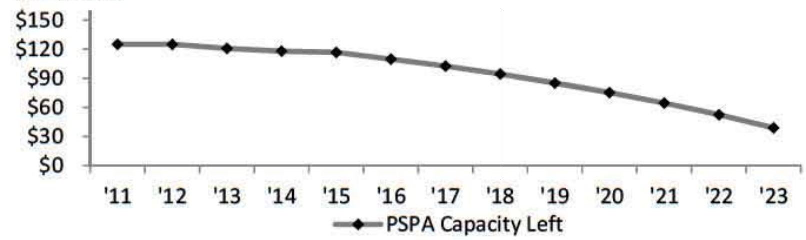
Per annum projected PSPA draws and dividends

$ in billions



Projected PSPA funding capacity as a result of draws

$ in billions



(1) Net comprehensive income is defined as the sum of economic net interest margin, fees and other income less a provision for credit losses, administrative expenses and other non-interest expenses.
(2) Negative every year because of a one quarter timing delay in payment of PSPA draw requests. Calculated as the sum of net comprehensive income and total gross PSPA draws less total dividends paid.
(3) The cumulative net return to taxpayers by FY2023 represents the sum of the cumulative cash dividends funded by earnings as of FY2023 and the projected end of period net worth in FY2023.
(4) Remaining PSPA funding capacity reduced by draws that occur after January 1, 2013. Potential PSPA draws in 4Q 2012 appear as FY2013 but do not reduce PSPA capacity.
(5) The cumulative net PSPA investment decreases by the dollar amount of dividends funded by earnings paid to the U.S. Department of the Treasury.

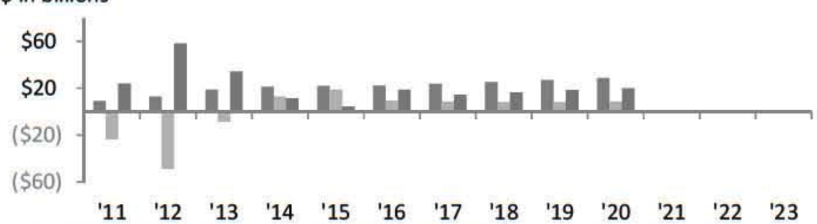
Fannie Mae Downside Case PSPA Forecast

Sensitive / Pre-Decisional

Projections: $ in billions	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net Comprehensive Income (Loss)[1]	($49.0)	($8.8)	$12.9	$18.6	$9.3	$8.7	$8.2	$8.0	$8.7	$8.5	-	-
Total Gross PSPA Draw	$58.1	$34.3	$11.3	$4.5	$18.6	$14.5	$16.5	$18.4	$19.9	$8.7	-	-
Total Dividend Paid	($12.9)	($18.6)	($21.1)	($21.9)	($22.2)	($23.7)	($25.2)	($26.9)	($28.8)	($8.7)	-	-
Total PSPA Draw Net of PSPA Dividends	$45.2	$15.7	($9.8)	($17.4)	($3.6)	($9.2)	($8.7)	($8.5)	($8.9)	-	-	-
Projected End of Period Net Worth[2]	*($20.3)*	*($13.4)*	*($10.3)*	*($9.0)*	*($3.4)*	*($3.9)*	*($4.4)*	*($4.9)*	*($5.2)*	-	-	-
Percent of Dividends Funded by PSPA Draws	100%	100%	54%	21%	84%	61%	65%	68%	69%	-	-	-
Dollar Amt. of Dividends Funded by Earnings	$0.0	$0.0	$9.8	$17.4	$3.6	$9.2	$8.7	$8.5	$8.9	-	-	-
Cumulative Cash Dividends Funded by Earnings	**$0.0**	**$0.0**	**$9.8**	**$27.2**	**$30.8**	**$40.0**	**$48.7**	**$57.2**	**$66.2**	-	-	-
Cumulative Net Return To Taxpayers By FY2023[3]	-	-	-	-	-	-	-	-	**$60.9**	-	-	-
Beginning PSPA Liquidation Preference	$112.6	$170.7	$205.0	$216.3	$220.8	$239.4	$253.9	$270.4	$288.8	$308.7	-	-
Total Gross Liquidation Preference	$58.1	$34.3	$11.3	$4.5	$18.6	$14.5	$16.5	$18.4	$19.9	$8.7	-	-
Cumulative Gross Liquidation Preference	$170.7	$205.0	$216.3	$220.8	$239.4	$253.9	$270.4	$288.8	$308.7	$317.4	-	-
Remaining PSPA Funding Capacity	*$125.0*	*$112.4* [4]	*$101.1*	*$96.6*	*$78.0*	*$63.5*	*$47.0*	*$28.6*	*$8.7*	*($0.0)*	-	-
Cumulative Net PSPA Investment[5]	**$140.6**	**$156.2**	**$146.4**	**$129.1**	**$125.5**	**$116.3**	**$107.6**	**$99.0**	**$90.1**	-	-	-

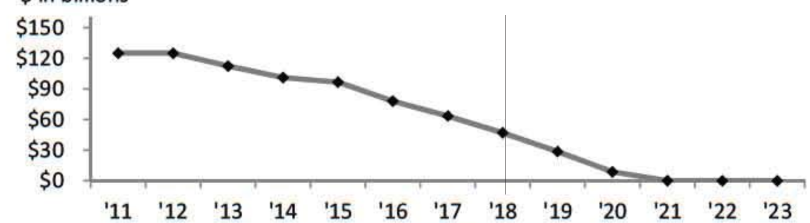
Per annum projected PSPA draws and dividends

$ in billions



Projected PSPA funding capacity as a result of draws

$ in billions



(1) Net comprehensive income is defined as the sum of economic net interest margin, fees and other income less a provision for credit losses, administrative expenses and other non-interest expenses.
(2) Negative every year because of a one quarter timing delay in payment of PSPA draw requests. Calculated as the sum of net comprehensive income and total gross PSPA draws less total dividends paid.
(3) The cumulative net return to taxpayers by FY2023 represents the sum of the cumulative cash dividends funded by earnings as of FY2023 and the projected end of period net worth in FY2023.
(4) Remaining PSPA funding capacity reduced by draws that occur after January 1, 2013. Potential PSPA draws in 4Q 2012 appear as FY2013 but do not reduce PSPA capacity.
(5) The cumulative net PSPA investment decreases by the dollar amount of dividends funded by earnings paid to the U.S. Department of the Treasury.

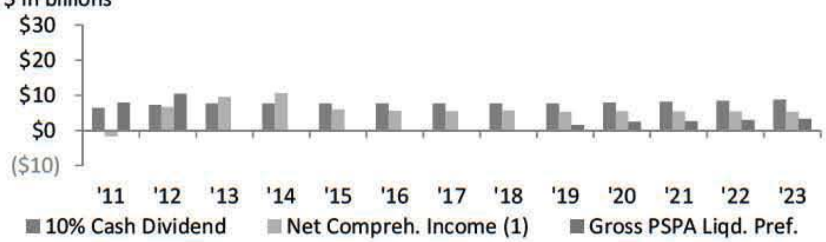
Freddie Mac Base Case PSPA Forecast

Sensitive / Pre-Decisional

Projections: $ in billions	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net Comprehensive Income (Loss)[1]	$6.7	$9.5	$10.6	$6.0	$5.5	$5.5	$5.6	$5.3	$5.5	$5.4	$5.4	$5.4
Total Gross PSPA Draw	$10.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$1.5	$2.5	$2.6	$3.0	$3.3
Total Dividend Paid	($7.3)	($7.7)	($7.7)	($7.7)	($7.7)	($7.7)	($7.7)	($7.7)	($7.9)	($8.2)	($8.4)	($8.7)
Total PSPA Draw Net of PSPA Dividends	$3.2	($7.7)	($7.7)	($7.7)	($7.7)	($7.7)	($7.7)	($6.2)	($5.4)	($5.6)	($5.4)	($5.4)
Projected End of Period Net Worth[2]	*$3.5*	*$5.3*	*$8.2*	*$6.6*	*$4.4*	*$2.3*	*$0.2*	*($0.7)*	*($0.6)*	*($0.7)*	*($0.8)*	*($0.8)*
Percent of Dividends Funded by PSPA Draws	100%	0%	0%	0%	0%	0%	0%	19%	32%	32%	36%	38%
Dollar Amt. of Dividends Funded by Earnings	$0.0	$7.7	$7.7	$7.7	$7.7	$7.7	$7.7	$6.2	$5.4	$5.6	$5.4	$5.4
Cumulative Cash Dividends Funded by Earnings	**$0.0**	**$7.7**	**$15.3**	**$23.0**	**$30.7**	**$38.3**	**$46.0**	**$52.2**	**$57.6**	**$63.2**	**$68.6**	**$74.0**
Cumulative Net Return To Taxpayers By FY2023[3]	-	-	-	-	-	-	-	-	-	-	-	**$73.2**
Beginning PSPA Liquidation Preference	$72.2	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$84.2	$86.7	$89.3	$92.3
Total Gross Liquidation Preference	$10.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$1.5	$2.5	$2.6	$3.0	$3.3
Cumulative Gross Liquidation Preference	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$84.2	$86.7	$89.3	$92.3	$95.6
Remaining PSPA Funding Capacity	*$150.0*	*$150.0* [4]	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$148.5*	*$146.0*	*$143.4*	*$140.4*	*$137.1*
Cumulative Net PSPA Investment[5]	**$60.5**	**$52.8**	**$45.2**	**$37.5**	**$29.8**	**$22.2**	**$14.5**	**$8.3**	**$2.9**	**($2.7)**	**($8.1)**	**($13.5)**

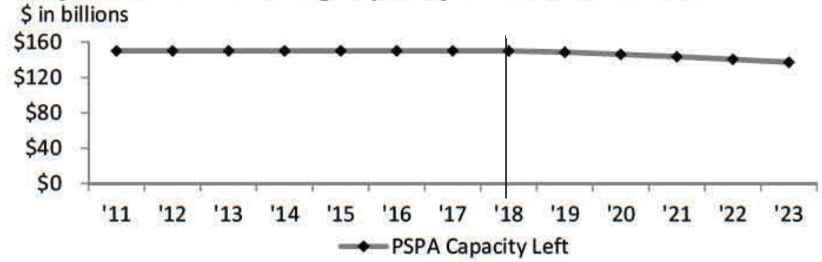
Per annum projected PSPA draws and dividends

$ in billions



Projected PSPA funding capacity as a result of draws

$ in billions



(1) Net comprehensive income is defined as the sum of economic net interest margin, fees and other income less a provision for credit losses, administrative expenses and other non-interest expenses.
(2) Negative in some years because of a one quarter timing delay in payment of PSPA draw requests. Calculated as the sum of net comprehensive income and total gross PSPA draws less total dividends paid.
(3) The cumulative net return to taxpayers by FY2023 represents the sum of the cumulative cash dividends funded by earnings as of FY2023 and the projected end of period net worth in FY2023.
(4) Remaining PSPA funding capacity reduced by draws that occur after January 1, 2013. Potential PSPA draws in 4Q 2012 appear as FY2013 but do not reduce PSPA capacity.
(5) The cumulative net PSPA investment decreases by the dollar amount of dividends funded by earnings paid to the U.S. Department of the Treasury.

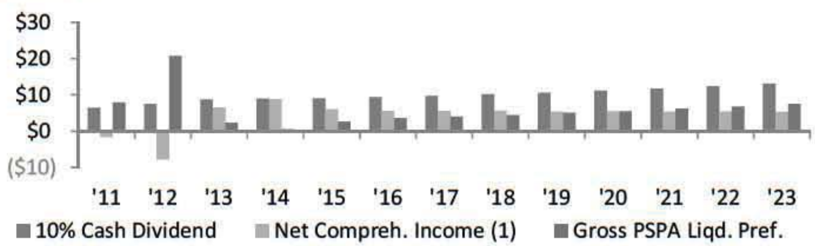
Freddie Mac Downside Case PSPA Forecast

Sensitive / Pre-Decisional

Projections: $ in billions	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net Comprehensive Income (Loss)[1]	($7.8)	$6.6	$8.9	$6.1	$5.6	$5.6	$5.7	$5.4	$5.5	$5.4	$5.4	$5.4
Total Gross PSPA Draw	$20.7	$2.3	$0.5	$2.7	$3.6	$4.0	$4.4	$5.1	$5.5	$6.2	$6.8	$7.5
Total Dividend Paid	($7.6)	($8.8)	($9.0)	($9.1)	($9.4)	($9.7)	($10.2)	($10.6)	($11.2)	($11.7)	($12.4)	($13.1)
Total PSPA Draw Net of PSPA Dividends	$13.1	($6.5)	($8.4)	($6.4)	($5.8)	($5.7)	($5.8)	($5.5)	($5.7)	($5.5)	($5.6)	($5.6)
Projected End of Period Net Worth[2]	*($1.1)*	*($0.9)*	*($0.5)*	*($0.8)*	*($0.9)*	*($1.1)*	*($1.2)*	*($1.3)*	*($1.5)*	*($1.6)*	*($1.8)*	*($2.0)*
Percent of Dividends Funded by PSPA Draws	100%	26%	6%	30%	38%	41%	43%	48%	49%	53%	55%	57%
Dollar Amt. of Dividends Funded by Earnings	$0.0	$6.5	$8.4	$6.4	$5.8	$5.7	$5.8	$5.5	$5.7	$5.5	$5.6	$5.6
Cumulative Cash Dividends Funded by Earnings	**$0.0**	**$6.5**	**$14.9**	**$21.3**	**$27.0**	**$32.8**	**$38.6**	**$44.1**	**$49.7**	**$55.3**	**$60.8**	**$66.4**
Cumulative Net Return To Taxpayers By FY2023[3]	-	-	-	-	-	-	-	-	-	-	-	**$64.4**
Beginning PSPA Liquidation Preference	$72.2	$92.9	$95.2	$95.7	$98.4	$102.0	$106.0	$110.4	$115.5	$121.0	$127.2	$134.0
Total Gross Liquidation Preference	$20.7	$2.3	$0.5	$2.7	$3.6	$4.0	$4.4	$5.1	$5.5	$6.2	$6.8	$7.5
Cumulative Gross Liquidation Preference	$92.9	$95.2	$95.7	$98.4	$102.0	$106.0	$110.4	$115.5	$121.0	$127.2	$134.0	$141.5
Remaining PSPA Funding Capacity	*$150.0*	*$149.0* [4]	*$148.4*	*$145.7*	*$142.1*	*$138.1*	*$133.7*	*$128.6*	*$123.1*	*$116.9*	*$110.1*	*$102.6*
Cumulative Net PSPA Investment[5]	**$70.4**	**$64.0**	**$55.6**	**$49.2**	**$43.4**	**$37.7**	**$31.9**	**$26.4**	**$20.7**	**$15.2**	**$9.6**	**$4.0**

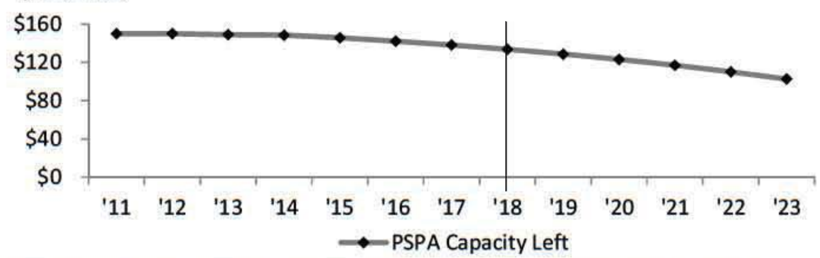
Per annum projected PSPA draws and dividends

$ in billions



Projected PSPA funding capacity as a result of draws

$ in billions



(1) Net comprehensive income is defined as the sum of economic net interest margin, fees and other income less a provision for credit losses, administrative expenses and other non-interest expenses.
(2) Negative every year because of a one quarter timing delay in payment of PSPA draw requests. Calculated as the sum of net comprehensive income and total gross PSPA draws less total dividends paid.
(3) The cumulative net return to taxpayers by FY2023 represents the sum of the cumulative cash dividends funded by earnings as of FY2023 and the projected end of period net worth in FY2023.
(4) Remaining PSPA funding capacity reduced by draws that occur after January 1, 2013. Potential PSPA draws in 4Q 2012 appear as FY2013 but do not reduce PSPA capacity.
(5) The cumulative net PSPA investment decreases by the dollar amount of dividends funded by earnings paid to the U.S. Department of the Treasury.

TREASURY-3850

Section 5: Treasury's PSPA Modification Proposal

Sensitive / Pre-Decisional

TREASURY-3851

Goals of Modifying the PSPAs

Sensitive / Pre-Decisional

- Treasury would like to modify the PSPAs given the challenges and circularity embedded in the current structure.

- Any modification would need to achieve four core goals:

  1) Protect the taxpayers' investment in the GSEs.

  2) There should be no material difference in the net cash returned to taxpayers (i.e., the difference between draws taken and dividends received) as would be expected with the fixed ten percent dividend.

  3) The maximum financial upside possible should be retained for the taxpayer if/when the GSEs return to sustained profitability.

  4) Should be executed in a transparent manner that maintains stakeholder confidence in the GSEs so they can fulfill their current and future mission.

Treasury's PSPA Modification Proposal

Sensitive / Pre-Decisional

- Replace the fixed 10 percent quarterly cash dividend paid by each GSE to Treasury with a variable quarterly dividend equal to a net worth sweep based upon financial results.
  - If quarterly net worth(1) is positive above a minimum amount(2), all of that value would be paid to Treasury.
  - If quarterly net worth(1) is negative, no dividends would be paid to Treasury.
    - The GSEs would draw on the remaining funding commitment capacity to maintain positive net worth.
- The proposed modification has the following impact on PSPA operations:
  - Eliminates the circularity of Treasury funding dividends paid to Treasury.
  - All future net income/profits above an established threshold are distributed to Treasury as dividends.
  - Future draws are only used to meet solvency needs and fund actual operating losses to the extent necessary.

(1) Net worth is determined by subtracting the total liabilities from the total assets as reflected on the GSE balance sheets as of an applicable date, prepared in accordance with GAAP.

(2) Treasury is proposing a minimum net worth amount of $10,000,000,000 for the quarterly reporting periods between January 1, 2013 and December 31, 2019. For all subsequent periods, the minimum net worth amount will be $1,000,000. The economic rationale behind the minimum net worth amount is to avoid having unnecessary PSPA draws that result from price volatility in the GSEs mortgage investment portfolios. By January 1, 2020, these portfolios need to be reduced to $250 billion from their current levels of $708 billion and $653 billion at Fannie Mae and Freddie Mac, respectively.

TREASURY-3853

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Hypothetical Cashflows prior to 2020 where the GSE has positive net worth that totals less than $10 billion

Sensitive / Pre-Decisional

Current 10% Annualized Dividend

Quarter with Positive Net Worth

Income Statement	Net Comprehensive Income	$2.00
Balance Sheet	Assets	$3,202.00
	Liabilities	$3,200.00
	Net Worth	$2.00
	Dividend Accrued	*$2.50*
Cash Flows: TSY	Dividend Payment	$2.50
	Less: Increase in Liq. Pref.	($0.50)
	Net Cash to/from Treasury	$2.00
PSPAs	Beg. Cum. Liquidation Pref.	$100.00
	End. Cum. Liquidation Pref.	$100.50

Quarter with Negative Net Worth

Income Statement	Net Comprehensive Income	($2.00)
Balance Sheet	Assets	$3,198.00
	Liabilities	$3,200.00
	Net Worth	($2.00)
	Dividend Accrued	$2.50
Cash Flows: TSY	Dividend Payment	$2.50
	Less: Increase in Liq. Pref.	($4.50)
	Net Cash to/from Treasury	($2.00)
PSPAs	Beg. Cum. Liquidation Pref.	$100.00
	End. Cum. Liquidation Pref.	$104.50

Proposed Net Worth Sweep

Quarter with Positive Net Worth

Income Statement	Net Comprehensive Income	$2.00
Balance Sheet	Assets	$3,202.00
	Liabilities	$3,200.00
	Net Worth	$2.00
	Dividend Accrued	*$0.00*
Cash Flows: TSY	Dividend Payment	$0.00
	Less: Increase in Liq. Pref.	$0.00
	Net Cash to/from Treasury	$0.00
PSPAs	Beg. Cum. Liquidation Pref.	$100.00
	End. Cum. Liquidation Pref.	$100.00

Quarter with Negative Net Worth

Income Statement	Net Comprehensive Income	($2.00)
Balance Sheet	Assets	$3,198.00
	Liabilities	$3,200.00
	Net Worth	($2.00)
	Dividend Accrued	*$0.00*
Cash Flows: TSY	Dividend Payment	$0.00
	Less: Increase in Liq. Pref.	($2.00)
	Net Cash to/from Treasury	($2.00)
PSPAs	Beg. Cum. Liquidation Pref.	$100.00
	End. Cum. Liquidation Pref.	$102.00

Hypothetical Cashflows prior to 2020 where the GSE has positive net worth that totals more than $10 billion

Sensitive / Pre-Decisional

Current 10% Annualized Dividend

Quarter with Positive Net Worth

Income Statement	Net Comprehensive Income	$2.00
Balance Sheet	Assets	$3,212.00
	Liabilities	$3,200.00
	Net Worth	$12.00
	Dividend Accrued	*$2.50*
Cash Flows: TSY	Dividend Payment	$2.50
	Less: Increase in Liq. Pref.	$0.00
	Net Cash to/from Treasury	$2.50
PSPAs	Beg. Cum. Liquidation Pref.	$100.00
	End. Cum. Liquidation Pref.	$100.00

Proposed Net Worth Sweep

Quarter with Positive Net Worth

Income Statement	Net Comprehensive Income	$2.00
Balance Sheet	Assets	$3,212.00
	Liabilities	$3,200.00
	Net Worth	$12.00
	Dividend Accrued	*$2.00*
Cash Flows: TSY	Dividend Payment	$2.00
	Less: Increase in Liq. Pref.	$0.00
	Net Cash to/from Treasury	$2.00
PSPAs	Beg. Cum. Liquidation Pref.	$100.00
	End. Cum. Liquidation Pref.	$100.00

TREASURY-3855

Hypothetical Cashflows Where The GSE Has Positive Net Worth After 2020

Sensitive / Pre-Decisional

Current 10% Annualized Dividend

Quarter with Positive Net Worth

Income Statement	Net Comprehensive Income	$2.00
Balance Sheet	Assets	$3,212.00
	Liabilities	$3,200.00
	Net Worth	$12.00
	Dividend Accrued	*$2.50*
Cash Flows: TSY	Dividend Payment	$2.50
	Less: Increase in Liq. Pref.	$0.00
	Net Cash to/from Treasury	$\boxed{\$2.50}$
PSPAs	Beg. Cum. Liquidation Pref.	$100.00
	End. Cum. Liquidation Pref.	$100.00

Proposed Net Worth Sweep

Quarter with Positive Net Worth

Income Statement	Net Comprehensive Income	$2.00
Balance Sheet	Assets	$3,212.00
	Liabilities	$3,200.00
	Net Worth	$12.00
	Dividend Accrued	*$12.00*
Cash Flows: TSY	Dividend Payment	$12.00
	Less: Increase in Liq. Pref.	$0.00
	Net Cash to/from Treasury	$\boxed{\$12.00}$
PSPAs	Beg. Cum. Liquidation Pref.	$100.00
	End. Cum. Liquidation Pref.	$100.00

TREASURY-3856

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Fannie Mae Base Case PSPA Forecast Under Sweep Proposal

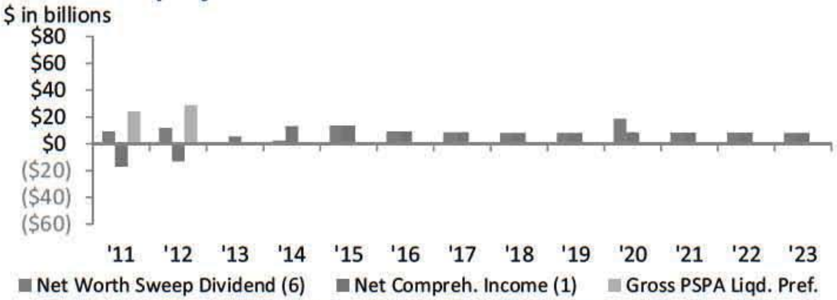
Sensitive / Pre-Decisional

Projections: $ in billions	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net Comprehensive Income (Loss)[1]	($13.1)	$5.4	$13.1	$13.5	$9.1	$8.5	$8.0	$7.9	$8.5	$8.4	$8.1	$8.0
Total Gross PSPA Draw	$28.7	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Net Worth Sweep Dividend	($11.8)	$0.0	($2.3)	($13.5)	($9.1)	($8.5)	($8.0)	($7.9)	($18.5)	($8.4)	($8.1)	($8.0)
Total PSPA Draw Net of Net Worth Sweep	$16.9	$0.0	($2.3)	($13.5)	($9.1)	($8.5)	($8.0)	($7.9)	($18.5)	($8.4)	($8.1)	($8.0)
Projected End of Period Net Worth[2]	*($6.2)*	*($0.8)*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
Percent of Dividends Funded by PSPA Draws	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Dollar Amt. of Dividends Funded by Earnings	$0.0	$0.0	$2.3	$13.5	$9.1	$8.5	$8.0	$7.9	$18.5	$8.4	$8.1	$8.0
Cumulative Cash Dividends Funded by Earnings	**$0.0**	**$0.0**	**$2.3**	**$15.8**	**$24.9**	**$33.4**	**$41.4**	**$49.3**	**$67.8**	**$76.2**	**$84.3**	**$92.4**
Cumulative Net Return To Taxpayers By FY2023[3]	-	-	-	-	-	-	-	-	-	-	-	**$92.4**
Beginning PSPA Liquidation Preference	$112.6	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3
Total Gross Liquidation Preference	$28.7	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cumulative Gross Liquidation Preference	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3	$141.3
Remaining PSPA Funding Capacity	*$125.0*	*$125.0* [4]	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*
Cumulative Net PSPA Investment[5]	**$112.3**	**$112.3**	**$110.0**	**$96.5**	**$87.4**	**$78.9**	**$70.9**	**$63.0**	**$44.4**	**$36.0**	**$27.9**	**$19.9**

TREASURY-3857

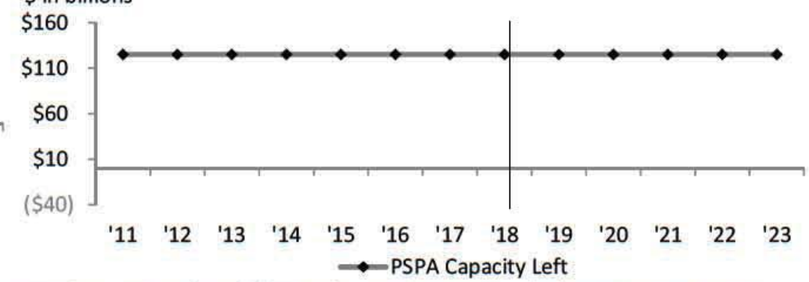
Per annum projected PSPA draws and dividends

$ in billions



Projected PSPA funding capacity as a result of draws

$ in billions



(1) Net comprehensive income is defined as the sum of economic net interest margin, fees and other income less a provision for credit losses, administrative expenses and other non-interest expenses.
(2) Until 2020, the GSEs can retain $10 billion in net worth before being required to sweep dividends. Calculated as the sum of net comprehensive income and total gross PSPA draws less total dividends paid.
(3) The cumulative net return to taxpayers by FY2023 represents the sum of the cumulative cash dividends funded by earnings as of FY2023 and the projected end of period net worth in FY2023.
(4) Remaining PSPA funding capacity reduced by draws that occur after January 1, 2013. Potential PSPA draws in 4Q 2012 appear as FY2013 but do not reduce PSPA capacity.
(5) The cumulative net PSPA investment decreases by the dollar amount of dividends funded by earnings paid to the U.S. Department of the Treasury.
(6) Net worth sweep dividend begins in FY2013. 10 percent cash dividend paid through FY2012.

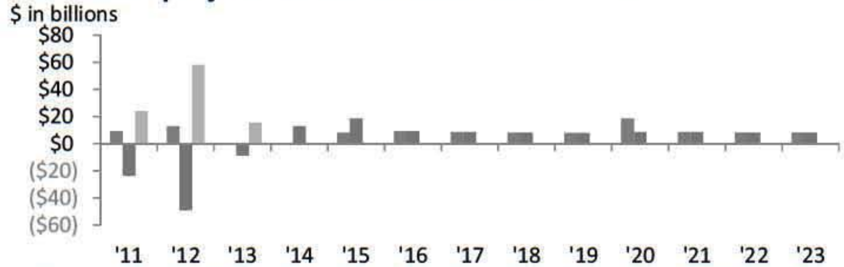
Fannie Mae Downside Case PSPA Forecast Under Sweep Proposal

Sensitive / Pre-Decisional

Projections: $ in billions	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net Comprehensive Income (Loss)[1]	($49.0)	($8.8)	$12.9	$18.6	$9.3	$8.7	$8.2	$8.0	$8.7	$8.5	$8.2	$8.2
Total Gross PSPA Draw	$58.1	$15.7	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Net Worth Sweep Dividend	($12.9)	$0.0	$0.0	($8.1)	($9.3)	($8.7)	($8.2)	($8.0)	($18.7)	($8.5)	($8.2)	($8.2)
Total PSPA Draw Net of Net Worth Sweep	$45.2	$15.7	$0.0	($8.1)	($9.3)	($8.7)	($8.2)	($8.0)	($18.7)	($8.5)	($8.2)	($8.2)
Projected End of Period Net Worth[2]	*($20.3)*	*($13.4)*	*($0.5)*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
Percent of Dividends Funded by PSPA Draws	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Dollar Amt. of Dividends Funded by Earnings	$0.0	$0.0	$0.0	$8.1	$9.3	$8.7	$8.2	$8.0	$18.7	$8.5	$8.2	$8.2
Cumulative Cash Dividends Funded by Earnings	**$0.0**	**$0.0**	**$0.0**	**$8.1**	**$17.4**	**$26.1**	**$34.2**	**$42.3**	**$60.9**	**$69.5**	**$77.6**	**$85.8**
Cumulative Net Return To Taxpayers By FY2023[3]	-	-	-	-	-	-	-	-	-	-	-	**$85.8**
Beginning PSPA Liquidation Preference	$112.6	$170.7	$186.3	$186.3	$186.3	$186.3	$186.3	$186.3	$186.3	$186.3	$186.3	$186.3
Total Gross Liquidation Preference	$58.1	$15.7	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cumulative Gross Liquidation Preference	$170.7	$186.3	$186.3	$186.3	$186.3	$186.3	$186.3	$186.3	$186.3	$186.3	$186.3	$186.3
Remaining PSPA Funding Capacity	*$125.0*	*$125.0* [4]	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*	*$125.0*
Cumulative Net PSPA Investment[5]	**$0.0**	**$154.0**	**$154.0**	**$145.9**	**$136.6**	**$127.9**	**$119.8**	**$111.8**	**$93.1**	**$84.6**	**$76.4**	**$68.2**

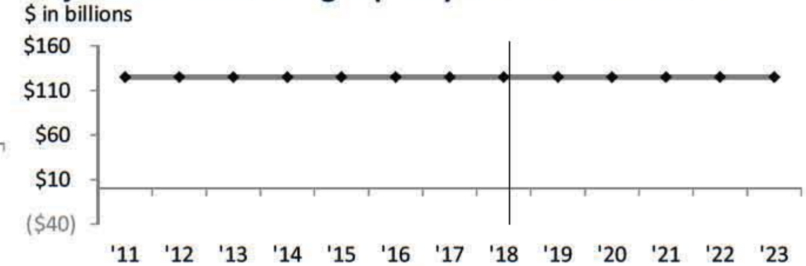
Per annum projected PSPA draws and dividends

$ in billions



Projected PSPA funding capacity as a result of draws

$ in billions



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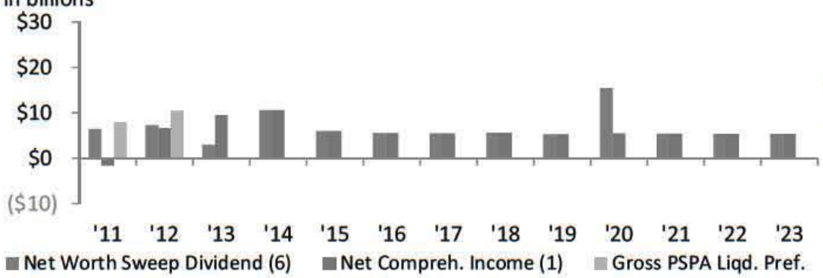
(5) The cumulative net PSPA investment decreases by the dollar amount of dividends funded by earnings paid to the U.S. Department of the Treasury.
(6) Net worth sweep dividend begins in FY2013. 10 percent cash dividend paid through FY2012.

Freddie Mac Base Case PSPA Forecast Under Sweep Proposal

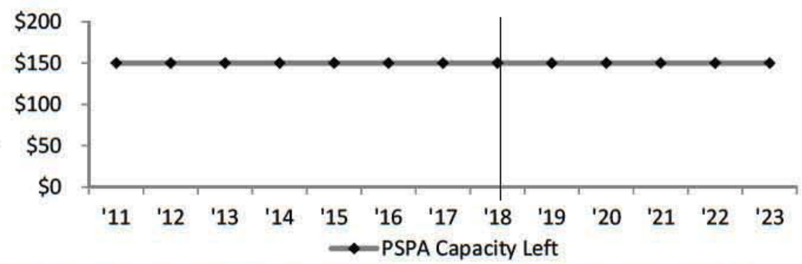
Sensitive / Pre-Decisional

Projections: $ in billions	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net Comprehensive Income (Loss)[1]	$6.7	$9.5	$10.6	$6.0	$5.5	$5.5	$5.6	$5.3	$5.5	$5.4	$5.4	$5.4
Total Gross PSPA Draw	$10.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Net Worth Sweep Dividend	($7.3)	($3.0)	($10.6)	($6.0)	($5.5)	($5.5)	($5.6)	($5.3)	($15.5)	($5.4)	($5.4)	($5.4)
Total PSPA Draw Net of Net Worth Sweep	$3.2	($3.0)	($10.6)	($6.0)	($5.5)	($5.5)	($5.6)	($5.3)	($15.5)	($5.4)	($5.4)	($5.4)
Projected End of Period Net Worth[2]	*$3.5*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
Percent of Dividends Funded by PSPA Draws	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Dollar Amt. of Dividends Funded by Earnings	$0.0	$3.0	$10.6	$6.0	$5.5	$5.5	$5.6	$5.3	$15.5	$5.4	$5.4	$5.4
Cumulative Cash Dividends Funded by Earnings	**$0.0**	**$3.0**	**$13.6**	**$19.6**	**$25.1**	**$30.6**	**$36.2**	**$41.5**	**$57.0**	**$62.4**	**$67.8**	**$73.2**
Cumulative Net Return To Taxpayers By FY2023[3]	-	-	-	-	-	-	-	-	-	-	-	**$73.2**
Beginning PSPA Liquidation Preference	$72.2	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7
Total Gross Liquidation Preference	$10.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cumulative Gross Liquidation Preference	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7	$82.7
Remaining PSPA Funding Capacity	*$150.0*	*$150.0* [4]	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*
Cumulative Net PSPA Investment[5]	**$60.5**	**$57.5**	**$46.9**	**$40.9**	**$35.4**	**$29.9**	**$24.3**	**$19.0**	**$3.5**	**($2.0)**	**($7.4)**	**($12.7)**

Per annum projected PSPA draws and dividends



Projected PSPA funding capacity as a result of draws



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(3) The cumulative net return to taxpayers by FY2023 represents the sum of the cumulative cash dividends funded by earnings as of FY2023 and the projected end of period net worth in FY2023.
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(5) The cumulative net PSPA investment decreases by the dollar amount of dividends funded by earnings paid to the U.S. Department of the Treasury.
(6) Net worth sweep dividend begins in FY2013. 10 percent cash dividend paid through FY2012.

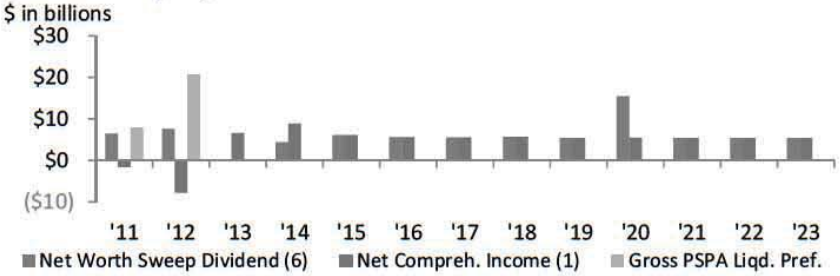
Freddie Mac Downside Case PSPA Forecast Under Sweep Proposal

Sensitive / Pre-Decisional

Projections: $ in billions	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net Comprehensive Income (Loss)[1]	($7.8)	$6.6	$8.9	$6.1	$5.6	$5.6	$5.7	$5.4	$5.5	$5.4	$5.4	$5.4
Total Gross PSPA Draw	$20.7	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Net Worth Sweep Dividend	($7.6)	$0.0	($4.4)	($6.1)	($5.6)	($5.6)	($5.7)	($5.4)	($15.5)	($5.4)	($5.4)	($5.4)
Total PSPA Draw Net of Net Worth Sweep	$13.1	$0.0	($4.4)	($6.1)	($5.6)	($5.6)	($5.7)	($5.4)	($15.5)	($5.4)	($5.4)	($5.4)
Projected End of Period Net Worth[2]	*($1.1)*	*$5.5*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$10.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
Percent of Dividends Funded by PSPA Draws	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Dollar Amt. of Dividends Funded by Earnings	$0.0	$0.0	$4.4	$6.1	$5.6	$5.6	$5.7	$5.4	$15.5	$5.4	$5.4	$5.4
Cumulative Cash Dividends Funded by Earnings	**$0.0**	**$0.0**	**$4.4**	**$10.5**	**$16.1**	**$21.7**	**$27.4**	**$32.7**	**$48.2**	**$53.7**	**$59.1**	**$64.4**
Cumulative Net Return To Taxpayers By FY2023[3]	-	-	-	-	-	-	-	-	-	-	-	**$64.4**
Beginning PSPA Liquidation Preference	$72.2	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9
Total Gross Liquidation Preference	$20.7	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cumulative Gross Liquidation Preference	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9	$92.9
Remaining PSPA Funding Capacity	*$150.0*	*$150.0* [4]	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*	*$150.0*
Cumulative Net PSPA Investment[5]	**$0.0**	**$70.4**	**$66.1**	**$60.0**	**$54.3**	**$48.8**	**$43.1**	**$37.7**	**$22.2**	**$16.8**	**$11.4**	**$6.0**

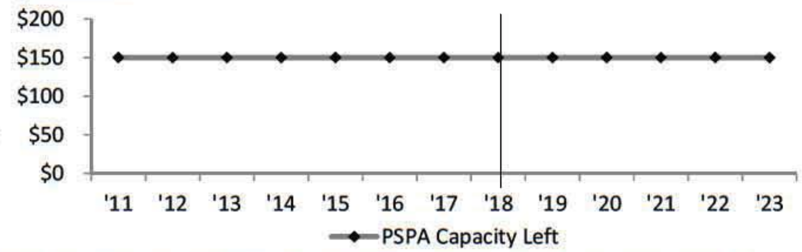
Per annum projected PSPA draws and dividends

$ in billions



Projected PSPA funding capacity as a result of draws

$ in billions



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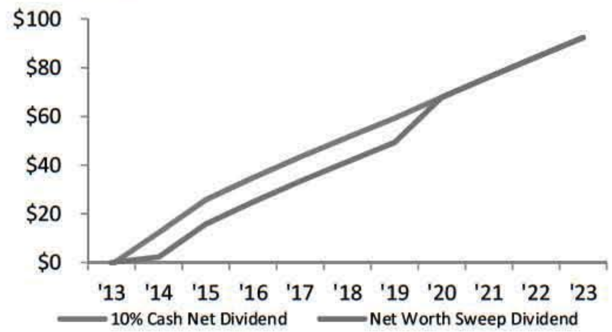
(5) The cumulative net PSPA investment decreases by the dollar amount of dividends funded by earnings paid to the U.S. Department of the Treasury.
(6) Net worth sweep dividend begins in FY2013. 10 percent cash dividend paid through FY2012.

Summary

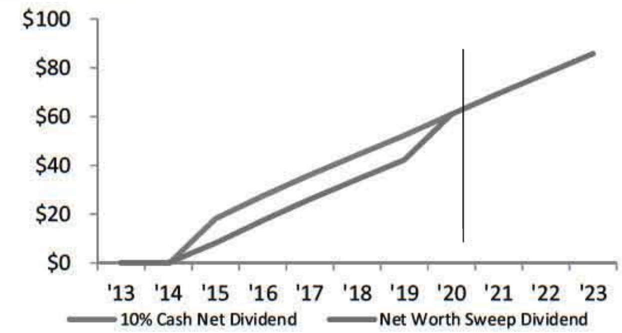
Sensitive / Pre-Decisional

- The net cash returned to taxpayers post the dividend modification is materially equivalent under the proposal as with the 10 percent fixed dividend.
  - The aggregate net cash returned by the GSEs remains materially the same.

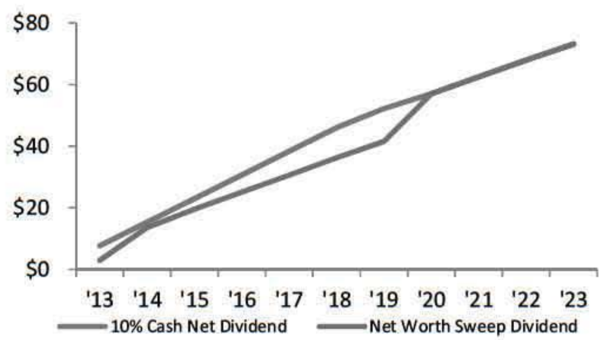
Fannie Mae Base Case Net Cash Returned to Taxpayers
($ in billions)



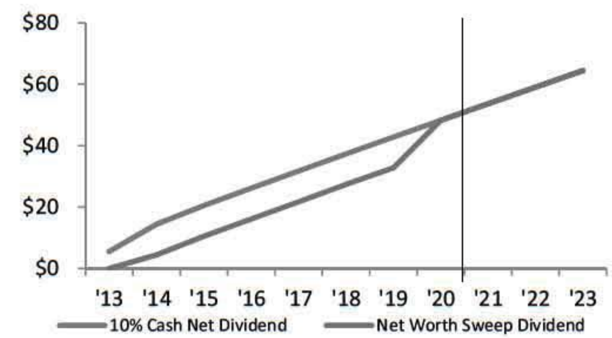
Fannie Mae Downside Case Net Cash Returned to Taxpayers
($ in billions)



Freddie Mac Base Case Net Cash Returned to Taxpayers
($ in billions)



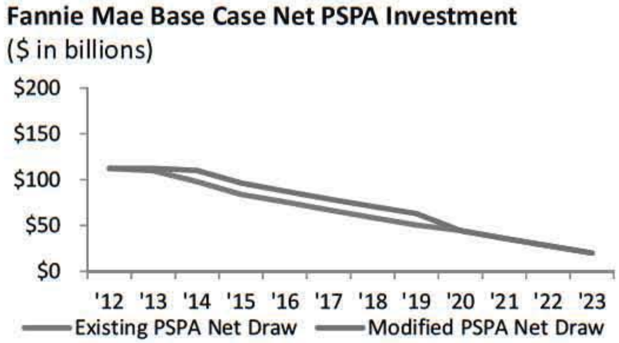
Freddie Mac Downside Case Net Cash Returned to Taxpayers
($ in billions)

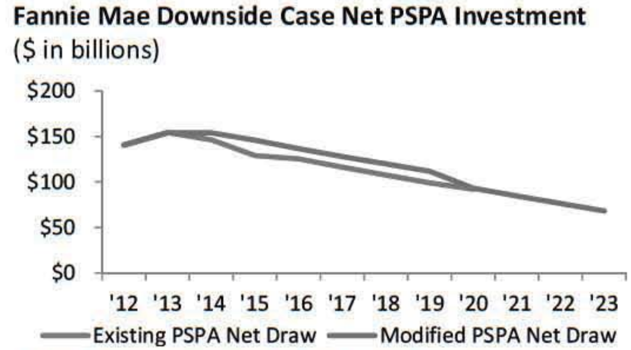


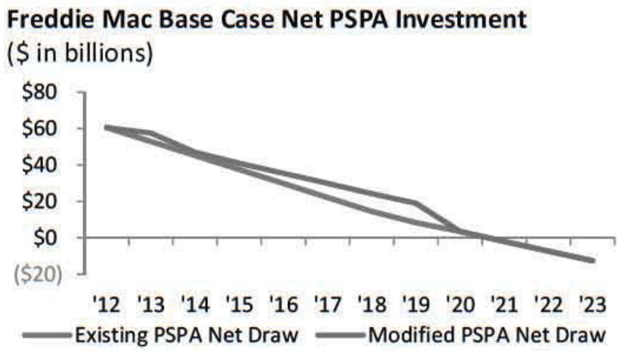
Summary (Cont'd)

Sensitive / Pre-Decisional

- The net PSPA investment is materially equivalent under the proposal as with the 10 percent fixed dividend.
  - Under all scenarios, net draws (total payments made by Treasury to GSEs under PSPA funding commitments less dividends received) are materially equivalent.
  - In certain positive scenarios (not modeled), the proceeds recaptured by Treasury might be higher.
- The residual economic value of Treasury's existing and future liquidation preference may be higher as investor confidence in the GSEs should improve, which will decrease funding costs and enhance profitability.







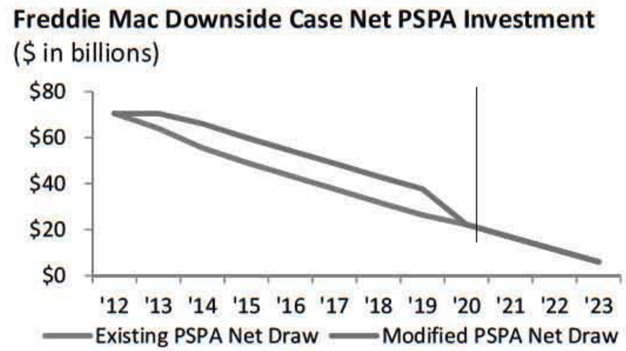


EXHIBIT 27

From:	ExecSecProcessUnit@treasury.gov
To:	Nauset75@treasury.gov
Cc:	ExecSecStaff@do.treas.gov; ExecSecProcessUnit@treasury.gov
Subject:	GSE Stress Test Projections
Date:	Friday, July 06, 2012 4:04:54 PM
Attachments:	_R Illustrative FNM Financial Forecast with Stress Scenarios.ppt

Sir,

Per your conversation earlier this week with Tim Bowler, the attached presentation reviews financial projections for Fannie Mae under three credit scenarios designed by the housing team. Tim Bowler noted that developing GSE scenario analysis is complicated as past results were binary in nature. Prior to the crisis credit losses were very small, while recent losses materially exceeded any expectations heading into the crisis. Notwithstanding this, the presentation provides a good reference point for evaluating Fannie Mae's ability to withstand stress over the next 10 years, with and without the net worth sweep the housing team has been discussing.

Sam Valverde will follow up on any questions or comments you may have regarding this deck.

Illustrative Financial Forecasts - Fannie Mae
Base Case & Stress Scenarios

Market Sensitive and Pre-Decisional

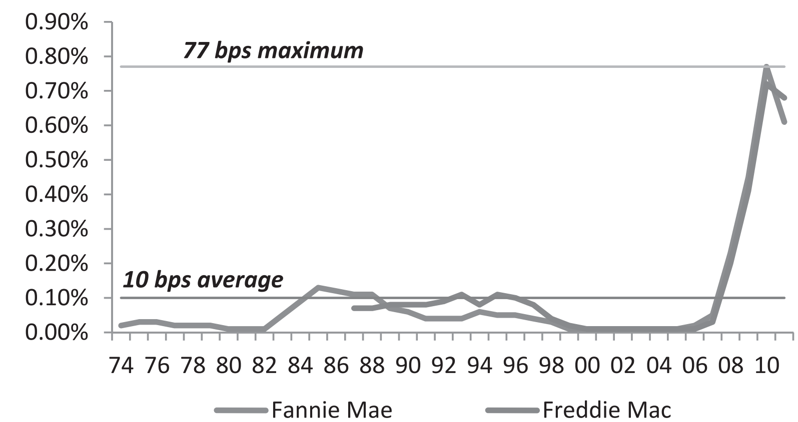
July 2012

GSE Financial Modeling: Estimating Future Credit Performance

Sensitive / Pre-Decisional

- **Estimating future credit performance is challenging**
- **Pre "bubble" losses were small due to strong underwriting standards and consistent HPA**
  - Annual losses <15 bps prior to the crisis
  - The "worst" books of business did not experience cumulative credit losses >100 bps
- **Crisis driven losses were multiples of what the GSEs "stress " models initially predicted**
  - Cumulative losses on Fannie Mae's pre conservatorship book of business will likely be ~500 bps (*see second chart to the right*)
- **Future stress scenarios are hard to estimate given a number of factors**
  - Beneficial considerations: Credit underwriting has significantly improved and over 50% of the current book is post conservatorship
  - Risk considerations: Home prices are unlikely to increase again at levels seen in the forty year period before the financial crisis and the uncertain economic environment

Annual Credit Losses As A Percentage Of The GSE's Single Family Guarantee Book of Business[1]



Credit losses and reserves at Fannie Mae primarily driven by pre-conservatorship Single Family guarantee book of business	
2008 realized credit losses	$6.5B
2009 realized credit losses	13.4
2010 realized credit losses	23.1
2011 realized credit losses	18.4
Total realized credit losses: 2008 - 2011	$61.4B
Year end 2011 Single Family (SF) credit loss reserve	$75.3B
Current credit losses: realized and reserved	***$136.7B***
SF guarantee book of business - at year end 2008	$2,715.0B
Realized and Reserved Losses as a % of guarantee book	***5.0%***

[1] Figures calculated by dividing realized losses in a given year (charge offs and REO expense) by the then outstanding single family book of business. For example in 2010, Fannie Mae's credit losses were equal to 0.77% of their single family book of business.

Fannie Mae Financial Analysis: Developing Credit Scenarios

Sensitive / Pre-Decisional

The following presentation reviews illustrative financial forecasts for Fannie Mae under the following three credit loss scenarios -with and without guarantee fee (g-Fee) increases:

Scenario	Credit Losses	Rationale / Supporting Arguments
Base Case	Avg. of 75 bps cumulative losses per vintage	Historical GSE "base case" cumulative loss estimates for "prime conforming mortgages" averaged between 25-37.5 bps prior to the crisis
	12.5 bps of provisions / reserves taken per yr (6 yr avg. life)	Post the financial crisis, investors will expect higher cumulative losses overtime due to reduced expectations for future home price appreciation
Stress Case	Mid decade recession results in 150 bps of cumulative losses	Historical GSE stress scenarios assumed ~100 bps of cumulative losses for "troubled" books
	Losses normalize post recession	Future expectations of stress on prime books of business will likely be higher given expectations for future lower home price appreciation and recent GSE results
	Reserve taken over two years	Reserves at financial institutions tend to build over two to three years
Severe Stress Case	Mid decade recession results in 250 bps of cumulative losses	Multiples of past stress losses, ex the financial crisis, at the GSEs
	Losses normalize post recession	Cumulative singe family losses on the year end 2008 book of business will likely be ~500 bps. Given the creditworthiness of new underwriting, a scenario that produces 50% of crisis level losses is likely very severe
	Reserve taken over three years	Reserves at financial institutions tend to build over two to three years

10 Year Financial Analysis: Core Financial Assumptions

(analysis based on Grant Thornton's 2011 model; Scenarios developed by Treasury Staff)

Sensitive / Pre-Decisional

Scenario Assumptions

	Base Case	Stress Case	Severe Stress Case
Cumulative Credit Losses on Guarantee Book of Business	75 bps *	150 bps	250 bps
Time Period for Credit Loss Reserve Build In Stress Period (beginning in 2015)	-	2 years	3 years

*Cumulative Expected Losses by Vintage for Base Case

Assumptions for all Scenarios

	Base Case	Stress Case	Severe Stress Case
Retained Portfolio - Annual Run-off		15%	
Net Interest Margin (NIM) - Average over 10-year period **		125 bps	
Initial Size of Guarantee Book of Business (Unpaid Principal Balance (UPB))		$2.9 Tn	
Annual Expected Credit Loss Provisions - during non-stress periods		12.5 bps	
Initial Average g-Fee Average (includes 10 bp Payroll Tax Fee)***		35 bps	

** The NIM used each year is based on Grant Thornton's 2011 Financial Model for the Fannie Mae.
*** The 10 bp Payroll Tax Fee is not included in income.

No g-fee Increase Assumptions

	Base Case I	Stress Case I	Severe Stress Case I
Size of Guarantee Book of Business (UPB) - for all periods (no g-Fee Increase)		$2.9 Tn ****	

**** A constant guaranteed book of business assumes that new originations are offset by liquidations.

g-Fee Increase Scenarios - Impact on Guarantee Book of Business

	Base Case II	Stress Case II	Severe Stress Case II
Total Average g-Fee Increase (phased-in over 5 years)		40 bps	
Average g-Fees after increase phase-in period		75 bps	
Total decrease in new guaranteed originations during g-Fee phase-in *****		50%	
Size of Guarantee Book of Business (UPB) - at year-end 2022		$1.8 Tn	

***** New origination volume is assumed to decline due to increased competition from other sources.

Financial Model Summary: 10 Year Projections

Sensitive / Pre-Decisional

Summary of Illustrative Scenario Results - Fannie Mae

		10% Dividends		Net Worth Sweep		
Scenario	g-Fee Increase Scenario	10Y Cumulative Net Dividends $B (Dividends less Draws)	Year PSPA Capacity Exhausted	10Y Cumulative Net Dividends $B (Dividends less Draws)	Remaining PSPA Capacity in 2022 ($ billions)	Remaining PSPA Capacity as a % of Guarantee Book Balance in 2022
Base Case I	No	$55.9	2024	$55.9	$125.0	4.4%
Base Case II	Yes	$73.4	2026	$73.4	$125.0	6.8%
Stress Case I	No	$7.9	2020	$20.1	$99.9	3.5%
Stress Case II	Yes	$25.2	2021	$39.2	$103.6	5.7%
Severe Stress Case I	No	($21.2)	2019	($4.9)	$79.3	2.8%
Severe Stress Case II	Yes	($12.0)	2019	$15.2	$85.6	4.7%

Illustrative Forecast – Fannie Mae: Base Case I (no g-Fee increase)

Sensitive / Pre-Decisional

	(in $billions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Guarantee Book of Business (at year-end)	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860
2	Retained Portfolio Balance (at year-end)	656	558	474	403	342	291	250	250	250	250	250
3	Credit Business - Income	(11.4)	(1.4)	4.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
4	Retained Portfolio - Income	8.3	9.7	7.8	3.4	2.8	2.3	1.9	1.9	1.9	1.9	1.9
5	Comprehensive Income	(3.1)	8.3	12.1	5.6	5.0	4.5	4.1	4.1	4.1	4.1	4.1
	10% Dividend											
6	Senior Preferred Stock Dividends (10%)	11.7	13.2	13.7	13.8	14.7	15.6	16.8	18.0	19.4	20.9	22.6
7	Net Worth / (Deficit)	(14.8)	(4.9)	(1.6)	(8.2)	(9.7)	(11.2)	(12.7)	(13.9)	(15.3)	(16.9)	(18.6)
8	PSPA Draw (including draw request)	14.8	4.9	1.6	8.2	9.7	11.2	12.7	13.9	15.3	16.9	18.6
9	Cumulative Draws (at year-end)	131.0	135.9	137.5	145.7	155.4	166.5	179.2	193.1	208.5	225.4	243.9
10	Remaining PSPA Capacity (at year-end)	125.0	120.1	118.5	110.3	100.6	89.5	76.8	62.8	47.5	30.6	12.1
11	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.2%*	*4.1%*	*3.9%*	*3.5%*	*3.1%*	*2.7%*	*2.2%*	*1.7%*	*1.1%*	*0.4%*
	Net Worth Sweep beginning in 2013 (no buffer)											
12	Senior Preferred Stock Dividends (Sweep)	11.7	8.3	12.1	5.6	5.0	4.5	4.1	4.1	4.1	4.1	4.1
13	Net Worth / (Deficit)	(14.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	PSPA Draw (including draw request)	14.8	-	-	-	-	-	-	-	-	-	-
15	Cumulative Draws (at year-end)	131.0	131.0	131.0	131.0	131.0	131.0	131.0	131.0	131.0	131.0	131.0
16	Remaining PSPA Capacity (at year-end)	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0
17	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.4%*	*4.4%*	*4.4%*	*4.4%*	*4.4%*	*4.4%*	*4.4%*	*4.4%*	*4.4%*	*4.4%*

Notes: 1) Figures may not foot due to rounding; 2) 2012 & 2013 estimates based on FHFA published forecast adjusted for YTD results; & 3) Scenarios developed by Treasury Staff.

Cumulative Net Dividends (Dividends less Draws) 2013 - 2022: 10% Dividend Scenario: $55.9 Net Worth Sweep Scenario: $55.9

Illustrative Forecast – Fannie Mae: Base Case II (with g-Fee Increase)

Sensitive / Pre-Decisional

	(in $billions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Guarantee Book of Business (at year-end)	$2,860	$2,817	$2,738	$2,628	$2,491	$2,333	$2,198	$2,083	$1,985	$1,903	$1,832
2	Retained Portfolio Balance (at year-end)	656	558	474	403	342	291	250	250	250	250	250
3	Credit Business - Income	(11.4)	(1.1)	4.9	3.2	3.4	3.6	4.3	4.6	4.8	5.0	5.2
4	Retained Portfolio - Income	8.3	9.7	7.8	3.4	2.8	2.3	1.9	1.9	1.9	1.9	1.9
5	Comprehensive Income	(3.1)	8.5	12.7	6.6	6.3	5.9	6.2	6.5	6.7	6.9	7.1
	10% Dividend											
6	Senior Preferred Stock Dividends (10%)	11.7	13.2	13.7	13.8	14.5	15.3	16.2	17.2	18.3	19.5	20.7
7	Net Worth / (Deficit)	(14.8)	(4.7)	(1.0)	(7.2)	(8.2)	(9.4)	(10.0)	(10.8)	(11.6)	(12.6)	(13.7)
8	PSPA Draw (including draw request)	14.8	4.7	1.0	7.2	8.2	9.4	10.0	10.8	11.6	12.6	13.7
9	Cumulative Draws (at year-end)	131.0	135.6	136.6	143.8	152.0	161.4	171.5	182.2	193.8	206.4	220.0
10	Remaining PSPA Capacity (at year-end)	125.0	120.3	119.4	112.2	104.0	94.6	84.5	73.8	62.2	49.6	35.9
11	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.3%*	*4.4%*	*4.3%*	*4.2%*	*4.1%*	*3.8%*	*3.5%*	*3.1%*	*2.6%*	*2.0%*
	Net Worth Sweep beginning in 2013 (no buffer)											
12	Senior Preferred Stock Dividends (Sweep)	11.7	8.5	12.7	6.6	6.3	5.9	6.2	6.5	6.7	6.9	7.1
13	Net Worth / (Deficit)	(14.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	PSPA Draw (including draw request)	14.8	-	-	-	-	-	-	-	-	-	-
15	Cumulative Draws (at year-end)	131.0	131.0	131.0	131.0	131.0	131.0	131.0	131.0	131.0	131.0	131.0
16	Remaining PSPA Capacity (at year-end)	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0
17	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.4%*	*4.6%*	*4.8%*	*5.0%*	*5.4%*	*5.7%*	*6.0%*	*6.3%*	*6.6%*	*6.8%*

Notes: 1) Figures may not foot due to rounding; 2) 2012 & 2013 estimates based on FHFA published forecast adjusted for YTD results; & 3) Scenarios developed by Treasury Staff.

Cumulative Net Dividends (Dividends less Draws) 2013 - 2022:	10% Dividend Scenario:	$73.4	Net Worth Sweep Scenario:	$73.4

Illustrative Forecast – Fannie Mae: Stress Case I (no g-Fee increase)

Sensitive / Pre-Decisional

	(in $billions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Guarantee Book of Business (at year-end)	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860
2	Retained Portfolio Balance (at year-end)	656	558	474	403	342	291	250	250	250	250	250
3	Credit Business - Income	(11.4)	(1.4)	4.3	(15.7)	(15.7)	2.2	2.2	2.2	2.2	2.2	2.2
4	Retained Portfolio - Income	8.3	9.7	7.8	3.4	2.8	2.3	1.9	1.9	1.9	1.9	1.9
5	Comprehensive Income	(3.1)	8.3	12.1	(12.3)	(12.9)	4.5	4.1	4.1	4.1	4.1	4.1
	10% Dividend											
6	Senior Preferred Stock Dividends	11.7	13.2	13.7	13.8	16.5	19.4	20.9	22.6	12.9	-	-
7	Net Worth / (Deficit)	(14.8)	(4.9)	(1.6)	(26.1)	(29.3)	(14.9)	(16.8)	(18.5)	(20.3)	(21.6)	(21.6)
8	PSPA Draw (including draw request)	14.8	4.9	1.6	26.1	29.3	14.9	16.8	18.5	12.9	-	-
9	Cumulative Draws (at year-end)	131.0	135.9	137.5	163.6	192.9	207.8	224.6	243.1	256.0	256.0	256.0
10	Remaining PSPA Capacity (at year-end)	125.0	120.1	118.5	92.4	63.1	48.2	31.4	12.9	-	-	-
11	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.2%*	*4.1%*	*3.2%*	*2.2%*	*1.7%*	*1.1%*	*0.5%*	*0.0%*	*0.0%*	*0.0%*
	Net Worth Sweep beginning in 2013 (no buffer)											
12	Senior Preferred Stock Dividends	11.7	8.3	12.1	-	-	4.5	4.1	4.1	4.1	4.1	4.1
13	Net Worth / (Deficit)	(14.8)	0.0	0.0	(12.3)	(12.9)	0.0	0.0	0.0	0.0	0.0	0.0
14	PSPA Draw (including draw request)	14.8	-	-	12.3	12.9	-	-	-	-	-	-
15	Cumulative Draws (at year-end)	131.0	131.0	131.0	143.3	156.1	156.1	156.1	156.1	156.1	156.1	156.1
16	Remaining PSPA Capacity (at year-end)	125.0	125.0	125.0	112.7	99.9	99.9	99.9	99.9	99.9	99.9	99.9
17	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.4%*	*4.4%*	*3.9%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*

Notes: 1) Figures may not foot due to rounding; 2) 2012 & 2013 estimates based on FHFA published forecast adjusted for YTD results; & 3) Scenarios developed by Treasury Staff.

Cumulative Net Dividends (Dividends less Draws) 2013 - 2022:	10% Dividend Scenario:	$7.9	Net Worth Sweep Scenario:	$20.1

Illustrative Forecast – Fannie Mae – Stress Case II (with g-Fee Increase)

Sensitive / Pre-Decisional

	(in $billions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Guarantee Book of Business (at year-end)	$2,860	$2,817	$2,738	$2,628	$2,491	$2,333	$2,198	$2,083	$1,985	$1,903	$1,832
2	Retained Portfolio Balance (at year-end)	656	558	474	403	342	291	250	250	250	250	250
3	Credit Business - Income	(11.4)	(1.1)	4.9	(14.0)	(13.7)	3.6	4.3	4.6	4.8	5.0	5.2
4	Retained Portfolio - Income	8.3	9.7	7.8	3.4	2.8	2.3	1.9	1.9	1.9	1.9	1.9
5	Comprehensive Income	(3.1)	8.5	12.7	(10.5)	(10.9)	5.9	6.2	6.5	6.7	6.9	7.1
	10% Dividend											
6	Senior Preferred Stock Dividends	11.7	13.2	13.7	13.8	16.2	18.9	20.2	21.6	23.1	9.6	-
7	Net Worth / (Deficit)	(14.8)	(4.7)	(1.0)	(24.3)	(27.0)	(13.0)	(14.0)	(15.1)	(16.4)	(17.8)	(18.6)
8	PSPA Draw (including draw request)	14.8	4.7	1.0	24.3	27.0	13.0	14.0	15.1	16.4	9.6	-
9	Cumulative Draws (at year-end)	131.0	135.6	136.6	160.9	188.0	201.0	214.9	230.0	246.4	256.0	256.0
10	Remaining PSPA Capacity (at year-end)	125.0	120.3	119.4	95.1	68.0	55.0	41.0	25.9	9.6	-	-
11	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.3%*	*4.4%*	*3.6%*	*2.7%*	*2.4%*	*1.9%*	*1.2%*	*0.5%*	*0.0%*	*0.0%*
	Net Worth Sweep beginning in 2013 (no buffer)											
12	Senior Preferred Stock Dividends	11.7	8.5	12.7	-	-	5.9	6.2	6.5	6.7	6.9	7.1
13	Net Worth / (Deficit)	(14.8)	0.0	0.0	(10.5)	(10.9)	0.0	0.0	0.0	0.0	0.0	0.0
14	PSPA Draw (including draw request)	14.8	-	-	10.5	10.9	-	-	-	-	-	-
15	Cumulative Draws (at year-end)	131.0	131.0	131.0	141.5	152.4	152.4	152.4	152.4	152.4	152.4	152.4
16	Remaining PSPA Capacity (at year-end)	125.0	125.0	125.0	114.5	103.6	103.6	103.6	103.6	103.6	103.6	103.6
17	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.4%*	*4.6%*	*4.4%*	*4.2%*	*4.4%*	*4.7%*	*5.0%*	*5.2%*	*5.4%*	*5.7%*

Notes: 1) Figures may not foot due to rounding; 2) 2012 & 2013 estimates based on FHFA published forecast adjusted for YTD results; & 3) Scenarios developed by Treasury Staff.

Cumulative Net Dividends (Dividends less Draws) 2013 - 2022:	10% Dividend Scenario:	$25.2	Net Worth Sweep Scenario:	$39.2

Illustrative Forecast – Fannie Mae: Severe Stress Case I (no g-Fee increase)

Sensitive / Pre-Decisional

	(in $billions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Guarantee Book of Business (at year-end)	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860	$2,860
2	Retained Portfolio Balance (at year-end)	656	558	474	403	342	291	250	250	250	250	250
3	Credit Business - Income	(11.4)	(1.4)	4.3	(18.1)	(18.1)	(18.1)	2.2	2.2	2.2	2.2	2.2
4	Retained Portfolio - Income	8.3	9.7	7.8	3.4	2.8	2.3	1.9	1.9	1.9	1.9	1.9
5	Comprehensive Income	(3.1)	8.3	12.1	(14.7)	(15.3)	(15.8)	4.1	4.1	4.1	4.1	4.1
	10% Dividend											
6	Senior Preferred Stock Dividends	11.7	13.2	13.7	13.8	16.7	19.9	23.5	3.0	-	-	-
7	Net Worth / (Deficit)	(14.8)	(4.9)	(1.6)	(28.5)	(32.0)	(35.7)	(19.4)	(21.3)	(21.6)	(21.6)	(21.6)
8	PSPA Draw (including draw request)	14.8	4.9	1.6	28.5	32.0	35.7	19.4	3.0	-	-	-
9	Cumulative Draws (at year-end)	131.0	135.9	137.5	166.0	197.9	233.6	253.0	256.0	256.0	256.0	256.0
10	Remaining PSPA Capacity (at year-end)	125.0	120.1	118.5	90.0	58.1	22.4	3.0	-	-	-	-
11	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.2%*	*4.1%*	*3.1%*	*2.0%*	*0.8%*	*0.1%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
	Net Worth Sweep beginning in 2013 (no buffer)											
12	Senior Preferred Stock Dividends	11.7	8.3	12.1	-	-	-	4.1	4.1	4.1	4.1	4.1
13	Net Worth / (Deficit)	(14.8)	0.0	0.0	(14.7)	(15.3)	(15.8)	0.0	0.0	0.0	0.0	0.0
14	PSPA Draw (including draw request)	14.8	-	-	14.7	15.3	15.8	-	-	-	-	-
15	Cumulative Draws (at year-end)	131.0	131.0	131.0	145.6	160.9	176.7	176.7	176.7	176.7	176.7	176.7
16	Remaining PSPA Capacity (at year-end)	125.0	125.0	125.0	110.3	95.1	79.3	79.3	79.3	79.3	79.3	79.3
17	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.4%*	*4.4%*	*3.9%*	*3.3%*	*2.8%*	*2.8%*	*2.8%*	*2.8%*	*2.8%*	*2.8%*

Notes: 1) Figures may not foot due to rounding; 2) 2012 & 2013 estimates based on FHFA published forecast adjusted for YTD results; & 3) Scenarios developed by Treasury Staff.

Cumulative Net Dividends (Dividends less Draws) 2013 - 2022:	10% Dividend Scenario:	($21.2)	Net Worth Sweep Scenario:	($4.9)

Illustrative Forecast – Fannie Mae – Severe Stress Case II (with g-Fee Increase)

Sensitive / Pre-Decisional

	(in $billions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Guarantee Book of Business (at year-end)	$2,860	$2,817	$2,738	$2,628	$2,491	$2,333	$2,198	$2,083	$1,985	$1,903	$1,832
2	Retained Portfolio Balance (at year-end)	656	558	474	403	342	291	250	250	250	250	250
3	Credit Business - Income	(11.4)	(1.1)	4.9	(16.2)	(16.0)	(15.8)	4.3	4.6	4.8	5.0	5.2
4	Retained Portfolio - Income	8.3	9.7	7.8	3.4	2.8	2.3	1.9	1.9	1.9	1.9	1.9
5	Comprehensive Income	(3.1)	8.5	12.7	(12.8)	(13.1)	(13.5)	6.2	6.5	6.7	6.9	7.1
	10% Dividend											
6	Senior Preferred Stock Dividends	11.7	13.2	13.7	13.8	16.4	19.4	22.7	13.9	-	-	-
7	Net Worth / (Deficit)	(14.8)	(4.7)	(1.0)	(26.6)	(29.6)	(32.9)	(16.4)	(17.8)	(19.0)	(18.8)	(18.6)
8	PSPA Draw (including draw request)	14.8	4.7	1.0	26.6	29.6	32.9	16.4	13.9	-	-	-
9	Cumulative Draws (at year-end)	131.0	135.6	136.6	163.2	192.8	225.6	242.1	256.0	256.0	256.0	256.0
10	Remaining PSPA Capacity (at year-end)	125.0	120.3	119.4	92.8	63.2	30.4	13.9	-	-	-	-
11	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.3%*	*4.4%*	*3.5%*	*2.5%*	*1.3%*	*0.6%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
	Net Worth Sweep beginning in 2013 (no buffer)											
12	Senior Preferred Stock Dividends	11.7	8.5	12.7	-	-	-	6.2	6.5	6.7	6.9	7.1
13	Net Worth / (Deficit)	(14.8)	0.0	0.0	(12.8)	(13.1)	(13.5)	0.0	0.0	0.0	0.0	0.0
14	PSPA Draw (including draw request)	14.8	-	-	12.8	13.1	13.5	-	-	-	-	-
15	Cumulative Draws (at year-end)	131.0	131.0	131.0	143.8	156.9	170.4	170.4	170.4	170.4	170.4	170.4
16	Remaining PSPA Capacity (at year-end)	125.0	125.0	125.0	112.2	99.1	85.6	85.6	85.6	85.6	85.6	85.6
17	*PSPA Capacity as a % of Guarantee Book*	*4.4%*	*4.4%*	*4.6%*	*4.3%*	*4.0%*	*3.7%*	*3.9%*	*4.1%*	*4.3%*	*4.5%*	*4.7%*

Notes: 1) Figures may not foot due to rounding; 2) 2012 & 2013 estimates based on FHFA published forecast adjusted for YTD results; & 3) Scenarios developed by Treasury Staff.

Cumulative Net Dividends (Dividends less Draws) 2013 - 2022: 10% Dividend Scenario: ($12.0) Net Worth Sweep Scenario: $15.2

EXHIBIT 28

FHFA PRODUCTION TO FCIC
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CONFIDENTIAL

ENCLOSED MATERIALS:

(1) FHFA Answers to the PWG Working Group on Supervision Questionnaire

Contact: Alfred M. Pollard, General Counsel

DATE: April 29, 2010

PURSUANT TO CONFIDENTIALITY AGREEMENT OF JANUARY 21, 2010

financial instruments and institutions that are uncorrelated in times of economic expansion and low volatility will remain uncorrelated.

f. Any other comments?

- **Information-gathering**
  A great deal of information about individual institutions is available to bank supervisors, some through mandatory filing of regulatory reports and public disclosures, and some through the provision of internal reports such as risk reports to company boards of directors.
  a. What lessons did your agency learn from the current crisis with respect to the information supervisors had and should have had about individual institutions?

With respect to the FHLBanks, FHFA learned a number of lessons. First, FHFA learned that it needed to capture additional information. For example, FHFA began collecting more detailed on FHLBank advances, FHLBank liquidity, and FHLBank holdings of MBS and that information was collected on a more frequent basis than the normal monthly and quarterly reporting cycle.

Second, FHFA learned that the information needed from supervised institutions is not always readily available from those institutions. For example, some FHLBanks did not have the in-house capability to perform sophisticated cash flow analysis on their holding of MBS. FHFA was able to obtain the information needed by getting the FHLBanks to share expertise throughout the FHLBank System.

Third, FHFA learned that information on certain financial items is not necessarily comparable across institutions. For example, fair value estimates related to financial assets and liabilities may not be comparable due to differences across institutions in the models and assumptions used in deriving them.

In contrast, FHFA faced no shortage of information with respect to particular financial instruments owned or guaranteed by the Enterprises. At least quarterly, FHFA receives detailed information on nearly all assets and liabilities owned by the Enterprises. Much of this information is on an instrument-by-instrument level of detail, and is used for FHFA's own risk-based and economic capital models. Indeed, the problem is not a lack of pure financial data with respect to the Enterprises, but rather the means and time to better exploit this data beyond modeling capital adequacy.

Importantly, FHFA needs to know more regarding the true financial condition of key counterparties, particularly mortgage insurers, investment banks that serve as derivatives counterparties, and large mortgage seller/servicers. In this regard, closer coordination with other financial regulators is required.

b. What additional information should supervisors obtain from regulated firms on a regular basis, particularly large and highly integrated institutions – for example, to facilitate the ability of supervisors and market participants to conduct analysis and stress tests as described in the previous question?

Supervisors could collect selected information on each investment security held in a supervised entity's portfolio. For example, they could collect the CUSIP number, the purchase price per share, the book value per share, and the fair market value per share. The information would allow supervisors to compare the differences in the fair values assigned to specific securities that are held by two or more institutions.

Supervisors could also collect more information on the market risk exposures of regulated institutions. For example, supervisors could collect information on the duration of each major asset and liability category. Supervisors could also collect information on key interest rate risk metrics for each supervised entity so as to enable the supervisor to measure the earnings-at-risk and market value-at-risk due to changes in interest rates.

c. Should the agencies issue guidance on the format and content of information that large institutions should provide to their own boards of directors?

This question is under review at FHFA as it develops prudential management standards as required by HERA.

d. Any other comments?

- **Market discipline and transparency**
Some observers have argued that the capital markets, through shareholders, creditors, and counterparties, can play a positive role in the governance of bank behavior.

a. What role should market indicators such as bond and equity prices and credit default swap spreads play in the supervisory process?

Market prices undoubtedly contain useful and forward looking information. Exactly how supervisors should incorporate such prices into their processes remains uncertain. Besides the difficulties of teasing out firm or sector specific signals from prices on multiple financial instruments, supervisors also face the conundrums that overreliance on market prices can increase the procyclicality of regulatory actions, prices can at times be lagging indicators, and such reliance can be a mechanism that coordinates "systemic in a herd" behavior. Thus, supervisors must balance the implications of market prices for firm safety and soundness with the implications for systemic stability. In addition, supervisors should take care not to blindly play into the self-serving strategies of short sellers.

In the case of the GSEs, senior and subordinated bond prices provided limited market discipline because of the "implicit guarantee" ascribed to them by many market participants. Falling stock prices were a good indicator or distress, but led to a perverse result: resistance by Enterprise managements to the issuance of common stock as the crisis unfolded.

b. Is the current balance of supervisory information made public appropriate? Would greater disclosure of supervisory analysis be useful to strengthen the supervisory toolkit and promote market discipline? How would greater disclosure impact supervisory behavior and the relationship between the bank and its supervisor?

c. Were the disclosures of regulated financial firms and their supervisors sufficiently transparent for investors, customers, and counterparties to comprehend the nature and magnitude of risk taking and the quality of risk management practices?

d. Should supervisors make public information about individual institutions or regarding horizontal stress test results, to strengthen the supervisory toolkit and promote market discipline?

Yes. FHFA is required by statute to submit an annual report to Congress on all fourteen housing GSEs and has released results of its risk-based capital model which are based on stress tests. Generally, broad disclosure provides the regulator with additional supervisory leverage. For example, if managers know its problems will be disclosed to the public, they are more likely to exert effort to avoid problems and to comply with supervisory guidance. If problems arise, disclosure helps hasten remediation and reassure business partners that problems are being addressed and contained. Benefits also accrue to market participants as the recent experience with disclosures related to the 2009 stress tests shows. Also, as shown by that experience, it is often futile or counterproductive to not disclose such results.

e. Any other comments?

Unique among federal financial regulators, FHFA is required by statute to report publicly the results of its annual examinations to Congress.

3. Structure of supervision

- **Cooperation and collaboration among supervisors**
  With more than one federal financial supervisor, it is critical that they share information and collaborate closely, particularly in order* to *effectively supervise large institutions.
  a. What lessons did your agency learn from the current crisis with respect to cooperation, coordination, and collaboration among supervisors, for example, between consolidated supervisors and functional and bank supervisors?

  b. How do functional and bank supervisors interact with consolidated holding company supervisors to ensure strong and thorough consolidated supervision? What works and what doesn't work?

No comment.

EXHIBIT 29
REDACTED

EXHIBIT 30
REDACTED