IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

TIMOTHY J. PAGLIARA, Plaintiff, v. FEDERAL NATIONAL MORTGAGE ASSOCIATION, Defendant.	C.A. No. 1:16-cv-00193-GMS

DECLARATION OF ADAM W. POFF
IN SUPPORT OF PLAINTIFF TIMOTHY J. PAGLIARA'S
MOTION TO REMAND TO THE DELAWARE COURT OF CHANCERY

YOUNG CONAWAY STARGATT
& TAYLOR, LLP

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August 1, 2016

I, Adam W. Poff, hereby declare:

1. I am an attorney with the law firm of Young Conaway Stargatt & Taylor LLP, and counsel of record for Plaintiff Timothy J. Pagliara in the above-captioned matter. I offer this Declaration in support of Plaintiff Timothy J. Pagliara's Motion to Remand to the Delaware Court of Chancery.

2. Attached hereto are true and correct copies of the following documents, as referenced in Plaintiff Timothy J. Pagliara's Opening Brief in Support of His Motion to Remand to the Delaware Court of Chancery:

Exhibit	Description
A	Federal National Mortgage Association ("Fannie Mae") Bylaws (As Amended Through Jan. 21, 2003)
B	Fannie Mae Corporate Governance Guidelines (Nov. 13, 2015)
C	Excerpts from the Fannie Mae 2015 Annual Report (Form 10-K) (Feb. 19, 2016)
D	Senior Preferred Stock Purchase Agreement between United States Department of Treasury and Federal National Mortgage Association, acting through the Federal Housing Finance Agency as its duly appointed conservator (Sept. 7, 2008)
E	Certificate of Designation of Terms of Variable Liquidation Preference Senior Preferred Stock, Series 2008-2 (Sept. 7, 2008)
F	Excerpts from the Statement of Deborah Lucas, Assistant Director for Financial Analysis, on *The Budgetary Cost of Fannie Mae and Freddie Mac and Options for the Future Federal Role in the Secondary Mortgage Market*, before the Committee on the Budget, U.S. House of Representatives (June 2, 2011)
G	Excerpts from Henry M. Paulson, Jr. , *On the Brink – Inside the Race to Stop the Collapse of the Global Financial System* (2013)
H	Excerpts from the Fannie Mae 2016 Quarterly Report (Form 10-Q) (May 5, 2016)

I	Mark Jickling, CRS Report for Congress, *Fannie Mae and Freddie Mac in Conservatorship* (Sept. 15, 2008)
J	Dawn Kopecki, *Fannie, Freddie to Buy $40 Billion a Month of Troubled Assets*, Bloomberg News (Oct. 11, 2008)

I hereby declare, under penalty of perjury, that the foregoing is true and correct to the best of my personal knowledge.

Dated: August 1, 2016

/s/ Adam W. Poff
Adam W. Poff (DE Bar No. 3990)

CERTIFICATE OF SERVICE

I, Adam W. Poff, hereby certify that on August 1, 2016, I caused to be electronically filed a true and correct copy of the foregoing document with the Clerk of the Court using CM/ECF, which will send notification that such filing is available for viewing and downloading to the following counsel of record:

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I further certify that on August 1, 2016, I caused a copy of the foregoing document to be served by e-mail on the above-listed counsel of record and on the following:

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Dated: August 1, 2016

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/s/ Adam W. Poff

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Timothy J. Pagliara

EXHIBIT A

EXHIBIT 3.2

FANNIE MAE BYLAWS
As Amended Through January 21, 2003

ARTICLE 1

General Provisions

Section 1.01. *Name*. The name of the corporation is Federal National Mortgage Association. The corporation may also do business under the name Fannie Mae.

Section 1.02. *Principal Office and Other Offices*. The principal office of the corporation shall be in the District of Columbia. Other offices of the corporation shall be in such places as may be deemed by the Board of Directors or the Chairman of the Board to be necessary or appropriate.

Section 1.03. *Seal*. The seal of the corporation shall be of such design as shall be approved and adopted from time to time by the Board of Directors, and the seal or a facsimile thereof may be affixed by any person authorized by the Board of Directors or these Bylaws by impression, by printing, by rubber stamp, or otherwise.

Section 1.04. *Fiscal Year*. The fiscal year of the corporation shall end on the thirty-first day of December of each year.

Section 1.05. *Corporate Governance Practices and Procedures*. Pursuant to Section 1710.10(b) of the Office of Federal Housing Enterprise Oversight ("OFHEO") corporate governance regulation, 12 CFR 1710.1 *et seq*., to the extent not inconsistent with the Charter Act and other Federal law, rules, and regulations, the corporation has elected to follow the applicable corporate governance practices and procedures of the Delaware General Corporation Law, as the same may be amended from time to time. The inclusion of provisions in these Bylaws shall constitute inclusion in the corporation's "certificate of incorporation" for all purposes of the Delaware General Corporation Law.

ARTICLE 2

Capital Stock

Section 2.01. *Common Stock*. The common stock, all of which is voting and has no par value, shall have a stated value per share as determined from time to time by the Board of Directors. Shares of the corporation may be acquired and held in the treasury of the corporation, and may be disposed of by the corporation for such consideration and for such purposes as may be determined from time to time by the Board of Directors.

Section 2.02. *Preferred Stock*. The corporation shall have authority to issue up to 100,000,000 shares of preferred stock having no par value. The preferred stock may be issued from time to time in one or more series upon approval by the Board of Directors, or a committee thereof appointed for such purpose, and the Board of Directors or such committee may, by resolution providing for the issuance of such preferred stock, designate with respect to such shares: (a) their voting powers; (b) their rights of redemption; (c) their right to receive dividends (which may be cumulative or non-cumulative) including the dividend rate or rates, conditions to payment, and the relative preferences in relation to the dividends payable on any other class or classes or series of stock; (d) their rights upon the dissolution of, or upon any distribution of the assets of, the corporation; (e) their rights to convert into, or exchange for, shares of

any other class or classes of stock of the corporation, including the price or prices or the rate of exchange; and (f) other relative, participating, optional or special rights, qualifications, limitations or restrictions. Notwithstanding Sections 4.12(a)(6) and 4.15 of these Bylaws, the Board of Directors may authorize a committee of the Board to declare dividends on preferred stock.

Section 2.03. *Payment for Shares*. The consideration to be received by the corporation for the issuance of common shares shall be fixed from time to time by the Board of Directors. A subscriber shall be entitled to issuance of shares upon receipt by the corporation of the consideration for which the shares are to be issued. No certificates shall be issued for any share until the share is fully paid, and, when issued, such shares shall be nonassessable.

Section 2.04. *Certificates Representing Shares*. Each registered holder of the capital stock of the corporation shall be entitled to a certificate or certificates signed by the Chairman of the Board of Directors or the President and by the Secretary or an Assistant Secretary of the corporation, and sealed with the seal of the corporation certifying the number of shares owned by him in the corporation. The certificates shall be in such form as the Board, from time to time, may approve. If any certificate is manually signed (i) by a transfer agent other than the corporation or its employee, or (ii) by a registrar other than the corporation or its employee, any other signature on the certificate, including those of the aforesaid officers of the corporation, may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 2.05. *Transfers of Stock*. Transfers of stock shall be made upon the books of the corporation (i) upon presentation of the certificates by the registered holder in person or by duly authorized attorney, or (ii) upon presentation of proper evidence of succession, assignment or authority to transfer the stock, and upon surrender of the appropriate certificate(s).

Section 2.06. *Holder of Record.* The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Delaware insofar as they are applicable to the stock of stock corporations organized under the Delaware General Corporation Law.

Section 2.07. *Loss or Destruction of Certificate of Stock*. In case of loss or destruction of any certificate of stock, another may be issued in its place, pursuant to such requirements and procedures as may be established by the Secretary of the corporation with the concurrence of the General Counsel (including, without limitation, requiring provision of a surety bond).

Section 2.08. *Stockholder Records*.

(a) The corporation shall keep at its principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number of shares held by each.

(b) The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any

purpose germane to the meeting, for a period of at least ten days prior to the meeting, during ordinary business hours, at the principal place of business of the corporation or as may otherwise be permitted by the Delaware General Corporation Law. The list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 2.09. *Registration of Common Stock.* The corporation shall register its common stock with the Securities and Exchange Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended, and shall take appropriate steps to maintain such registration. Notwithstanding anything to the contrary contained in Article 7 of these Bylaws, this Section 2.09 may be altered, amended, or repealed only by the unanimous vote or consent of all the then incumbent Members of the Board then in office.

ARTICLE 3

The Stockholders

Section 3.01. *Place of Meetings*. Meetings of the stockholders of the corporation shall be held at such place or places, within or without the District of Columbia, as shall be determined by the Board of Directors; and the Chairman of the Board shall preside at all such meetings.

Section 3.02. *Annual Meeting*. The annual meeting of the stockholders shall be held at ten o'clock in the morning of the third Thursday in May of each year, if that day is not a legal holiday, and if a holiday, then on the first following day that is not a legal holiday. If any annual meeting is not held at the designated time, the meeting shall be held as promptly as practicable thereafter at a time to be determined by the Board of Directors.

Section 3.03. *Special Meetings*. Special meetings of the stockholders may be called by the Board of Directors or the Chairman of the Board, or at the request of the holders of not less than one-third of all the shares entitled to vote, to be determined as of the close of the first day of the month preceding the month in which the request is presented to the Secretary. Business transacted at all special meetings shall be confined to the subjects stated in the notice of special meeting.

Section 3.04. *Notice of Meetings—Waiver and Adjourned Meetings*. Written notice stating the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called, shall be delivered not less than 20, nor more than 55, days before the date of the meeting, by the Secretary of the corporation, to each registered holder entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the registered holder at his address as it appears on the stock transfer books of the corporation, with first class postage prepaid. Waiver by a stockholder in writing of notice of a stockholders' meeting, signed by him either before or after the time of the meeting, shall be equivalent to the giving of such notice. Attendance by a stockholder at a stockholders' meeting, whether in person or by proxy, without objection to the notice or lack thereof, shall constitute a waiver of notice of the meeting. Any meeting of stockholders may be adjourned by the chair of the meeting to reconvene at another time or place. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 3.05. *Fixing Record Date*.

(a) For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a date as the record date. Such date, in any case, shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and shall be not more than 55 days and not less than 20 days prior to the date of such meeting. If no such record date is fixed, the close of business on the day next preceding the day on which notice is given, or, if notice is waived, the close of business on the day next preceding the date on which the meeting is held shall be the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made, as provided in this section, the determination shall apply to any adjournment thereof, provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) For the purpose of determining stockholders entitled to receive payment of any dividend, or in order to make a determination of stockholders for any other purpose (except as provided in section 3.05 (a)), the Board of Directors or a duly authorized Committee thereof may fix a date as the record date. Such date, in any case, shall not precede the date upon which the resolution fixing the record date is adopted and shall be not more than 55 days prior to the date on which the particular action is to be taken. If no such record date is fixed, the close of business on the day on which the resolution relating thereto is adopted shall be the record date for the determination of stockholders.

Section 3.06. *Quorum*. A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. The stockholders present at a duly organized meeting may continue to do business until adjournment, notwithstanding the withdrawal of the holders of enough shares to leave less than a quorum. If a meeting cannot be organized because a quorum has not attended, either the chair of the meeting, or those stockholders present, in person or by proxy, by a majority of the votes cast by such stockholders so present, may adjourn the meeting from time to time until a quorum is present when any business may be transacted that may have been transacted at the meeting as originally called.

Section 3.07. *Proxies*. A stockholder may vote either in person or by proxy executed in writing by the stockholder or his duly authorized representative. No proxy shall be valid after 11 months from the date of its execution, unless otherwise expressly provided in the proxy.

Section 3.08. *Voting*. At every meeting of the stockholders, every holder of the common stock shall be entitled to one vote for each share of common stock registered in the name of such holder on the stock transfer books of the corporation at the close of the record date. A proxy purporting to be executed by a corporation shall be presumed to be valid and the burden of proving invalidity shall rest on any challenger. A proxy purporting to be executed by a partnership shall be presumed to be valid and the burden of proving invalidity shall rest on any challenger. At each election for Members of the Board of Directors, every such holder of the common stock shall have the right to cast, for each Board position to be filled, a number of votes equal to the number of shares held by such holder. Such holders shall have no right to cumulate their votes for directors. Unless a higher percentage of affirmative votes is required by the Charter Act, these Bylaws, applicable stock exchange rules or regulations, or other applicable Federal law, rules, or regulations, the stockholders will have approved any matter if, at a meeting at which a quorum is present, the votes cast by the stockholders present, either in person or by proxy and entitled to vote thereon, in favor of such matter exceed the votes cast by such stockholders against such matter. Members of the Board of Directors shall be elected by a plurality of the votes cast.

Section 3.09. *Inspectors of Votes*. The Board of Directors, in advance of any meeting of stockholders, shall appoint one or more Inspectors of Votes to act at the meeting or any adjournment thereof and make a written report thereof. One or more persons may be designated as alternates to replace any Inspector of Votes who fails to act. In case any person so appointed Inspector of Votes or alternate resigns or fails to act, the vacancy shall be filled by appointment made by the chairman of the meeting. The Inspectors of Votes shall (a) ascertain the number of shares outstanding and the voting power of each and determine all questions concerning the qualification of voters; (b) determine the shares represented at the meeting and the validity of proxies and ballots; (c) determine all questions concerning the acceptance or rejection of votes and, with respect to each vote by ballot, shall collect and count all votes and ballots (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the Inspectors of Votes; and (e) report in writing to the secretary of the meeting their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The Inspectors of Votes need not be stockholders of the corporation. No person who is an officer or Member of the Board of Directors of the corporation, or who is a candidate for election as a Member of the Board of Directors, shall be eligible to be an Inspector of Votes. Any report or certificate by the Inspectors of Votes shall be prima facie evidence of the facts stated and of the votes as certified by them.

Section 3.10. *Stockholder Notices to the Corporation*. Whenever notice is to be given to the corporation by a stockholder under any provision of law or of these Bylaws, such notice shall be delivered to the Secretary at the principal executive offices of the corporation. If delivered by electronic mail or facsimile, the stockholder's notice shall be directed to the Secretary at the electronic mail address or facsimile number, as the case may be, specified in the corporation's most recent proxy statement.

Section 3.11. *Conduct of Meetings*. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at such meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules or regulations for the conduct of meetings of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chair of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chair, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chair of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; (c) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies, or such other persons as the chair shall permit; (d) restrictions on entry to the meeting after the time fixed for the commencement thereof, and (e) limitations on the time allotted to questions or comments by participants. Meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

Section 3.12. *Notice of Stockholder Proposal*. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder (other than the nomination of a person for election as a director, which is governed by Section 4.19 of these Bylaws), the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not later than the following dates (1) 60 days in advance of such meeting if such meeting is to be held on a day which is within 30 days preceding the anniversary of

the previous year's annual meeting, or 90 days in advance of such meeting if such meeting is to be held on or after the anniversary of the previous year's annual meeting; and (2) with respect to an annual meeting of stockholders held on any other date, the close of business on the tenth day following the date of public disclosure of the date of such meeting. (For purposes of these Bylaws, public disclosure shall be deemed to include a disclosure made in a press release reported by the Dow Jones News Services, Associated Press or a comparable national news service or in a document filed by the corporation with the Securities and Exchange Commission pursuant to Section 13 of the Securities Exchange Act of 1934, as amended). A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (A) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (B) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (C) the class and number of shares of the corporation that are beneficially owned by the stockholder, and (D) any material interest of the stockholder in such business. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 3.12. The chair of the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 3.12, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

ARTICLE 4

The Board of Directors

Section 4.01. *General Policies*. General policies governing the operations of the corporation shall be determined by the Board of Directors.

Section 4.02. *Membership*. The Board of Directors shall consist of those Members appointed and elected as provided by law.

Section 4.03. *Term of Members*. Each Member shall hold office for the term for which he is elected or appointed and until his successor is chosen and qualified, or his death, resignation, retirement, or removal in accordance with law, whichever event shall first occur.

Section 4.04. *Regular Meetings*. The Board of Directors shall meet in regular meeting at such times as shall be determined by the Board from time to time, except as provided in section 4.05 and except when the Chairman of the Board shall notify the Secretary of a different date prior to a scheduled regular meeting. Each regular meeting shall be held at the principal office of the corporation in the District of Columbia, unless special provision is made by the Board, in advance of any such regular meeting, to hold that meeting at another place, either within or without the District of Columbia.

Section 4.05. *Annual Meeting*. Immediately following the annual meeting of the stockholders, the Board of Directors shall meet each year for the purpose of considering any business that may properly be brought before the meeting, and such annual meeting of the Board shall be a regular meeting.

Section 4.06. *Special Meetings*. Other meetings of the Board of Directors may be held upon the call of the Chairman of the Board of Directors, or of a majority of the then incumbent Members of the Board. Each special meeting shall be held at the principal office in the District of Columbia unless the Chairman of the Board prescribes and the notice specifies another place.

Section 4.07. *Notice of Meetings—Waiver*. No notice of any kind to Members of the Board of Directors shall be necessary for any regular meeting which is held on a date determined by the Board, or for the annual meeting. In the case of a regular meeting on a different date, notice shall be given to each Member by the Secretary; in the case of a special meeting, notice shall be given to each Member by the Secretary at the direction of the calling authority. Such notice shall be in writing and sent to the address on file with the Secretary of the corporation not later than during the third day immediately preceding the day for the meeting; or by word of mouth, telephone, facsimile or electronic mail, directed to the telephone number, facsimile number or electronic mail address, as the case may be, on file with the Secretary of the corporation, not later than during the second day immediately preceding the day for the meeting. Notice of any such meeting may be waived in writing signed by the person or persons entitled thereto, either before or after the time of the meeting. Neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or waiver of notice of the meeting.

Section 4.08. *The Chairman of the Board of Directors*. The Chairman of the Board of Directors may be chosen by the Board at any meeting of the Board from among the Members, and his tenure shall commence immediately and continue until the next succeeding annual meeting of the Board, or until his successor is chosen, whichever first occurs. The Chairman of the Board shall be the Chief Executive Officer of the corporation, and shall have such powers and perform such duties as the Board may prescribe. Except as otherwise provided by law, the corporate charter, these Bylaws, or the Board, the Chairman shall have plenary authority to perform all duties ordinarily incident to the office and such other duties as may be assigned to him from time to time by the Board. The Chairman may prescribe, amend and rescind requirements and procedures governing the manner in which the general business of the corporation shall be conducted. The officers, agents and employees, other than the principal officers, shall be appointed by the Chairman or by any other principal officer to whom the Chairman shall have delegated the authority. During the Chairman's absence or inability to act or during the vacancy of the office, the Vice Chairman and Chief Operating Officer shall perform the duties and exercise the authority of the Chairman.

Section 4.08a. *The Vice Chairman of the Board of Directors*. The Board of Directors may from time to time elect from among the Members of the Board one or more Vice Chairmen of the Board. Any such Vice Chairman shall have such powers and shall perform such duties as the Board of Directors may prescribe or as the Chairman of the Board shall delegate to him.

Section 4.09. *Quorum*. The presence, in person or otherwise in accordance with section 4.16 hereof, of a majority of the then incumbent Members of the Board of Directors or of a Board Committee, as applicable, at the time of any meeting of the Board or such Committee, shall constitute a quorum for the transaction of business. The act of the majority of such Members present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by these Bylaws. Members may not be represented by proxy at any meeting of the Board of Directors.

Section 4.10. *Action Without a Meeting*. Any policy or action that may be approved or taken at a meeting of the Board or of any Board Committee may be approved or taken without a meeting if all incumbent Members of the Board or the Committee, as the case may be, consent thereto in writing and the writings are filed with the minutes of the proceedings of the Board or the Committee.

Section 4.11. *Facsimile Signatures*. The Board of Directors, the Chairman of the Board or the President may authorize the use of facsimile signatures in lieu of manual signatures.

Section 4.12. *Executive Committee.*

(a) The Executive Committee of the Board shall consist of at least five Members who shall be designated by the Board and serve at the pleasure of the Board. One of the members of the Executive Committee shall be the Chief Executive Officer of the corporation who may also, but is not required to, be chair of the Committee. The designation of such Committee and the delegation thereto of authority shall not alone relieve any director of any duty he owes the corporation. The Executive Committee, during the interim between Board meetings, shall have all the authority of the Board, except that it shall not have the authority to take any of the following actions:

(1) The submission to stockholders of any action requiring stockholders' authorization.

(2) The filling of vacancies on the Board of Directors or on the Executive Committee.

(3) The fixing of compensation of the directors for serving on the Board or on the Executive Committee.

(4) The appointment or removal of the Chairman of the Board, President, any Vice Chairman, and any Executive Vice President, except that vacancies in established positions may be filled subject to ratification by the Board of Directors.

(5) The amendment or repeal of these Bylaws or the adoption of new bylaws.

(6) The declaration of dividends or the authorizing of the issuance of the corporation's stock.

(7) The amendment or repeal of any resolution of the Board which by its terms is not so amendable or repealable.

(8) The adoption of an agreement of merger or consolidation or the adoption of a certificate of ownership and merger.

(9) The recommendation to stockholders of the sale, lease or exchange of all or substantially all of the corporation's property and assets.

(10) The recommendation to stockholders of a dissolution of the corporation or a revocation of a dissolution.

(b) The Executive Committee shall meet at the call of its chairman or of a majority of its members, and a majority shall constitute a quorum. The action of the majority of the members of the Committee shall be the action of the Committee. Members of the Committee may not be represented by proxy at any meeting of the Committee.

(c) Unless otherwise expressly provided by resolution of the Board of Directors, members of the Executive Committee shall be compensated and shall be reimbursed for travel and expenses on the same basis and at the same rate as is provided for Members of the Board of Directors for attendance at meetings of the Board.

(d) The Executive Committee shall, at each regular meeting of the Board of Directors, present to the Board its report and such recommendations as are in its judgment necessary for the proper operation of the corporation.

Section 4.13. *Audit Committee*. The Board of Directors shall have an Audit Committee and, as required by Section 1710.11(b)(1) of the OFHEO corporate governance regulation, the Audit Committee shall comply with the charter, independence, composition, expertise and other requirements of the New York Stock Exchange, as the same may be amended from time to time, unless otherwise required by OFHEO.

Section 4.14. *Compensation Committee*. The Board of Directors shall have a Compensation Committee and, as required by Section 1710.11(b)(2) of the OFHEO corporate governance regulation, the Compensation Committee shall include at least three independent directors. The duties of the Compensation Committee shall include overseeing the corporation's compensation policies and plans for executive officers and employees and approving the compensation of senior executive officers of the corporation.

Section 4.15. *Other Committees*. In addition to the Executive, Audit and Compensation committees, the Board of Directors may by resolution designate from among its Members such other committees as it deems appropriate, each of which, to the extent provided by resolution of the Board, may exercise all authority of the Board except those actions outside the authority of the Executive Committee. The designation of any such committee and the delegation thereto of authority shall not alone relieve any director of any duty he owes the corporation.

Section 4.16. *Remote Meetings*. Any meeting of the Board of Directors or any meeting of a Board Committee may be held with the Members of the Board or members of such Committee participating in such meeting by telephone or by any other means of communication by which all such persons participating in the meeting are able to speak to and hear one another.

Section 4.17. *Limitation on Liability*. To the fullest extent permitted by Delaware statutory or decisional law, as amended or interpreted, no director of this corporation shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. This Section 4.17 does not affect the availability of equitable remedies for breach of fiduciary duties.

Section 4.18. *Eligibility to Make Nominations*. Nominations of candidates for election as directors at an annual meeting of stockholders called for election of directors may be made (i) by any stockholder entitled to vote at such meeting only in accordance with the procedures established by Section 4.19 of these Bylaws, or (ii) by the Board of Directors or by a duly authorized Committee thereof. In order to be eligible for election as a director, any director nominee must first be nominated in accordance with the provisions of these Bylaws.

Section 4.19. *Procedure for Nominations by Stockholders*. Any stockholder entitled to vote for the election of a director at an annual meeting may nominate one or more persons for such election only if written notice of such stockholder's intent to make such nomination is delivered to or mailed and received by the Secretary of the corporation. Such notice must be received by the Secretary not later than the following dates: (a) with respect to an annual meeting of stockholders, 60 days in advance of such meeting if such meeting is to be held on a day which is within 30 days preceding the anniversary of the previous year's annual meeting or 90 days in advance of such meeting if such meeting is to be held on or after the anniversary of the previous year's annual meeting; and (b) with respect to an annual meeting of stockholders held on any other date, the close of business on the tenth day following the date of public disclosure of the date of such meeting. The written notice shall set forth: (1) the name, age, business

address and residence address of each nominee proposed in such notice, (2) the principal occupation or employment of each such nominee, (3) the number of shares of capital stock of the corporation which are beneficially owned by each such nominee, and (4) such other information concerning each such nominee as would be required, under the rules of the Securities and Exchange Commission in a proxy statement soliciting proxies for the election of such nominee as a director. Such notice shall include a signed consent of each such nominee to serve as a director of the corporation, if elected.

Section 4.20. *Compliance with Procedures*. If the chair of the stockholders' annual meeting determines that a nomination of any candidate for election as a director was not made in accordance with the applicable provisions of these Bylaws, such nomination shall be void.

ARTICLE 5

The Officers

Section 5.01. *Number*. The principal officers of the corporation shall consist of the Chairman of the Board of Directors, a President, one or more Vice Chairmen of the Board if the Board has elected to fill such position or positions, one or more Executive Vice Presidents and Senior Vice Presidents, a General Counsel, a Controller, a Treasurer, and a Secretary. There shall be such assistant officers, agents, and employees as may be deemed necessary. Any two or more offices may be held by the same person.

Section 5.02. *General Authority and Duties*. All officers, agents, and employees of the corporation shall have such authority and perform such duties in the management and conduct of the business of the corporation as may be provided for in these Bylaws, as may be established by resolution of the Board of Directors not inconsistent with these Bylaws, or as may be delegated to them in a manner not inconsistent with these Bylaws.

Section 5.03. *Election, Tenure, and Qualifications*. The principal officers shall be selected by the Board of Directors. Each officer shall hold office until his successor is chosen and qualified, or his death, resignation, retirement, or removal from office, whichever event shall first occur. Selection or appointment without express tenure, of an officer, agent, or employee shall not of itself create contract rights.

Section 5.04. *Removal*. Any officer, agent, or employee may be removed by the Board of Directors. Any removal shall be in accordance with such procedures and safeguards as the corporation may establish and shall be without prejudice to the contract rights, if any, of the person so removed.

Section 5.05. *Vacancies*. Any vacancy in any office shall be filled in the manner prescribed in these Bylaws for selection or appointment to the office.

Section 5.06. *The President*. The President shall have such powers and perform such duties as the Board of Directors may prescribe, or as the Chairman of the Board may delegate to him.

Section 5.07. *The Vice Presidents*. Each Vice President shall have such powers and perform such duties as the Board of Directors may prescribe or as the Chairman of the Board may delegate to him.

Section 5.08. *The Treasurer*. The Treasurer shall, in general, perform all the duties ordinarily incident to the office of Treasurer and such other duties as may be assigned to him by the Board of Directors or by the Chairman of the Board. The Treasurer shall render to the Chairman and the Board,

whenever the same shall be required, an account of all his transactions as Treasurer. The Treasurer shall, if required to do so by the Board, give the corporation a bond in such amount and with such surety or sureties as may be ordered by the Board for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement, or removal from office, of all books, papers, vouchers, money, and other property of whatever kind in his possession or under his control belonging to the corporation. The premium for any such bond shall be paid by the corporation.

Section 5.09. *The General Counsel*. The General Counsel shall be the principal consulting officer of the corporation in all matters of legal significance or import; shall be responsible for and direct all counsel, attorneys, employees, and agents in the performance of all legal duties and services for and on behalf of the corporation; shall perform such other duties and have such other powers as are ordinarily incident to the office of the General Counsel; and shall perform such other duties as, from time to time, may be assigned to him by the Board of Directors or by the Chairman of the Board.

Section 5.10. *The Secretary*. The Secretary shall keep or cause to be kept in books provided for the purpose the minutes of the meetings of the Board of Directors and the minutes or transcripts of the meetings of the stockholders; shall see that all notices are duly given as required by law and in accordance with the provisions of these Bylaws; shall be responsible for the custody and maintenance of all related records and the blank stock certificates of the corporation; shall be custodian of the records and of the seal of the corporation; and, in general, shall perform all the duties ordinarily incident to the office of Secretary and such other duties as may be assigned to him by the Board or by the Chairman of the Board. The Secretary and any Assistant Secretary are expressly empowered to attest signatures of officers of the corporation and to affix the seal of the corporation to documents.

Section 5.11. *The Controller*. The Controller shall keep full and accurate accounts of all assets, liabilities, commitments, receipts, disbursements, and other financial transactions of the corporation; shall certify vouchers for payment by the Treasurer or the Treasurer's designee, and shall designate, with the written concurrence of the Chairman of the Board, such other officers, agents, and employees, severally, who may so certify; and in general, shall perform all the duties ordinarily incident to the office of Controller and such other duties as may be assigned to him by the Board of Directors or by the Chairman of the Board.

Section 5.12. *Assistant Officers*. Each assistant to an officer, including but not limited to any Assistant Vice President, any Assistant Treasurer, any Assistant General Counsel, and any Assistant Secretary, and any other such assistant to any officer, shall perform such duties as are, from time to time, delegated to him by the officer to whom he is an assistant, by the Chairman of the Board of Directors or by the Board. At the request of the officer to whom he is an assistant, an assistant officer may temporarily perform the duties of that officer, and when so acting shall have the powers of and be subject to the restrictions imposed upon that officer.

Section 5.13. *Compensation*. The compensation of the Chairman, President, any Vice Chairman, and any Executive Vice President shall be fixed, from time to time, by the Board of Directors.

Section 5.14. *Repealed*

ARTICLE 6

Indemnification

Section 6.01. *General Indemnification*. The Board of Directors may, in such cases or categories of cases as it deems appropriate, indemnify and hold harmless, or make provision for indemnifying and

holding harmless, Members of the Board of Directors, officers, employees, and agents of the corporation, and persons who formerly held such positions, and the estates of any of them against any or all claims and liabilities (including reasonable legal fees and other expenses incurred in connection with such claims or liabilities) to which any such person shall have become subject by reason of his having held such a position or having allegedly taken or omitted to take any action in connection with such position.

Section 6.02. *Indemnification of Board Members and Officers.*

(a) To the fullest extent permitted by the Delaware General Corporation Law for a corporation subject to such law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits a Delaware corporation to provide broader indemnification rights than said law permitted such corporation to provide prior to such amendment), the corporation will indemnify and hold harmless each Member of the Board and officer of the corporation or any subsidiary against any and all claims, liabilities, and expenses (including attorneys' fees, judgments, fines, and amounts paid in settlement) actually and reasonably incurred and arising from any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, to which any such person shall have become subject by reason of having held such a position or having allegedly taken or omitted to take any action in connection with any such position. However, the foregoing shall not apply to:

(i) any breach of such person's duty of loyalty to the corporation or its stockholders;

(ii) any act or omission by such person not in good faith or which involves intentional misconduct or where such person had reasonable cause to believe his conduct was unlawful; or

(iii) any transaction from which such person derived any improper personal benefit.

(b) The decision concerning whether a particular indemnitee has satisfied the foregoing shall be made by (i) the Board of Directors by a majority vote of a quorum consisting of Members who are not parties to the action, suit, or proceeding giving rise to the claim for indemnity ("Disinterested Directors"), whether or not such majority constitutes a quorum; (ii) a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, whether or not such majority constitutes a quorum; (iii) if there are no Disinterested Directors, or if the Disinterested Directors so direct, by independent legal counsel in a written opinion; or (iv) a vote of the stockholders.

(c) The Board of Directors may authorize the advancement of expenses to any Member of the Board or officer, subject to a written undertaking to repay such advance if it is later determined that the indemnitee does not satisfy the standard of conduct required for indemnification. The Chairman of the Board is authorized to enter into contracts of indemnification with each Member and officer of the corporation with respect to the indemnification provided in the Bylaws and to renegotiate such contracts as necessary to reflect changing laws and business circumstances.

ARTICLE 7

Amendments

The power to alter, amend, or repeal these Bylaws, or to adopt new bylaws, is vested in the Board of Directors, but the affirmative vote of two-thirds of the then full number of authorized Members of the Board of Directors shall be necessary to effect any such action; or such action may be effected in the manner provided in Section 4.10 of these Bylaws. Except by unanimous consent of all the then incumbent Members of the Board, no such action shall be undertaken until at least one week shall have elapsed from either (i) the introduction of the proposal at a meeting of the Board of Directors at which a quorum shall have attended, or (ii) the circulation of such proposed action to all the then incumbent Members of the Board.

ARTICLE 8

Regulatory Powers

Nothing in these Bylaws shall be deemed to affect the regulatory powers of the Secretary of Housing and Urban Development pursuant to the Charter Act, as amended.

EXHIBIT B

FANNIE MAE

CORPORATE GOVERNANCE GUIDELINES

The Roles and Responsibilities of the Board and Management

On September 6, 2008, the Director of the Federal Housing Finance Authority, or FHFA, our safety and soundness regulator, appointed FHFA as conservator of Fannie Mae (formally, the Federal National Mortgage Association) in accordance with the Federal Housing Finance Regulatory Reform Act of 2008 and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. Upon its appointment, the conservator immediately succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any stockholder, officer or director of Fannie Mae with respect to Fannie Mae and its assets, and succeeded to the title to all books, records and assets of Fannie Mae held by any other legal custodian or third party.

On November 24, 2008, FHFA, as conservator, reconstituted the Fannie Mae Board of Directors (Board) and directed the functions and authorities of the Board. The Board serves on behalf of the conservator and shall exercise its authority as directed by the conservator. In performing its functions, the conservator has directed the Board to review and approve matters related to the following areas and to oversee that management consult with and obtain the consent of the conservator before taking action in the following areas:

- matters requiring approval of or consultation with the U.S. Department of the Treasury under the Senior Preferred Stock Purchase Agreement between the U.S. Department of the Treasury and Fannie Mae, including:
    i. paying dividends or other distributions on or repurchasing Fannie Mae equity securities;
    ii. issuing additional equity securities (except in limited instances);

iii. any reorganization or recapitalization involving Fannie Mae's common stock;

iv. incurring indebtedness in excess of limits in the Senior Preferred Stock Purchase Agreement;

v. issuing subordinated debt;

vi. entering into a merger with or acquiring all or substantially all of the assets of another entity;

vii. engaging in a non-ordinary course transaction with an affiliate, unless transaction terms are at least as favorable as those that could be obtained in an arm's length transaction with an unrelated third party;

viii. selling, transferring, leasing or otherwise disposing of any assets, other than dispositions for fair market value, except in limited circumstances including (a) if the transaction is in the ordinary course of business and consistent with past practice or (b) if the assets have a fair market value individually or in the aggregate of less than $250 million, among others; and

ix. compensation arrangements or increasing amounts or benefits payable to executive officers (as defined by Securities Exchange Commission rules).

- actions to redeem or repurchase subordinated debt issued by Fannie Mae, except as may be necessary to comply with the Senior Preferred Stock Purchase Agreement;
- actions involving increases in Board risk limits, material changes in accounting policy, and reasonably foreseeable material increases in operational risk;
- matters that relate to conservatorship;
- actions involving retention and termination of external auditors and law firms serving as consultants to the Board;
- agreements related to litigation, claims, regulatory proceedings or tax-related matters where the value of the claim is in excess of $50 million (except in limited instances);

- material alterations or changes to the terms of the master agreement, or termination of a contract, between Fannie Mae and one of the top five sellers or servicers for its Single-Family business;
- any action that in the reasonable business judgment of management at the time that the action is taken is likely to cause significant reputational risk or result in substantial negative publicity;
- the creation of any subsidiary or affiliate or any substantial non-ordinary course transactions with any subsidiary or affiliate;
- actions setting or increasing the compensation or benefits payable to the members of the Board;
- actions establishing new compensation arrangements or increasing amounts or benefits payable under existing compensation arrangements for officers at the senior vice president level and above and other executives that FHFA may deem necessary to successfully execute its role as conservator;
- actions establishing or modifying performance management processes for executive officers subject to Section 16 of the Securities Exchange Act of 1934;
- assessments of Fannie Mae against the conservator's scorecard; and
- actions establishing the annual operating budget.

Subject to the consultation and consent requirements above, the Board performs, directly or through its committees, the following specific functions, among others:

- Oversees the procedures for the selection, retention, evaluation and compensation of senior management with appropriate qualifications and expertise to operate the corporation's business
- Oversees the key compensation, benefits and skill development programs governing employees of the corporation
- Oversees corporate performance and reviews and approves the corporation's annual

operating budget

- Oversees the corporation's risk policies (including market, credit and operational risks)
- Advises management on significant issues facing the corporation
- Reviews and approves significant corporate actions
- Oversees the integrity of the corporation's accounting and financial reporting systems and processes, including independent audits, systems of internal controls, and the relationship with the external auditor
- Oversees an independent review, no less frequently than every five years, of the corporation's organizational, structural, staffing, and control matters
- Oversees the process and adequacy of reporting, disclosures and communications to investors
- Oversees the corporation's legal and regulatory compliance program, including prohibitions on personal loans or extensions of credit to executive officers and members of the Board
- Nominates directors and oversees effective corporate governance
- At least once annually, reviews, with appropriate professional assistance, the requirements of laws, rules, regulations, and guidelines that are applicable to the Board's activities and duties
- Oversees the responsiveness of management to Federal regulators

Members of the Board are expected to perform their responsibilities diligently, prepare for and attend meetings, and participate fully in the Board's activities.

The CEO is the leader of management and, pursuant to the Bylaws and a Delegation of Authority to the CEO, as may be amended from time to time, the Board has vested the CEO with the authority to manage and conduct the business of the corporation except where the Board has reserved authority or the right of approval as specified in the Bylaws and its Delegation of Authority to the CEO. From time to time, the Board will adopt policies and procedures to assist it in its oversight responsibilities and to promote the safety and soundness of Fannie Mae. Officers and employees are expected to

implement any policies or procedures adopted by the Board. Officers and employees (consistent with the provisions of their delegations of authority from the CEO) may retain outside consultants and advisors, as necessary, to assist them in the performance of their functions.

The Corporate Governance Guidelines

These Corporate Governance Guidelines have been developed by Fannie Mae's Nominating and Corporate Governance Committee and formally adopted by the Board. The Nominating and Corporate Governance Committee reviews the guidelines at least annually and recommends changes to the Board as appropriate. These guidelines (along with the charters of the Board committees as well as the corporation's Bylaws, its Employee Code of Conduct and Directors' Code of Conduct and Conflicts of Interest Policy) are published on Fannie Mae's corporate website, www.fanniemae.com.

Board Composition, Size and Membership Criteria

The Fannie Mae Charter Act provides that the Fannie Mae Board will consist of thirteen persons, or such other number that the Director of FHFA determines appropriate. FHFA, in its capacity as conservator, has determined that the appropriate number of directors shall be a minimum of nine and not more than thirteen directors. It is the policy of the Board that a substantial majority of the seated Fannie Mae directors will be independent, in accordance with the standards adopted by the Board. In addition, the Board, as a group, must be knowledgeable in business, finance, capital markets, accounting, risk management, public policy, mortgage lending, real estate, low-income housing, homebuilding, regulation of financial institutions, technology, and any other areas as may be relevant to the safe and sound operation of Fannie Mae.

It is the responsibility of the Nominating and Corporate Governance Committee to identify

and evaluate prospective candidates for the Board that have expertise in the areas described above. The Committee will also seek out Board members who possess the highest personal values, judgment, and integrity; who represent diversity in ideas, perspectives, gender, race, and disability; and who have an understanding of the regulatory and policy environment in which the corporation does its business. The Committee is committed to considering minorities, women and individuals with disabilities in the identification and evaluation process of prospective candidates. The Committee also considers whether a prospective candidate for the Board has the ability to attend meetings and fully participate in the activities of the Board, including whether the candidate's service on outside boards and other activities will permit the candidate sufficient time to devote to responsibilities associated with being a Fannie Mae director. Stockholders may submit written recommendations for candidates directly to the Chair of the Nominating and Corporate Governance Committee in care of the Office of the Secretary of the corporation, and these recommendations should include the information set forth in Section 4.20 of the corporation's Bylaws. During Conservatorship, these recommendations are subject to FHFA's discretion as Conservator of Fannie Mae. The Chair of the Nominating and Corporate Governance Committee formally invites new director candidates to stand for election to the Board.

Directors are required to inform the Nominating and Corporate Governance Committee of any changes in employment responsibilities in order for the Committee to determine whether it is appropriate to re-nominate the Board member for continuing Board service. A director will not be re-nominated after having served for ten years or after reaching the age of 72, whichever comes first, except with the approval of FHFA. A director may serve his or her full term if he or she has served less than 10 years or is 72 years of age on the date of his or her election or appointment to the Board.

Unless otherwise requested by the Board, the CEO will cease to be a member of the Board at the termination of his or her employment as CEO. The CEO must obtain approval from the Nominating and Corporate Governance Committee before accepting a seat on the board of another for-profit organization. Non-management directors must notify the Nominating and Corporate Governance Committee before accepting a seat on the board of another for-profit organization, and the Committee will determine, in its judgment, whether such service will interfere with the director's service on the Fannie Mae Board. Unless the Nominating and Corporate Governance Committee determines otherwise, directors may not serve on the boards of directors of more than four public companies. Unless the Board determines otherwise, Audit Committee members may not serve on the audit committees of more than three public companies.

Director Independence

The Board, with the assistance of the Nominating and Corporate Governance Committee, on an annual basis, reviews the independence of all directors. The Board affirmatively makes a determination as to the independence of each director, and Fannie Mae discloses those determinations. The definition of "independence" adopted by the Board meets the requirements of independence as set forth in FHFA corporate governance regulation 12 C.F.R.§ 1710.11, which requires the standard of independence adopted by the New York Stock Exchange. An "independent director" must be determined to have no material relationship with Fannie Mae, either directly or through an organization that has a material relationship with Fannie Mae. A relationship is "material" if, in the judgment of the Board, it would interfere with the director's independent judgment. In addition, FHFA corporate governance regulation 12 C.F.R.§ 1710.12 requires the Audit Committee and Compensation Committee to be in compliance with the New York Stock Exchange's listing requirements for audit committees and compensation committees,

under which members of these committees must meet additional, heightened independence criteria, as applicable.

To assist it in determining whether a director is independent, the Board has adopted the guidelines set forth below:

- A director will not be considered independent if, within the preceding three years:
    i. the director was employed by Fannie Mae; or
    ii. an immediate family member of the director was employed by Fannie Mae as an executive officer.
- A director will not be considered independent if:
    i. the director is a current partner or employee of Fannie Mae's external auditor, or within the preceding three years, was (but is no longer) a partner or employee of Fannie Mae's external auditor and personally worked on Fannie Mae's audit within that time; or
    ii. an immediate family member of the director is a current partner of Fannie Mae's external auditor, or is a current employee of Fannie Mae's external auditor and personally works on Fannie Mae's audit, or within the preceding three years, was (but is no longer) a partner or employee of Fannie Mae's external auditor and personally worked on Fannie Mae's audit within that time.
- A director will not be considered independent if, within the preceding three years:
    i. the director was employed by a company at a time when a current Fannie Mae executive officer sat on that company's compensation committee; or
    ii. an immediate family member of the director was employed as an officer by a company at a time when a current Fannie Mae executive

officer sat on that company's compensation committee.

- A director will not be considered independent if, within the preceding three years:
    i. the director received any compensation from Fannie Mae, directly or indirectly, other than fees for service as a director; or
    ii. an immediate family member of the director received any compensation from Fannie Mae, directly or indirectly, other than compensation received for service as an employee (other than an executive officer) of Fannie Mae.
- A director will not be considered independent if:
    i. the director is a current executive officer, employee, controlling stockholder, or partner of a company or other entity that does or did business with Fannie Mae and to which Fannie Mae made, or from which Fannie Mae received, payments within the preceding three years that, in any single fiscal year, were in excess of $1 million or 2 percent of the entity's consolidated gross annual revenues, whichever is greater; or
    ii. an immediate family member of the director is a current executive officer of a company or other entity that does or did business with Fannie Mae and to which Fannie Mae made, or from which Fannie Mae received, payments within the preceding three years that, in any single fiscal year, were in excess of $1 million or 2 percent of the entity's consolidated gross annual revenues, whichever is greater.
- A director will not be considered independent if the director or the director's spouse is an executive officer, employee, director, or trustee of a nonprofit organization to which Fannie Mae makes or has made contributions within the preceding three years that, in a single year, were in excess of the greater of 2

percent of the organization's consolidated gross annual revenues, or $1 million.

Where the guidelines above do not address a particular relationship, the determination of whether the relationship is material, and whether a director is independent, will be made by the Board, based upon the recommendation of the Nominating and Corporate Governance Committee.

The Board may determine in its judgment, and consistent with the New York Stock Exchange definition of independence, that a director that does not meet these guidelines nonetheless, under the relevant facts and circumstances, does not have a relationship with Fannie Mae that would interfere with the director's independent judgment. The Board will disclose the basis for any such determination in the corporation's next annual report or proxy statement.

Board Leadership

The positions of Chairman of the Board and CEO are separate and the Chairman is an independent director.

Board Meetings

The Fannie Mae Board holds regularly scheduled meetings and calls at least eight times per year, and once per quarter. At least one of these meetings includes a session at which the Board reviews strategic matters. In addition to regularly scheduled meetings, unscheduled Board meetings may be called with adequate notice, if needed. Directors are expected to attend in person all regularly scheduled Board and committee meetings. In years in which Fannie Mae holds an Annual Meeting of Stockholders, Directors are expected to attend such Annual Meeting. The presence of a majority of the seated directors at the time of any meeting constitutes a quorum for the transaction of business, and the act of a majority of such directors present at a meeting at which a quorum is present constitutes the act of the Board. Directors may not vote or participate by proxy.

The Board may act by unanimous written consent of all incumbent directors. The Chairman, in consultation with the Chairs of the Board's committees, determines the agenda for Board meetings. Directors will be asked regularly by the Chairman to evaluate the information being provided to the Board and to submit suggestions for Board agenda items.

Fannie Mae's non-management directors meet in executive session on a regularly scheduled basis. Time for an executive session is placed on the agenda for every regular Board meeting. The Chairman of the Board presides over these sessions. Board dinners are scheduled at least quarterly each year to give Board members an opportunity to informally discuss Fannie Mae issues.

Minutes

At each meeting of the Board and its standing committees, minutes will be taken. The minutes will reflect the deliberative process and actions taken in those meetings. The minutes will also reflect whether an executive session occurred and identify the issues addressed during executive session, as reported to the Corporate Secretary.

Board Materials

Fannie Mae management provides directors with information and materials necessary for the Board to fulfill its oversight functions. Directors are expected to review and devote appropriate time to studying Board and committee materials. Materials for meetings are generally distributed one week in advance of each Board and committee meeting to allow directors to prepare for discussion of the items at the meeting and to request additional information as appropriate. In certain cases, due to the sensitive nature of a matter or rapidly evolving developments, presentations and/or other materials are provided only at the Board or committee meeting.

Committees

The current standing Board committees are the Executive, Audit, Compensation, Nominating and Corporate Governance, Risk Policy and Capital, and Strategic Initiatives Committees. The Bylaws give the Board authority to create additional committees. Each committee, except for the Executive Committee, has a written charter setting forth the responsibilities, duties and authorities of the committee. The responsibilities, duties and authorities of the Executive Committee are set forth in the Bylaws. The full Board reviews and approves committee charters.

The Audit, Compensation, and Nominating and Corporate Governance Committees consist solely of independent directors. Committee assignments, including the designation of committee Chairs, are made annually by Board resolution, based on recommendations from the Nominating and Corporate Governance Committee. Assignments are made based on a combination of factors including each individual Board member's expertise and the needs of the corporation.

Each committee meets as frequently as needed and for an appropriate length of time based on the specific meeting agenda. Committee agendas are developed by the committee Chair in consultation with the appropriate members of management and with the input of other directors. Each committee Chair makes a report on committee matters to the Board, generally at the next scheduled Board meeting.

Director Access to Management and Outside Advisors

The corporation's senior management team attends Board meetings as needed to make special presentations and as a discussion resource, and is available directly to Board members outside of meetings.

The Board and its committees (consistent with the provisions of their respective charters) generally have the authority to retain such outside counsel, experts, and other advisors as they determine necessary to assist them in the performance of their functions. The retention and termination of external auditors and law firms serving as consultants to the Board requires prior consultation and consent of the conservator.

Communications with the Board

To facilitate the ability of interested parties to communicate their concerns or questions, Fannie Mae publishes on its website and in its proxy statement a mailing address and an e-mail address for communications directly with the Board. Communications may be addressed to a specific director or directors, or to independent directors as a group. The office of the Corporate Secretary is responsible for processing all the communications to the relevant director or directors. Communications that are commercial solicitations, ordinary course customer inquiries or complaints, incoherent or obscene, will not be forwarded to the Board. In addition, Fannie Mae publishes on its website and in its proxy statement a procedure for communicating with the Audit Committee regarding accounting, internal accounting controls or auditing matters.

Director Compensation

Compensation for members of the Board will be reasonable, appropriate, and commensurate with the duties and responsibilities of their Board service. The Nominating and Corporate Governance Committee is responsible for recommending compensation for non-management directors on the Board and reviews non-management director compensation as appropriate. A change to director compensation requires prior consultation and consent of the conservator. Management directors do not receive additional cash or equity compensation for Board service.

Director Orientation and Continuing Education

New directors participate in an orientation program to assist in familiarizing them with Fannie Mae's business and their responsibilities as directors. The orientation program addresses at a minimum Fannie Mae's corporate powers and limitations; an overview of Fannie Mae's business; the housing finance industry; strategic goals; risks; the Fannie Mae workforce; and Fannie Mae's corporate governance practices. Orientation sessions are also provided to new members of Board committees. Fannie Mae supports directors' periodic participation in continuing education programs to assist them in performing their Board responsibilities. In addition, on at least an annual basis, the corporation provides, directly or through third parties, in-house director education programs on significant developments applicable to the Board and Fannie Mae's operations.

Board Performance Evaluation

The Board conducts an annual self-evaluation to assess its effectiveness and the adequacy of the information flow to the Board, on the basis of criteria developed by the Nominating and Corporate Governance Committee and reviewed by the Board. Each of the Board's committees conducts an annual self-evaluation.

The Nominating and Corporate Governance Committee evaluates the performance of directors on an annual basis. The Nominating and Corporate Governance Committee takes into consideration factors related to a director's contribution to the effective functioning of the Board, including: (i) any change in the director's principal area of responsibility with his or her company or in his or her employment; (ii) the director's retirement from his or her principal area of responsibility with his or her company; (iii) whether the director continues to bring relevant experience to the Board; (iv) whether the director has the ability to attend meetings and fully participate in the activities of the

Board; (v) whether the director has developed any relationships with Fannie Mae or another organization, or other circumstances have arisen, that might make it inappropriate for the director to continue serving on the Board; and (vi) the director's age and length of service on the Board.

Management Evaluation and Succession

The Compensation Committee conducts an annual review of the performance of the corporation, the CEO and senior management. Neither the CEO nor senior management is present when the Committee meets to evaluate their individual performance. The Chairman of the Board presents the CEO's annual performance review for the Committee's approval. The CEO's annual performance review is based, in large part, upon an annual performance report prepared by the Chairman of the Board and upon ratings and commentary provided by individual Board members. The senior management performance reviews include the Compensation Committee's own assessment and reflect discussions with other Board members. The Board's independent directors approve the compensation of the CEO, and the full Board approves the compensation of the corporation's executive officers (as defined by Securities Exchange Commission rules), both approvals subject to the consent of the conservator.

On an annual basis, the Compensation Committee reviews management succession planning with the CEO in preparation for discussion by the entire Board. The Board discussion on management succession occurs during executive session, and focuses on succession planning for the CEO and other key members of senior management.

Compliance; Codes of Conduct

Fannie Mae's Board oversees the corporation's legal and regulatory compliance program. The Board has adopted a Code of Conduct applicable to all Fannie Mae employees,

which is posted on the corporation's website. Each employee must annually commit to follow the Code. The Audit Committee has primary responsibility for overseeing implementation of and compliance with the Code.

The Board has adopted a Code of Conduct and Conflict of Interests Policy for Members of the Board (Directors' Code), which is posted on the corporation's website. Each director must annually certify compliance with the Directors' Code. The Nominating and Corporate Governance Committee oversees implementation and compliance with the Directors' Code.

The Board reviews at least once every three years the adequacy of the employee Code of Conduct and the Directors' Code for consistency with best practices and practices appropriate to Fannie Mae, and makes revisions as appropriate.

Implementation of the Guidelines

The Board has provided these guidelines to clarify further the policies and procedures that govern its operations. These Guidelines are effective immediately. If the Board ascertains at any time that any of the guidelines set forth herein are not in full force and effect, the Board shall take such action as it deems necessary to restore compliance.

Effective Date: November 13, 2015

EXHIBIT C

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
Commission File No.: 0-50231

Federal National Mortgage Association

(Exact name of registrant as specified in its charter)

Fannie Mae

Federally chartered corporation	**52-0883107**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
3900 Wisconsin Avenue, NW Washington, DC	**20016**
(Address of principal executive offices)	*(zip code)*

Registrant's telephone number, including area code:
(202) 752-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, without par value
(Title of class)
8.25% Non-Cumulative Preferred Stock, Series T, stated value $25 per share
(Title of class)
8.75% Non-Cumulative Mandatory Convertible Preferred Stock, Series 2008-1, stated value $50 per share
(Title of class)
Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series S, stated value $25 per share
(Title of class)
7.625% Non-Cumulative Preferred Stock, Series R, stated value $25 per share
(Title of class)
6.75% Non-Cumulative Preferred Stock, Series Q, stated value $25 per share
(Title of class)
Variable Rate Non-Cumulative Preferred Stock, Series P, stated value $25 per share
(Title of class)
Variable Rate Non-Cumulative Preferred Stock, Series O, stated value $50 per share
(Title of class)
5.375% Non-Cumulative Convertible Series 2004-1 Preferred Stock, stated value $100,000 per share
(Title of class)
5.50% Non-Cumulative Preferred Stock, Series N, stated value $50 per share
(Title of class)
4.75% Non-Cumulative Preferred Stock, Series M, stated value $50 per share
(Title of class)
5.125% Non-Cumulative Preferred Stock, Series L, stated value $50 per share
(Title of class)
5.375% Non-Cumulative Preferred Stock, Series I, stated value $50 per share
(Title of class)
5.81% Non-Cumulative Preferred Stock, Series H, stated value $50 per share
(Title of class)
Variable Rate Non-Cumulative Preferred Stock, Series G, stated value $50 per share
(Title of class)
Variable Rate Non-Cumulative Preferred Stock, Series F, stated value $50 per share
(Title of class)
5.10% Non-Cumulative Preferred Stock, Series E, stated value $50 per share
(Title of class)
5.25% Non-Cumulative Preferred Stock, Series D, stated value $50 per share
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ *(Do not check if a smaller reporting company)*	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑
The aggregate market value of the common stock held by non-affiliates of the registrant computed by reference to the last reported sale price of the common stock quoted on the OTC Bulletin Board on June 30, 2015 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $2.7 billion.
As of January 31, 2016, there were 1,158,082,750 shares of common stock of the registrant outstanding.

for Board consideration without immediately involving management and is consistent with the Board's emphasis on independent oversight, as well as our conservator's directives.

Our Board has six standing committees: the Audit Committee, the Compensation Committee, the Executive Committee, the Nominating & Corporate Governance Committee, the Risk Policy & Capital Committee, and the Strategic Initiatives Committee. Pursuant to FHFA direction, the Board and the standing Board committees function in accordance with their designated duties and with the authorities as set forth in federal statutes, regulations and FHFA guidance, Delaware law (insofar as the company has adopted its provisions for corporate governance purposes) and in Fannie Mae's bylaws and the applicable charters of Fannie Mae's Board committees. Such duties or authorities may be modified by the conservator at any time.

The Board oversees risk management primarily through the Risk Policy & Capital Committee. FHFA regulations that became effective in December 2015 set forth risk management requirements for our Board and our Risk Policy & Capital Committee, as described below, which we meet. These regulations require that our Board of Directors approve, have in effect at all times, and periodically review an enterprise-wide risk management program that establishes and is aligned with our risk appetite, aligns the risk appetite with our strategies and objectives, and addresses our exposure to credit risk, market risk, liquidity risk, business risk and operational risk. Our risk management program must include risk limitations appropriate to each line of business, appropriate policies and procedures relating to risk management governance, risk oversight infrastructure, and processes and systems for identifying and reporting risks, including emerging risks. Our program must also contain provisions for monitoring compliance with our risk limit structure and risk policies and effective and timely implementation of corrective actions. Additional provisions must specify management's authority and independence to carry out risk management responsibilities and the integration of risk management with management's goals and compensation structure. FHFA's regulations require our Risk Policy & Capital Committee to assist the Board in carrying out its oversight of our risk management program. Our Risk Policy & Capital Committee must also:

- be chaired by a director not serving Fannie Mae in a management capacity;
- have at least one member with risk management experience that is commensurate with our capital structure, risk appetite, complexity, activities, size and other appropriate risk-related factors;
- have committee members with a practical understanding of risk management principles and practices relevant to Fannie Mae;
- fully document its meetings; and
- report directly to the Board and not as part of, or combined with, another committee.

For more information on the role of our Board and our Chief Risk Officer in risk oversight, see "MD&A—Risk Management—Enterprise Risk Governance—Board of Directors."

Corporate Governance Information, Committee Charters and Codes of Conduct

Our Corporate Governance Guidelines, as well as the charters for our Board's Audit Committee, Compensation Committee, Nominating & Corporate Governance Committee, Risk Policy & Capital Committee, and Strategic Initiatives Committee, are posted on our website, www.fanniemae.com, under "Governance" in the "About Us" section of our website. Our Executive Committee does not have a written charter. The responsibilities, duties and authorities of the Executive Committee are set forth in our bylaws, which are also posted on our website, www.fanniemae.com, under "Governance" in the "About Us" section of our website.

We have a Code of Conduct that is applicable to all officers and employees and a Code of Conduct and Conflicts of Interest Policy for Members of the Board of Directors. Our Code of Conduct also serves as the code of ethics for our Chief Executive Officer and senior financial officers required by the Sarbanes-Oxley Act of 2002 and implementing regulations of the SEC. We have posted these codes on our website, www.fanniemae.com, under "Governance" in the "About Us" section of our website. We intend to disclose any changes to or waivers from these codes that apply to any of our executive officers or directors by posting this information on our website.

Although our equity securities are no longer listed on the New York Stock Exchange ("NYSE"), we are required by FHFA's corporate governance regulations to follow specified NYSE corporate governance requirements relating to, among other things, the independence of our Board members and the charters, independence, composition, expertise, duties and other requirements of our Board Committees.

EXHIBIT D

EXHIBIT INDEX

The following exhibits are submitted herewith:

Exhibit No.	Description
4.1	Senior Preferred Stock Purchase Agreement dated as of September 7, 2008, between the United States Department of the Treasury and Federal National Mortgage Association, acting through the Federal Housing Finance Agency as its duly appointed conservator
4.2	Certificate of Designation of Terms of Variable Liquidation Preference Senior Preferred Stock, Series 2008-2
4.3	Warrant to Purchase Common Stock, dated September 7, 2008
99.1	September 10, 2008 News Release Announcing Consent to pay declared but unpaid dividends on outstanding preferred stock
99.2	September 7, 2008 Statement of FHFA Director James B. Lockhart
99.3	Fact Sheet published by the U.S. Treasury Department regarding the Senior Preferred Stock Purchase Agreement
99.4	Fact Sheet published by the U.S. Treasury Department regarding the Credit Facility
99.5	Fact Sheet published by the U.S. Treasury Department regarding the GSE Mortgage Backed Securities Purchase Program

Exhibit 4.1

EXECUTION VERSION

SENIOR PREFERRED STOCK PURCHASE AGREEMENT

SENIOR PREFERRED STOCK PURCHASE AGREEMENT (this "Agreement") dated as of September 7, 2008, between the UNITED STATES DEPARTMENT OF THE TREASURY ("Purchaser") and FEDERAL NATIONAL MORTGAGE

ASSOCIATION ("Seller") acting through the Federal Housing Finance Agency (the "Agency") as duly appointed conservator (the Agency in such capacity, "Conservator"). Reference is made to Article 1 below for the meaning of capitalized terms used herein without definition.

Background

A. The Agency has been duly appointed as Conservator for Seller pursuant to Section 1367(a) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (as amended, the "FHE Act"). Conservator has determined that entry into this Agreement is (i) necessary to put Seller in a sound and solvent condition; (ii) appropriate to carry on the business of Seller and preserve and conserve the assets and property of Seller; and (iii) otherwise consistent with its powers, authorities and responsibilities.

B. Purchaser is authorized to purchase obligations and other securities issued by Seller pursuant to Section 304(g) of the Federal National Mortgage Association Charter Act, as amended (the "Charter Act"). The Secretary of the Treasury has determined, after taking into consideration the matters set forth in Section 304(g)(1)(C) of the Charter Act, that the purchases contemplated herein are necessary to (i) provide stability to the financial markets; (ii) prevent disruptions in the availability of mortgage finance; and (iii) protect the taxpayer.

THEREFORE, the parties hereto agree as follows:

Terms and Conditions

1. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set forth below:

"Affiliate" means, when used with respect to a specified Person (i) any direct or indirect holder or group (as defined in Sections 13(d) and 14(d) of the Exchange Act) of holders of 10.0% or more of any class of capital stock of such Person and (ii) any current or former director or officer of such Person, or any other current or former employee of such Person that currently exercises or formerly exercised a material degree of Control over such Person, including without limitation each current or former Named Executive Officer of such Person.

"Available Amount" means, as of any date of determination, the lesser of (a) the Deficiency Amount as of such date and (b) the Maximum Amount as of such date.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under United States federal law and the law of the State of New York.

"Capital Lease Obligations" of any Person shall mean the obligations of such Person to pay rent or other amounts under any lease of (or other similar arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for purposes hereof, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Deficiency Amount" means, as of any date of determination, the amount, if any, by which (a) the total liabilities of Seller exceed (b) the total assets of Seller (such assets excluding the Commitment and any unfunded amounts thereof), in each case as reflected on the balance sheet of Seller as of the applicable date set forth in this Agreement, prepared in accordance with GAAP; provided, however, that:

(i) for the avoidance of doubt, in measuring the Deficiency Amount liabilities shall exclude any obligation in respect of any capital stock of Seller, including the Senior Preferred Stock contemplated herein;

(ii) in the event that Seller becomes subject to receivership or other liquidation process or proceeding, "Deficiency Amount" shall mean, as of any date of determination, the amount, if any, by which (a) the total allowed claims against the receivership or other applicable estate (excluding any liabilities of or transferred to any LLRE (as defined in Section 5.4(a)) created by a receiver) exceed (b) the total assets of such receivership or other estate (excluding the Commitment, any unfunded amounts thereof and any assets of or transferred to any LLRE, but including the value of the receiver's interest in any LLRE);

(iii) to the extent Conservator or a receiver of Seller, or any statute, rule, regulation or court of competent jurisdiction, specifies or determines that a liability of Seller (including without limitation a claim against Seller arising from rescission of a purchase or sale of a security issued by Seller (or guaranteed by Seller or with respect to which Seller is otherwise liable) or for damages arising from the purchase, sale or retention of such a security) shall be subordinated (other than pursuant to a contract providing for such subordination) to all other liabilities of Seller or shall be treated on par with any class of equity of Seller, then such liability shall be excluded in the calculation of Deficiency Amount; and

(iv) the Deficiency Amount may be increased above the otherwise applicable amount by the mutual written agreement of Purchaser and Seller, each acting in its sole discretion.

"Designated Representative" means Conservator or (a) if Conservator has been superseded by a receiver pursuant to Section 1367(a) of the FHE Act, such receiver, or (b) if Seller is not in con-

servatorship or receivership pursuant to Section 1367(a) of the FHE Act, Seller's chief financial officer.

"Director" shall mean the Director of the Agency.

"Effective Date" means the date on which this Agreement shall have been executed and delivered by both of the parties hereto.

"Equity Interests" of any Person shall mean any and all shares, interests, rights to purchase or otherwise acquire, warrants, options, participations or other equivalents of or interests in (however designated) equity, ownership or profits of such Person, including any preferred stock, any limited or general partnership interest and any limited liability company membership interest, and any securities or other rights or interests convertible into or exchangeable for any of the foregoing.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"GAAP" means generally accepted accounting principles in effect in the United States as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board from time to time.

"Indebtedness" of any Person means, for purposes of Section 5.5 only, without duplication, (a) all obligations of such Person for money borrowed by such Person, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (d) all obligations of such Person issued or assumed as the deferred purchase price of property or services, other than trade accounts payable, (e) all Capital Lease Obligations of such Person, (f) obligations, whether contingent or liquidated, in respect of letters of credit (including standby and commercial), bankers' acceptances and similar instruments and (g) any obligation of such Person, contingent or otherwise, guaranteeing or having the economic effect of guaranteeing any Indebtedness of the types set forth in clauses (a) through (f) payable by another Person other than Mortgage Guarantee Obligations.

"Liquidation End Date" means the date of completion of the liquidation of Seller's assets.

"Maximum Amount" means, as of any date of determination, $100,000,000,000 (one hundred billion dollars), less the aggregate amount of funding under the Commitment prior to such date.

"Mortgage Assets" of any Person means assets of such Person consisting of mortgages, mortgage loans, mortgage-related securities, participation certificates, mortgage-backed commercial paper, obligations of real estate mortgage investment conduits and similar assets, in each case to the extent such assets would appear on the balance sheet of such Person in accordance with GAAP as in effect as of the date hereof (and, for the avoidance of doubt, without giving effect to any

change that may be made hereafter in respect of Statement of Financial Accounting Standards No. 140 or any similar accounting standard).

"Mortgage Guarantee Obligations" means guarantees, standby commitments, credit enhancements and other similar obligations of Seller, in each case in respect of Mortgage Assets.

"Named Executive Officer" has the meaning given to such term in Item 402(a)(3) of Regulation S-K under the Exchange Act, as in effect on the date hereof.

"Person" shall mean any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, estate, unincorporated organization or government or any agency or political subdivision thereof, or any other entity whatsoever.

"SEC" means the Securities and Exchange Commission.

"Senior Preferred Stock" means the Variable Liquidation Preference Senior Preferred Stock of Seller, substantially in the form of Exhibit A hereto.

"Warrant" means a warrant for the purchase of common stock of Seller representing 79.9% of the common stock of Seller on a fully-diluted basis, substantially in the form of Exhibit B hereto.

2. COMMITMENT

2.1. Commitment. Purchaser hereby commits to provide to Seller, on the terms and conditions set forth herein, immediately available funds in an amount up to but not in excess of the Available Amount, as determined from time to time (the "Commitment"); provided, that in no event shall the aggregate amount funded under the Commitment exceed $100,000,000,000 (one hundred billion dollars). The liquidation preference of the Senior Preferred Stock shall increase in connection with draws on the Commitment, as set forth in Section 3.3 below.

2.2. Quarterly Draws on Commitment. Within fifteen (15) Business Days following the determination of the Deficiency Amount, if any, as of the end of each fiscal quarter of Seller which ends on or before the Liquidation End Date, the Designated Representative may, on behalf of Seller, request that Purchaser provide immediately available funds to Seller in an amount up to but not in excess of the Available Amount as of the end of such quarter. Any such request shall be valid only if it is in writing, is timely made, specifies the account of Seller to which such funds are to be transferred, and contains a certification of the Designated Representative that the requested amount does not exceed the Available Amount as of the end of the applicable quarter. Purchaser shall provide such funds within sixty (60) days of its receipt of such request or, following any determination by the Director that the Director will be mandated by law to appoint a receiver for Seller if such funds are not received sooner, such shorter period as may be necessary to avoid such mandatory appointment of a receiver if reasonably practicable taking into consideration Purchaser's access to funds.

2.3. Accelerated Draws on Commitment. Immediately following any determination by the Director that the Director will be mandated by law to appoint a receiver for Seller prior to the Liquidation End Date unless Seller's capital is increased by an amount (the "Special Amount")

up to but not in excess of the then current Available Amount (computed based on a balance sheet of Seller prepared in accordance with GAAP that differs from the most recent balance sheet of Seller delivered in accordance with Section 5.9(a) or (b)) on a date that is prior to the date that funds will be available to Seller pursuant to Section 2.2, Conservator may, on behalf of Seller, request that Purchaser provide to Seller the Special Amount in immediately available funds. Any such request shall be valid only if it is in writing, is timely made, specifies the account of Seller to which such funds are to be transferred, and contains certifications of Conservator that (i) the requested amount does not exceed the Available Amount (including computations in reasonable detail and satisfactory to Purchaser of the then existing Deficiency Amount) and (ii) the requested amount is required to avoid the imminent mandatory appointment of a receiver for Seller. Purchaser shall provide such funds within thirty (30) days of its receipt of such request or, if reasonably practicable taking into consideration Purchaser's access to funds, any shorter period as may be necessary to avoid mandatory appointment of a receiver.

2.4. Final Draw on Commitment. Within fifteen (15) Business Days following the determination of the Deficiency Amount, if any, as of the Liquidation End Date (computed based on a balance sheet of Seller as of the Liquidation End Date prepared in accordance with GAAP), the Designated Representative may, on behalf of Seller, request that Purchaser provide immediately available funds to Seller in an amount up to but not in excess of the Available Amount as of the Liquidation End Date. Any such request shall be valid only if it is in writing, is timely made, specifies the account of Seller to which such funds are to be transferred, and contains a certification of the Designated Representative that the requested amount does not exceed the Available Amount (including computations in reasonable detail and satisfactory to Purchaser of the Deficiency Amount as of the Liquidation End Date). Purchaser shall provide such funds within sixty (60) days of its receipt of such request.

2.5. Termination of Purchaser's Obligations. Subject to earlier termination pursuant to Section 6.7, all of Purchaser's obligations under and in respect of the Commitment shall terminate upon the earliest of: (a) if the Liquidation End Date shall have occurred, (i) the payment in full of Purchaser's obligations with respect to any valid request for funds pursuant to Section 2.4 or (ii) if there is no Deficiency Amount on the Liquidation End Date or if no such request pursuant to Section 2.4 has been made, the close of business on the 15th Business Day following the determination of the Deficiency Amount, if any, as of the Liquidation End Date; (b) the payment in full of, defeasance of or other reasonable provision for all liabilities of Seller, whether or not contingent, including payment of any amounts that may become payable on, or expiry of or other provision for, all Mortgage Guarantee Obligations and provision for unmatured debts; and (c) the funding by Purchaser under the Commitment of an aggregate of $100,000,000,000 (one hundred billion dollars). For the avoidance of doubt, the Commitment shall not be terminable by Purchaser solely by reason of (i) the conservatorship, receivership or other insolvency proceeding of Seller or (ii) the Seller's financial condition or any adverse change in Seller's financial condition.

3. PURCHASE OF SENIOR PREFERRED STOCK AND WARRANT; FEES

3.1. Initial Commitment Fee. In consideration of the Commitment, and for no additional consideration, on the Effective Date (or as soon thereafter as is practicable) Seller shall sell and issue to Purchaser, and Purchaser shall purchase from Seller, (a) one million (1,000,000) shares of Senior Preferred Stock, with an initial liquidation preference equal to $1,000 per share

($1,000,000,000 (one billion dollars) liquidation preference in the aggregate), and (b) the Warrant.

3.2. Periodic Commitment Fee. (a) Commencing March 31, 2010, Seller shall pay to Purchaser quarterly, on the last day of March, June, September and December of each calendar year (each a "Periodic Fee Date"), a periodic commitment fee (the "Periodic Commitment Fee"). The Periodic Commitment Fee shall accrue from January 1, 2010.

(b) The Periodic Commitment Fee is intended to fully compensate Purchaser for the support provided by the ongoing Commitment following December 31, 2009. The amount of the Periodic Commitment Fee shall be set not later than December 31, 2009 with respect to the ensuing five-year period, shall be reset every five years thereafter and shall be determined with reference to the market value of the Commitment as then in effect. The amount of the Periodic Commitment Fee shall be mutually agreed by Purchaser and Seller, subject to their reasonable discretion and in consultation with the Chairman of the Federal Reserve; provided, that Purchaser may waive the Periodic Commitment Fee for up to one year at a time, in its sole discretion, based on adverse conditions in the United States mortgage market.

(c) At the election of Seller, the Periodic Commitment Fee may be paid in cash or by adding the amount thereof ratably to the liquidation preference of each outstanding share of Senior Preferred Stock so that the aggregate liquidation preference of all such outstanding shares of Senior Preferred Stock is increased by an amount equal to the Periodic Commitment Fee. Seller shall deliver notice of such election not later than three (3) Business Days prior to each Periodic Fee Date. If the Periodic Commitment Fee is not paid in cash by 12:00 pm (New York time) on the applicable Periodic Fee Date (irrespective of Seller's election pursuant to this subsection), Seller shall be deemed to have elected to pay the Periodic Commitment Fee by adding the amount thereof to the liquidation preference of the Senior Preferred Stock, and the aggregate liquidation preference of the outstanding shares of Senior Preferred Stock shall thereupon be automatically increased, in the manner contemplated by the first sentence of this section, by an aggregate amount equal to the Periodic Commitment Fee then due.

3.3. Increases of Senior Preferred Stock Liquidation Preference as a Result of Funding under the Commitment. The aggregate liquidation preference of the outstanding shares of Senior Preferred Stock shall be automatically increased by an amount equal to the amount of each draw on the Commitment pursuant to Article 2 that is funded by Purchaser to Seller, such increase to occur simultaneously with such funding and ratably with respect to each share of Senior Preferred Stock.

3.4. Notation of Increase in Liquidation Preference. Seller shall duly mark its records to reflect each increase in the liquidation preference of the Senior Preferred Stock contemplated herein (but, for the avoidance of doubt, such increase shall be effective regardless of whether Seller has properly marked its records).

4. REPRESENTATIONS

Seller represents and warrants as of the Effective Date, and shall be deemed to have represented and warranted as of the date of each request for and funding of an advance under the Commitment pursuant to Article 2, as follows:

4.1. Organization and Good Standing. Seller is a corporation, chartered by the Congress of the United States, duly organized, validly existing and in good standing under the laws of the United States and has all corporate power and authority to carry on its business as now conducted and as proposed to be conducted.

4.2. Organizational Documents. Seller has made available to Purchaser a complete and correct copy of its charter and bylaws, each as amended to date (the "Organizational Documents"). The Organizational Documents are in full force and effect. Seller is not in violation of any provision of its Organizational Documents.

4.3. Authorization and Enforceability. All corporate or other action on the part of Seller or Conservator necessary for the authorization, execution, delivery and performance of this Agreement by Seller and for the authorization, issuance and delivery of the Senior Preferred Stock and the Warrant being purchased under this Agreement, has been taken. This Agreement has been duly and validly executed and delivered by Seller and (assuming due authorization, execution and delivery by the Purchaser) shall constitute the valid and legally binding obligation of Seller, enforceable against Seller in accordance with its terms, except to the extent the enforceability thereof may be limited by bankruptcy laws, insolvency laws, reorganization laws, moratorium laws or other laws of general applicability affecting creditors' rights generally or by general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law). The Agency is acting as conservator for Seller under Section 1367 of the FHE Act. The Board of Directors of Seller, by valid action at a duly called meeting of the Board of Directors on September 6, 2008, consented to the appointment of the Agency as conservator for purposes of Section 1367(a)(3)(I) of the FHE Act, and the Director of the Agency has appointed the Agency as Conservator for Seller pursuant to Section 1367(a)(1) of the FHE Act, and each such action has not been rescinded, revoked or modified in any respect.

4.4. Valid Issuance. When issued in accordance with the terms of this Agreement, the Senior Preferred Stock and the Warrant will be duly authorized, validly issued, fully paid and nonassessable, free and clear of all liens and preemptive rights. The shares of common stock to which the holder of the Warrant is entitled have been duly and validly reserved for issuance. When issued and delivered in accordance with the terms of this Agreement and the Warrant, such shares will be duly authorized, validly issued, fully paid and nonassessable, free and clear of all liens and preemptive rights.

4.5. Non-Contravention.

(a) The execution, delivery or performance by Seller of this Agreement and the consummation by Seller of the transactions contemplated hereby do not and will not (i) conflict with or violate any provision of the Organizational Documents of Seller; (ii) conflict with or violate

any law, decree or regulation applicable to Seller or by which any property or asset of Seller is bound or affected, or (iii) result in any breach of, or constitute a default (with or without notice or lapse of time, or both) under, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of a lien upon any of the properties or assets of Seller, pursuant to any note, bond, mortgage, indenture or credit agreement, or any other contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Seller is a party or by which Seller is bound or affected, other than, in the case of clause (iii), any such breach, default, termination, amendment, acceleration, cancellation or lien that would not have and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the business, property, operations or condition of the Seller, the authority of the Conservator or the validity or enforceability of this Agreement (a "Material Adverse Effect").

(b) The execution and delivery of this Agreement by Seller does not, and the consummation by Seller of the transactions contemplated by this Agreement will not, require any consent, approval, authorization, waiver or permit of, or filing with or notification to, any governmental authority or any other person, except for such as have already been obtained.

5. COVENANTS

From the Effective Date until such time as the Senior Preferred Stock shall have been repaid or redeemed in full in accordance with its terms:

5.1. Restricted Payments. Seller shall not, and shall not permit any of its subsidiaries to, in each case without the prior written consent of Purchaser, declare or pay any dividend (preferred or otherwise) or make any other distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, with respect to any of Seller's Equity Interests (other than with respect to the Senior Preferred Stock or the Warrant) or directly or indirectly redeem, purchase, retire or otherwise acquire for value any of Seller's Equity Interests (other than the Senior Preferred Stock or the Warrant), or set aside any amount for any such purpose.

5.2. Issuance of Capital Stock. Seller shall not, and shall not permit any of its subsidiaries to, in each case without the prior written consent of Purchaser, sell or issue Equity Interests of Seller or any of its subsidiaries of any kind or nature, in any amount, other than the sale and issuance of the Senior Preferred Stock and Warrant on the Effective Date and the common stock subject to the Warrant upon exercise thereof, and other than as required by (and pursuant to) the terms of any binding agreement as in effect on the date hereof.

5.3. Conservatorship. Seller shall not (and Conservator, by its signature below, agrees that it shall not), without the prior written consent of Purchaser, terminate, seek termination of or permit to be terminated the conservatorship of Seller pursuant to Section 1367 of the FHE Act, other than in connection with a receivership pursuant to Section 1367 of the FHE Act.

5.4. Transfer of Assets. Seller shall not, and shall not permit any of its subsidiaries to, in each case without the prior written consent of Purchaser, sell, transfer, lease or otherwise dispose of (in one transaction or a series of related transactions) all or any portion of its assets (including

Equity Interests in other persons, including subsidiaries), whether now owned or hereafter acquired (any such sale, transfer, lease or disposition, a "Disposition"), other than Dispositions for fair market value:

(a) to a limited life regulated entity ("LLRE") pursuant to Section 1367(i) of the FHE Act;

(b) of assets and properties in the ordinary course of business, consistent with past practice;

(c) in connection with a liquidation of Seller by a receiver appointed pursuant to Section 1367(a) of the FHE Act;

(d) of cash or cash equivalents for cash or cash equivalents; or

(e) to the extent necessary to comply with the covenant set forth in Section 5.7 below.

5.5. Indebtedness. Seller shall not, and shall not permit any of its subsidiaries to, in each case without the prior written consent of Purchaser, incur, assume or otherwise become liable for (a) any Indebtedness if, after giving effect to the incurrence thereof, the aggregate Indebtedness of Seller and its subsidiaries on a consolidated basis would exceed 110.0% of the aggregate Indebtedness of Seller and its subsidiaries on a consolidated basis as of June 30, 2008 or (b) any Indebtedness if such Indebtedness is subordinated by its terms to any other Indebtedness of Seller or the applicable subsidiary. For purposes of this covenant the acquisition of a subsidiary with Indebtedness will be deemed to be the incurrence of such Indebtedness at the time of such acquisition.

5.6. Fundamental Changes. Seller shall not, and shall not permit any of its subsidiaries to, in each case without the prior written consent of Purchaser, (i) merge into or consolidate or amalgamate with any other Person, or permit any other Person to merge into or consolidate or amalgamate with it, (ii) effect a reorganization or recapitalization involving the common stock of Seller, a reclassification of the common stock of Seller or similar corporate transaction or event or (iii) purchase, lease or otherwise acquire (in one transaction or a series of transactions) all or substantially all of the assets of any other Person or any division, unit or business of any Person.

5.7. Mortgage Assets. Seller shall not own, as of any applicable date, Mortgage Assets in excess of (i) on December 31, 2009, $850 billion, or (ii) on December 31 of each year thereafter, 90.0% of the aggregate amount of Mortgage Assets of Seller as of December 31 of the immediately preceding calendar year; provided, that in no event shall Seller be required under this Section 5.7 to own less than $250 billion in Mortgage Assets.

5.8. Transactions with Affiliates. Seller shall not, and shall not permit any of its subsidiaries to, without the prior written consent of Purchaser, engage in any transaction of any kind or nature with an Affiliate of Seller unless such transaction is (i) pursuant to this Agreement, the Senior Preferred Stock or the Warrant, (ii) upon terms no less favorable to Seller than would be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of Seller or

(iii) a transaction undertaken in the ordinary course or pursuant to a contractual obligation or customary employment arrangement in existence as of the date hereof.

5.9. Reporting. Seller shall provide to Purchaser:

(a) not later than the time period specified in the SEC's rules and regulations with respect to issuers as to which Section 13 and 15(d) of the Exchange Act apply, annual reports on Form 10-K (or any successor or comparable form) containing the information required to be contained therein (or required in such successor or comparable form);

(b) not later than the time period specified in the SEC's rules and regulations with respect to issuers as to which Section 13 and 15(d) of the Exchange Act apply, reports on Form 10-Q (or any successor or comparable form) containing the information required to be contained therein (or required in such successor or comparable form);

(c) promptly from time to time after the occurrence of an event required to be therein reported (and in any event within the time period specified in the SEC's rules and regulations), such other reports on Form 8-K (or any successor or comparable form);

(d) concurrently with any delivery of financial statements under paragraphs (a) or (b) above, a certificate of the Designated Representative, (i) certifying that Seller is (and since the last such certificate has at all times been) in compliance with each of the covenants contained herein and that no representation made by Seller herein or in any document delivered pursuant hereto or in connection herewith was false or misleading in any material respect when made, or, if the foregoing is not true, specifying the nature and extent of the breach of covenant and/or representation and any corrective action taken or proposed to be taken with respect thereto, and (ii) setting forth computations in reasonable detail and satisfactory to the Purchaser of the Deficiency Amount, if any;

(e) promptly, from time to time, such other information regarding the operations, business affairs, plans, projections and financial condition of Seller, or compliance with the terms of this Agreement, as Purchaser may reasonably request; and

(f) as promptly as reasonably practicable, written notice of the following:

(i) the occurrence of the Liquidation End Date;

(ii) the filing or commencement of, or any written threat or notice of intention of any Person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any governmental authority or in arbitration, against Conservator, Seller or any other Person which, if adversely determined, would reasonably be expected to have a Material Adverse Effect;

(iii) any other development that is not a matter of general public knowledge and that has had, or would reasonably be expected to have, a Material Adverse Effect.

5.10. Executive Compensation. Seller shall not, without the consent of the Director, in consultation with the Secretary of the Treasury, enter into any new compensation arrangements with, or increase amounts or benefits payable under existing compensation arrangements of, any Named Executive Officer of Seller.

6. MISCELLANEOUS

6.1. No Third-Party Beneficiaries. Until the termination of the Commitment, at any time during the existence and continuance of a payment default with respect to debt securities issued by Seller and/or a default by Seller with respect to any Mortgage Guarantee Obligations, any holder of such defaulted debt securities or beneficiary of such Mortgage Guarantee Obligations (collectively, the "Holders") may (a) deliver notice to the Seller and the Designated Representative requesting exercise of all rights available to them under this Agreement to draw on the Commitment up to the lesser of the amount necessary to cure the outstanding payment defaults and the Available Amount as of the last day of the immediately preceding fiscal quarter, and (b) if Seller and the Designated Representative fail to act as requested within thirty (30) days of such notice, or if Purchaser shall fail to perform its obligations in respect of any draw on the Commitment and Seller and/or the Designated Representative shall not be diligently pursuing remedies in respect of such failure, seek judicial relief requiring Seller to draw on the Commitment or Purchaser to fund the Commitment, as applicable. The Holders shall have no other rights under or in respect of this Agreement, and the Commitment shall not otherwise be enforceable by any creditor of Seller or by any other Person other than the parties hereto, and no such creditor or other Person is intended to be, or shall be, a third party beneficiary of any provision of this Agreement.

6.2. Non-Transferable; Successors. The Commitment is solely for the benefit of Seller and shall not inure to the benefit of any other Person (other than the Holders to the extent set forth in Section 6.1), including any entity to which the charter of Seller may be transferred, to any LLRE or to any other successor to the assets, liabilities or operations of Seller. The Commitment may not be assigned or otherwise transferred, in whole or in part, to any Person (including, for the avoidance of doubt, any LLRE to which a receiver has assigned all or a portion of Seller's assets) without the prior written consent of Purchaser (which may be withheld in its sole discretion). In no event shall any successor to Seller (including such an LLRE) be entitled to the benefit of the Commitment without the prior written consent of Purchaser. Seller and Conservator, for themselves and on behalf of their permitted successors, covenant and agree not to transfer or purport to transfer the Commitment in contravention of the terms hereof, and any such attempted transfer shall be null and void ab initio. It is the expectation of the parties that, in the event Seller were placed into receivership and an LLRE formed to purchase certain of its assets and assume certain of its liabilities, the Commitment would remain with Seller for the benefit of the holders of the debt of Seller not assumed by the LLRE.

6.3. Amendments; Waivers. This Agreement may be waived or amended solely by a writing executed by both of the parties hereto, and, with respect to amendments to or waivers of the provisions of Sections 5.3, 6.2 and 6.11, the Conservator; provided, however, that no such waiver or amendment shall decrease the aggregate Commitment or add conditions to funding the amounts required to be funded by Purchaser under the Commitment if such waiver or amendment would,

in the reasonable opinion of Seller, adversely affect in any material respect the holders of debt securities of Seller and/or the beneficiaries of Mortgage Guarantee Obligations, in each case in their capacities as such, after taking into account any alternative arrangements that may be implemented concurrently with such waiver or amendment. In no event shall any rights granted hereunder prevent the parties hereto from waiving or amending in any manner whatsoever the covenants of Seller hereunder.

6.4. Governing Law; Jurisdiction; Venue. This Agreement and the Warrant shall be governed by, and construed in accordance with, the federal law of the United States of America if and to the extent such federal law is applicable, and otherwise in accordance with the laws of the State of New York. The Senior Preferred Stock shall be governed as set forth in the terms thereof. The United States District Court for the District of Columbia shall have exclusive jurisdiction over all civil actions arising out of this Agreement, the Commitment, the Senior Preferred Stock and the Warrant, and venue for any such civil action shall lie exclusively in the United States District Court for the District of Columbia.

6.5. Notices. Any notices delivered pursuant to or in connection with this Agreement shall be delivered to the applicable parties at the addresses set forth below:

If to Seller:

Federal National Mortgage Association
c/o Federal Housing Finance Authority
1700 G Street, NW
4th Floor
Washington, DC 20552
Attention: General Counsel

If to Purchaser:

United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington DC 20220
Attention: Under Secretary for Domestic Finance

with a copy to:

United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington DC 20220
Attention: General Counsel

If to Conservator:

Federal Housing Finance Authority
1700 G Street, NW

4th Floor
Washington, DC 20552
Attention: General Counsel

All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail. All notices hereunder shall be effective upon receipt.

6.6. Disclaimer of Guarantee. This Agreement and the Commitment are not intended to and shall not be deemed to constitute a guarantee by Purchaser or any other agency or instrumentality of the United States of the payment or performance of any debt security or any other obligation, indebtedness or liability of Seller of any kind or character whatsoever.

6.7. Effect of Order; Injunction; Decree. If any order, injunction or decree is issued by any court of competent jurisdiction that vacates, modifies, amends, conditions, enjoins, stays or otherwise affects the appointment of Conservator as conservator of Seller or otherwise curtails Conservator's powers as such conservator (except in each case any order converting the conservatorship to a receivership under Section 1367(a) of the FHE Act), Purchaser may by written notice to Conservator and Seller declare this Agreement null and void, whereupon all transfers hereunder (including the issuance of the Senior Preferred Stock and the Warrant and any funding of the Commitment) shall be rescinded and unwound and all obligations of the parties (other than to effectuate such rescission and unwind) shall immediately and automatically terminate.

6.8. Business Day. To the extent that any deadline or date of performance of any right or obligation set forth herein shall fall on a day other than a Business Day, then such deadline or date of performance shall automatically be extended to the next succeeding Business Day.

6.9. Entire Agreement. This Agreement, together with the Senior Preferred Stock and Warrant, contains the entire agreement between the parties hereto with respect to the transactions contemplated hereby and supersedes and cancels all prior agreements, including, but not limited to, all proposals, term sheets, statements, letters of intent or representations, written or oral, with respect thereto.

6.10. Remedies. In the event of a breach by Seller of any covenant or representation of Seller set forth herein, Purchaser shall be entitled to specific performance (in the case of a breach of covenant), damages and such other remedies as may be available at law or in equity; provided, that Purchaser shall not have the right to terminate the Commitment solely as a result of any such breach, and compliance with the covenants and the accuracy of the representations set forth in this Agreement shall not be conditions to funding the Commitment.

6.11. Tax Reporting. Neither Seller nor Conservator shall take, or shall permit any of their respective successors or assigns to take, a position for any tax, accounting or other purpose that is inconsistent with Internal Revenue Service Notice 2008-76 (or the regulations to be issued pursuant to such Notice) regarding the application of Section 382 of the Internal Revenue Code of 1986, as amended, a copy of which Notice has been provided to Seller in connection with the execution of this Agreement.

6.12. Non-Severability. Each of the provisions of this Agreement is integrated with and integral to the whole and shall not be severable from the remainder of the Agreement. In the event that any provision of this Agreement, the Senior Preferred Stock or the Warrant is determined to be illegal or unenforceable, then Purchaser may, in its sole discretion, by written notice to Conservator and Seller, declare this Agreement null and void, whereupon all transfers hereunder (including the issuance of the Senior Preferred Stock and the Warrant and any funding of the Commitment) shall be rescinded and unwound and all obligations of the parties (other than to effectuate such rescission and unwind) shall immediately and automatically terminate.

[Signature Page Follows]

FEDERAL NATIONAL MORTGAGE ASSOCIATION, by

Federal Housing Finance Agency,
its Conservator

/s/ James B. Lockhart III

James B. Lockhart III

Director

UNITED STATES DEPARTMENT OF THE TREASURY

/s/ Henry M. Paulson, Jr.

Henry M. Paulson, Jr.

Secretary of the Treasury

Acknowledged and, solely as
To Sections 5.3, 6.2 and 6.11,
Agreed:

FEDERAL HOUSING
FINANCE AGENCY,
As Conservator

/s/ James B. Lockhart III

James B. Lockhart III

Director

EXHIBIT E

CERTIFICATE OF DESIGNATION OF TERMS OF
VARIABLE LIQUIDATION PREFERENCE SENIOR
PREFERRED STOCK, SERIES 2008-2

1. Designation, Par Value, Number of Shares and Priority

The designation of the series of preferred stock of the Federal National Mortgage Association (the "Company") created by this resolution shall be "Variable Liquidation Preference Senior Preferred Stock, Series 2008-2" (the "Senior Preferred Stock"), and the number of shares initially constituting the Senior Preferred Stock is 1,000,000. Shares of Senior Preferred Stock will have no par value and a stated value and initial liquidation preference per share equal to $1,000 per share, subject to adjustment as set forth herein. The Board of Directors of the Company, or a duly authorized committee thereof, in its sole discretion, may reduce the number of shares of Senior Preferred Stock, provided such reduction is not below the number of shares of Senior Preferred Stock then outstanding.

The Senior Preferred Stock shall rank prior to the common stock of the Company as provided in this Certificate and shall rank, as to both dividends and distributions upon dissolution, liquidation or winding up of the Company, prior to (a) the shares of preferred stock of the Company designated "5.25% Non-Cumulative Preferred Stock, Series D", "5.10% Non-Cumulative Preferred Stock, Series E", "Variable Rate Non-Cumulative Preferred Stock, Series F", "Variable Rate Non-Cumulative Preferred Stock, Series G", "5.81% Non-Cumulative Preferred Stock, Series H", "5.375% Non-Cumulative Preferred Stock, Series I", "5.125% Non-Cumulative Preferred Stock, Series L", "4.75% Non-Cumulative Preferred Stock, Series M", "5.50% Non-Cumulative Preferred Stock, Series N", "Non-Cumulative Preferred Stock, Series O", "Non-Cumulative Convertible Series 2004-1 Preferred Stock", "Variable Rate Non-Cumulative Preferred Stock, Series P", "6.75% Non-Cumulative Preferred Stock, Series Q", "7.625% Non-Cumulative Preferred Stock, Series R", "Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series S", and "8.75% Non-Cumulative Mandatory Convertible Preferred Stock", Series 2008-1", (b) any other capital stock of the Company outstanding on the date of the initial issuance of the Senior Preferred Stock and (c) any capital stock of the Company that may be issued after the date of initial issuance of the Senior Preferred Stock.

2. Dividends

(a) For each Dividend Period from the date of the initial issuance of the Senior Preferred Stock, holders of outstanding shares of Senior Preferred Stock shall be entitled to receive, ratably, when, as and if declared by the Board of Directors, in its sole discretion, out of funds legally available therefor, cumulative cash dividends at the annual rate per share equal to the then-current Dividend Rate on the then-current Liquidation Preference. Dividends on the Senior Preferred Stock shall accrue from but not including the date of the initial issuance of the Senior Preferred Stock and will be payable in arrears when, as and if declared by the Board of Directors quarterly on March 31, June 30, September 30 and December 31 of each year (each, a "Dividend Payment Date"), commencing on December 31, 2008. If a Dividend Payment Date is not a "Business Day," the related dividend will be paid not later than the next Business Day with the same force and effect as though paid on the Dividend Payment Date, without any increase to

account for the period from such Dividend Payment Date through the date of actual payment. "Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which New York City banks are closed, or (iii) a day on which the offices of the Company are closed.

If declared, the initial dividend will be for the period from but not including the date of the initial issuance of the Senior Preferred Stock through and including December 31, 2008. Except for the initial Dividend Payment Date, the "Dividend Period" relating to a Dividend Payment Date will be the period from but not including the preceding Dividend Payment Date through and including the related Dividend Payment Date. The amount of dividends payable on the initial Dividend Payment Date or for any Dividend Period that is not a full calendar quarter shall be computed on the basis of 30-day months, a 360-day year and the actual number of days elapsed in any period of less than one month. For the avoidance of doubt, in the event that the Liquidation Preference changes in the middle of a Dividend Period, the amount of dividends payable on the Dividend Payment Date at the end of such Dividend Period shall take into account such change in Liquidation Preference and shall be computed at the Dividend Rate on each Liquidation Preference based on the portion of the Dividend Period that each Liquidation Preference was in effect.

(b) To the extent not paid pursuant to Section 2(a) above, dividends on the Senior Preferred Stock shall accrue and shall be added to the Liquidation Preference pursuant to Section 8, whether or not there are funds legally available for the payment of such dividends and whether or not dividends are declared.

(c) "Dividend Rate" means 10.0%; provided, however, that if at any time the Company shall have for any reason failed to pay dividends in cash in a timely manner as required by this Certificate, then immediately following such failure and for all Dividend Periods thereafter until the Dividend Period following the date on which the Company shall have paid in cash full cumulative dividends (including any unpaid dividends added to the Liquidation Preference pursuant to Section 8), the "Dividend Rate" shall mean 12.0%.

(d) Each such dividend shall be paid to the holders of record of outstanding shares of the Senior Preferred Stock as they appear in the books and records of the Company on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the applicable Dividend Payment Date. The Company may not, at any time, declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any common stock or other securities ranking junior to the Senior Preferred Stock unless (i) full cumulative dividends on the outstanding Senior Preferred Stock in respect of the then-current Dividend Period and all past Dividend Periods (including any unpaid dividends added to the Liquidation Preference pursuant to Section 8) have been declared and paid in cash (including through any pay down of Liquidation Preference pursuant to Section 3) and (ii) all amounts required to be paid pursuant to Section 4 (without giving effect to any prohibition on such payment under any applicable law) have been paid in cash.

(e) Notwithstanding any other provision of this Certificate, the Board of Directors, in its discretion, may choose to pay dividends on the Senior Preferred Stock without the payment of any dividends on the common stock, preferred stock or any other class or series of stock from time

to time outstanding ranking junior to the Senior Preferred Stock with respect to the payment of dividends.

(f) If and whenever dividends, having been declared, shall not have been paid in full, as aforesaid, on shares of the Senior Preferred Stock, all such dividends that have been declared on shares of the Senior Preferred Stock shall be paid to the holders pro rata based on the aggregate Liquidation Preference of the shares of Senior Preferred Stock held by each holder, and any amounts due but not paid in cash shall be added to the Liquidation Preference pursuant to Section 8.

3. Optional Pay Down of Liquidation Preference

(a) Following termination of the Commitment (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below), and subject to any limitations which may be imposed by law and the provisions below, the Company may pay down the Liquidation Preference of all outstanding shares of the Senior Preferred Stock pro rata, at any time, in whole or in part, out of funds legally available therefor, with such payment first being used to reduce any accrued and unpaid dividends previously added to the Liquidation Preference pursuant to Section 8 below and, to the extent all such accrued and unpaid dividends have been paid, next being used to reduce any Periodic Commitment Fees (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below) previously added to the Liquidation Preference pursuant to Section 8 below. Prior to termination of the Commitment, and subject to any limitations which may be imposed by law and the provisions below, the Company may pay down the Liquidation Preference of all outstanding shares of the Senior Preferred Stock pro rata, at any time, out of funds legally available therefor, but only to the extent of (i) accrued and unpaid dividends previously added to the Liquidation Preference pursuant to Section 8 below and not repaid by any prior pay down of Liquidation Preference and (ii) Periodic Commitment Fees previously added to the Liquidation Preference pursuant to Section 8 below and not repaid by any prior pay down of Liquidation Preference. Any pay down of Liquidation Preference permitted by this Section 3 shall be paid by making a payment in cash to the holders of record of outstanding shares of the Senior Preferred Stock as they appear in the books and records of the Company on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the date fixed for the payment.

(b) In the event the Company shall pay down of the Liquidation Preference of the Senior Preferred Stock as aforesaid, notice of such pay down shall be given by the Company by first class mail, postage prepaid, mailed neither less than 10 nor more than 45 days preceding the date fixed for the payment, to each holder of record of the shares of the Senior Preferred Stock, at such holder's address as the same appears in the books and records of the Company. Each such notice shall state the amount by which the Liquidation Preference of each share shall be reduced and the pay down date.

(c) If after termination of the Commitment the Company pays down the Liquidation Preference of each outstanding share of Senior Preferred Stock in full, such shares shall be deemed to have been redeemed as of the date of such payment, and the dividend that would otherwise be payable for the Dividend Period ending on the pay down date will be paid on such date. Following such deemed redemption, the shares of the Senior Preferred Stock shall no longer be deemed to be

outstanding, and all rights of the holders thereof as holders of the Senior Preferred Stock shall cease, with respect to shares so redeemed, other than the right to receive the pay down amount (which shall include the final dividend for such shares). Any shares of the Senior Preferred Stock which shall have been so redeemed, after such redemption, shall no longer have the status of authorized, issued or outstanding shares.

4. Mandatory Pay Down of Liquidation Preference Upon Issuance of Capital Stock

(a) If the Company shall issue any shares of capital stock (including without limitation common stock or any series of preferred stock) in exchange for cash at any time while the Senior Preferred Stock is outstanding, then the Company shall, within 10 Business Days, use the proceeds of such issuance net of the direct costs relating to the issuance of such securities (including, without limitation, legal, accounting and investment banking fees) to pay down the Liquidation Preference of all outstanding shares of Senior Preferred Stock pro rata, out of funds legally available therefor, by making a payment in cash to the holders of record of outstanding shares of the Senior Preferred Stock as they appear in the books and records of the Company on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the date fixed for the payment, with such payment first being used to reduce any accrued and unpaid dividends previously added to the Liquidation Preference pursuant to Section 8 below and, to the extent all such accrued and unpaid dividends have been paid, next being used to reduce any Periodic Commitment Fees (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below) previously added to the Liquidation Preference pursuant to Section 8 below; provided that, prior to the termination of the Commitment (as defined in the Preferred Stock Purchase Agreement referred to in Section 8 below), the Liquidation Preference of each share of Senior Preferred Stock shall not be paid down below $1,000 per share.

(b) If the Company shall not have sufficient assets legally available for the pay down of the Liquidation Preference of the shares of Senior Preferred Stock required under Section 4(a), the Company shall pay down the Liquidation Preference per share to the extent permitted by law, and shall pay down any Liquidation Preference not so paid down because of the unavailability of legally available assets or other prohibition as soon as practicable to the extent it is thereafter able to make such pay down legally. The inability of the Company to make such payment for any reason shall not relieve the Company from its obligation to effect any required pay down of the Liquidation Preference when, as and if permitted by law.

(c) If after the termination of the Commitment the Company pays down the Liquidation Preference of each outstanding share of Senior Preferred Stock in full, such shares shall be deemed to have been redeemed as of the date of such payment, and the dividend that would otherwise be payable for the Dividend Period ending on the pay down date will be paid on such date. Following such deemed redemption, the shares of the Senior Preferred Stock shall no longer be deemed to be outstanding, and all rights of the holders thereof as holders of the Senior Preferred Stock shall cease, with respect to shares so redeemed, other than the right to receive the pay down amount (which shall include the final dividend for such redeemed shares). Any shares of the Senior Preferred Stock which shall have been so redeemed, after such redemption, shall no longer have the status of authorized, issued or outstanding shares.

5. No Voting Rights

Except as set forth in this Certificate or otherwise required by law, the shares of the Senior Preferred Stock shall not have any voting powers, either general or special.

6. No Conversion or Exchange Rights

The holders of shares of the Senior Preferred Stock shall not have any right to convert such shares into or exchange such shares for any other class or series of stock or obligations of the Company.

7. No Preemptive Rights

No holder of the Senior Preferred Stock shall as such holder have any preemptive right to purchase or subscribe for any other shares, rights, options or other securities of any class of the Company which at any time may be sold or offered for sale by the Company.

8. Liquidation Rights and Preference

(a) Except as otherwise set forth herein, upon the voluntary or involuntary dissolution, liquidation or winding up of the Company, the holders of the outstanding shares of the Senior Preferred Stock shall be entitled to receive out of the assets of the Company available for distribution to stockholders, before any payment or distribution shall be made on the common stock or any other class or series of stock of the Company ranking junior to the Senior Preferred Stock upon liquidation, the amount per share equal to the Liquidation Preference plus an amount, determined in accordance with Section 2(a) above, equal to the dividend otherwise payable for the then-current Dividend Period accrued through and including the date of payment in respect of such dissolution, liquidation or winding up; provided, however, that if the assets of the Company available for distribution to stockholders shall be insufficient for the payment of the amount which the holders of the outstanding shares of the Senior Preferred Stock shall be entitled to receive upon such dissolution, liquidation or winding up of the Company as aforesaid, then, all of the assets of the Company available for distribution to stockholders shall be distributed to the holders of outstanding shares of the Senior Preferred Stock pro rata based on the aggregate Liquidation Preference of the shares of Senior Preferred Stock held by each holder.

(b) "Liquidation Preference" shall initially mean $1,000 per share and shall be:

(i) increased each time a Deficiency Amount (as defined in the Preferred Stock Purchase Agreement) is paid to the Company by an amount per share equal to the aggregate amount so paid to the Company divided by the number of shares of Senior Preferred Stock outstanding at the time of such payment;

(ii) increased each time the Company does not pay the full Periodic Commitment Fee (as defined in the Preferred Stock Purchase Agreement) in cash by an amount per share equal to the amount of the Periodic Commitment Fee that is not paid in cash divided by the number of shares of Senior Preferred Stock outstanding at the time such payment is due;

(iii) increased on the Dividend Payment Date if the Company fails to pay in full the dividend payable for the Dividend Period ending on such date by an amount per share equal to the aggregate amount of unpaid dividends divided by the number of shares of Senior Preferred Stock outstanding on such date; and

(iv) decreased each time the Company pays down the Liquidation Preference pursuant to Section 3 or Section 4 of this Certificate by an amount per share equal to the aggregate amount of the pay down divided by the number of shares of Senior Preferred Stock outstanding at the time of such pay down.

(c) "Preferred Stock Purchase Agreement" means the Preferred Stock Purchase Agreement, dated September 7, 2008, between the Company and the United States Department of the Treasury.

(d) Neither the sale of all or substantially all of the property or business of the Company, nor the merger, consolidation or combination of the Company into or with any other corporation or entity, shall be deemed to be a dissolution, liquidation or winding up for the purpose of this Section 8.

9. Additional Classes or Series of Stock

The Board of Directors shall have the right at any time in the future to authorize, create and issue, by resolution or resolutions, one or more additional classes or series of stock of the Company, and to determine and fix the distinguishing characteristics and the relative rights, preferences, privileges and other terms of the shares thereof; provided that, any such class or series of stock may not rank prior to or on parity with the Senior Preferred Stock without the prior written consent of the holders of at least two-thirds of all the shares of Senior Preferred Stock at the time outstanding.

10. Miscellaneous

(a) The Company and any agent of the Company may deem and treat the holder of a share or shares of Senior Preferred Stock, as shown in the Company's books and records, as the absolute owner of such share or shares of Senior Preferred Stock for the purpose of receiving payment of dividends in respect of such share or shares of Senior Preferred Stock and for all other purposes whatsoever, and neither the Company nor any agent of the Company shall be affected by any notice to the contrary. All payments made to or upon the order of any such person shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge liabilities for moneys payable by the Company on or with respect to any such share or shares of Senior Preferred Stock.

(b) The shares of the Senior Preferred Stock, when duly issued, shall be fully paid and non-assessable.

(c) The Senior Preferred Stock may be issued, and shall be transferable on the books of the Company, only in whole shares.

(d) For purposes of this Certificate, the term "the Company" means the Federal National Mortgage Association and any successor thereto by operation of law or by reason of a merger, consolidation, combination or similar transaction.

(e) This Certificate and the respective rights and obligations of the Company and the holders of the Senior Preferred Stock with respect to such Senior Preferred Stock shall be construed in accordance with and governed by the laws of the United States, provided that the law of the State of Delaware shall serve as the federal rule of decision in all instances except where such law is inconsistent with the Company's enabling legislation, its public purposes or any provision of this Certificate.

(f) Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served to or upon the Company shall be given or served in writing addressed (unless and until another address shall be published by the Company) to Fannie Mae, 3900 Wisconsin Avenue NW, Washington, DC 20016, Attn: Executive Vice President and General Counsel. Such notice, demand or other communication to or upon the Company shall be deemed to have been sufficiently given or made only upon actual receipt of a writing by the Company. Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served by the Company hereunder may be given or served by being deposited first class, postage prepaid, in the United States mail addressed (i) to the holder as such holder's name and address may appear at such time in the books and records of the Company or (ii) if to a person or entity other than a holder of record of the Senior Preferred Stock, to such person or entity at such address as reasonably appears to the Company to be appropriate at such time. Such notice, demand or other communication shall be deemed to have been sufficiently given or made, for all purposes, upon mailing.

(g) The Company, by or under the authority of the Board of Directors, may amend, alter, supplement or repeal any provision of this Certificate pursuant to the following terms and conditions:

(i) Without the consent of the holders of the Senior Preferred Stock, the Company may amend, alter, supplement or repeal any provision of this Certificate to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Certificate, provided that such action shall not adversely affect the interests of the holders of the Senior Preferred Stock.

(ii) The consent of the holders of at least two-thirds of all of the shares of the Senior Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of the Senior Preferred Stock shall vote together as a class, shall be necessary for authorizing, effecting or validating the amendment, alteration, supplementation or repeal (whether by merger, consolidation or otherwise) of the provisions of this Certificate other than as set forth in subparagraph (i) of this paragraph (g). The creation and issuance of any other class or series of stock, or the issuance of additional shares of any existing class or series of stock, of the Company ranking junior to the Senior Preferred Stock shall not be deemed to constitute such an amendment, alteration, supplementation or repeal.

(iii) Holders of the Senior Preferred Stock shall be entitled to one vote per share on matters on which their consent is required pursuant to subparagraph (ii) of this paragraph (g). In connection with any meeting of such holders, the Board of Directors shall fix a record date, neither earlier than 60 days nor later than 10 days prior to the date of such meeting, and holders of record of shares of the Senior Preferred Stock on such record date shall be entitled to notice of and to vote at any such meeting and any adjournment. The Board of Directors, or such person or persons as it may designate, may establish reasonable rules and procedures as to the solicitation of the consent of holders of the Senior Preferred Stock at any such meeting or otherwise, which rules and procedures shall conform to the requirements of any national securities exchange on which the Senior Preferred Stock may be listed at such time.

(h) RECEIPT AND ACCEPTANCE OF A SHARE OR SHARES OF THE SENIOR PREFERRED STOCK BY OR ON BEHALF OF A HOLDER SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER (AND ALL OTHERS HAVING BENEFICIAL OWNERSHIP OF SUCH SHARE OR SHARES) OF ALL OF THE TERMS AND PROVISIONS OF THIS CERTIFICATE. NO SIGNATURE OR OTHER FURTHER MANIFESTATION OF ASSENT TO THE TERMS AND PROVISIONS OF THIS CERTIFICATE SHALL BE NECESSARY FOR ITS OPERATION OR EFFECT AS BETWEEN THE COMPANY AND THE HOLDER (AND ALL SUCH OTHERS).

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Company this 7th day of September, 2008.

[Seal]

FEDERAL NATIONAL MORTGAGE ASSOCIATION, by

The Federal Housing Finance Agency, its Conservator

/s/ James B. Lockhart III

James B. Lockhart III

Director

Signature Page to Certificate of Designations of Senior Preferred Stock

Exhibit 4.3

EXECUTION VERSION

FEDERAL NATIONAL MORTGAGE ASSOCIATION
WARRANT TO PURCHASE COMMON STOCK

NO. 2008-1 September 7, 2008

VOID AFTER SEPTEMBER 7, 2028

THIS CERTIFIES THAT, for value received, the United States Department of the Treasury, with its principal office at 1500 Pennsylvania Avenue, NW, Washington, DC 20220 (the "Holder"), is entitled to purchase at the Exercise Price (defined below) from Federal National Mortgage Association, a government-sponsored enterprise of the United States of America, with its principal office at 3900 Wisconsin Avenue, NW, Washington, DC 20016 (the "Company"), shares of common stock, no par value, of the Company, as provided herein.

1. Definitions. As used herein, the following terms shall have the following respective meanings:

"Affiliate" shall mean, as to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and the terms "affiliated," "controlling" and "controlled" have meanings correlative to the foregoing.

"Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York, New York are authorized or obligated by law or executive order to close.

"Common Stock" shall mean the common stock, no par value, of the Company, and all other stock of any class or classes (however designated) of the Company from time to time outstanding, the holders of which have the right, without limitation as

EXHIBIT F

Congressional Budget Office

Testimony

Statement of
Deborah Lucas
Assistant Director for Financial Analysis

The Budgetary Cost of Fannie Mae and Freddie Mac and Options for the Future Federal Role in the Secondary Mortgage Market

before the
Committee on the Budget
U.S. House of Representatives

June 2, 2011

This document is embargoed until it is delivered at 10:00 a.m. (EDT) on Thursday, June 2, 2011. The contents may not be published, transmitted, or otherwise communicated by any print, broadcast, or electronic media before that time.

CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515

Chairman Ryan, Congressman Van Hollen, and Members of the Committee, thank you for inviting me to testify about the budgetary cost of Fannie Mae and Freddie Mac and options for the future federal role in the secondary mortgage market.

Historically, support for the mortgage market has been part of a broader federal policy aimed at encouraging home ownership and, to a lesser extent, at making housing more affordable for low- and moderate-income families. The activities of Fannie Mae, Freddie Mac, and the Federal Housing Administration (FHA) have been an important aspect of that policy. In 2010, Fannie Mae and Freddie Mac owned or guaranteed roughly half of all outstanding mortgages in the United States, and they financed 63 percent of the new mortgages originated that year. Including the 23 percent of home loans insured by federal agencies such as FHA, about 86 percent of new mortgages made in 2010 carried a federal guarantee. However, the largest federal subsidies for home ownership have generally come from favorable tax treatment for housing.[1]

My testimony today focuses on the Congressional Budget Office's (CBO's) estimates of the budgetary cost of the government's takeover and continuing operation of Fannie Mae and Freddie Mac. I will also discuss how the budgetary treatment of those two enterprises differs from that of FHA and other federal mortgage programs and the potential problems those inconsistencies cause, and I will summarize alternative options for the future role of the federal government in the secondary mortgage market.

Summary

The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are government-sponsored enterprises (GSEs) that were chartered by the Congress to provide a stable source of funding for residential mortgages across the country. They carry out that mission in the secondary, or resale, mortgage market. They purchase home loans from originators and package those loans into mortgage-backed securities (MBSs); those securities then can be sold to investors, along with a guarantee against losses from defaults on the underlying mortgages, or held as portfolio investments financed by issuing debt of the GSEs themselves, so-called "agency debt."

Until recently, the obligations of Fannie Mae and Freddie Mac had no official backing from the federal government, nor were any costs associated with them reflected in the federal budget. However, because of the GSEs' size, federal charter, and major role in the mortgage market, most observers believed that the government would not allow Fannie Mae and Freddie Mac to default on their obligations. That implicit federal guarantee, which lowered their borrowing costs and increased the price that investors paid for their guarantees, represented a federal subsidy to the GSEs.

1. See Congressional Budget Office, *An Overview of Federal Support for Housing*, Issue Brief (November 2009).

Starting in 2007, as housing prices dropped nationwide and foreclosures increased, the two GSEs suffered large losses on various investments in their portfolios. Concerns arose about the size of potential losses on their outstanding guarantees (which totaled $3.8 trillion in September 2008) impairing their ability to issue low-cost debt to fund their purchases of mortgages, and doubts surfaced about whether they had enough capital to cover potential losses. The implicit federal guarantee was made more explicit in 2008 with the enactment of the Housing and Economic Recovery Act (Public Law 110-289), which allowed the Federal Housing Finance Agency to place Fannie Mae and Freddie Mac into conservatorship in September 2008. Under the authority provided by that law, the Treasury entered into agreements with Fannie Mae and Freddie Mac to provide sufficient capital to keep their net worth from falling below zero. In return, the government received senior preferred stock and warrants that made the Treasury the effective owner of the GSEs. Between November 2008 and the end of March 2011, the government provided about $154 billion in capital to Fannie Mae and Freddie Mac and received more than $24 billion in dividends on its preferred stock, resulting in net payments to the GSEs of $130 billion. CBO expects additional net cash payments from the government over the next several years.

CBO's Budgetary Treatment of Fannie Mae and Freddie Mac

In CBO's judgment, the federal conservatorship of Fannie Mae and Freddie Mac and their resulting ownership and control by the Treasury make the two entities effectively part of the government and imply that their operations should be reflected in the federal budget. Hence, in its baseline budget projections, CBO accounts for the cost of the GSEs' operations as though they are being conducted by a federal agency. The costs included in CBO's baseline are estimates of the federal subsidies associated with the GSEs' mortgage guarantees over the life of the mortgages.

Unlike CBO, the Administration's Office of Management and Budget (OMB) treats Fannie Mae and Freddie Mac as nongovernmental entities for budgetary purposes. In the budget, instead of recording forward-looking subsidy costs for their new obligations, OMB records only cash transfers between the Treasury and the two GSEs, such as for stock purchases made to shore up their capital and the dividends they pay to the Treasury. That approach can postpone for many years the recognition of the costs of new obligations. Subsidized mortgage guarantees may even show gains for the government in the short term because fees are collected up front but losses are realized over time as defaults occur.

After consulting with the House and Senate Committees on the Budget, CBO concluded that using a fair-value approach to estimate subsidy costs for Fannie Mae and Freddie Mac would give the Congress the most accurate and comprehensive information about the budgetary costs of supporting the GSEs. Those fair-value estimates represent the up-front payment that a private entity in an orderly transaction would

require to assume the federal responsibility for the GSEs' obligations.[2] The fair-value approach produces estimates of the value of assets and liabilities that either correspond to or approximate market prices.

Another alternative would be to account for the GSEs according to the method spelled out in the Federal Credit Reform Act of 1990 (FCRA). Most federal programs that provide loans or loan guarantees are accounted for using that method. The main difference between FCRA estimates and fair-value estimates is the discount rate used to calculate the present value of the future costs of guarantees and acquisitions: Under FCRA, projected cash flows are discounted using interest rates on Treasury securities, whereas fair-value estimates use rates that incorporate a risk premium. By including a market-based risk premium, fair-value estimates provide a more comprehensive measure of cost, which recognizes that the financial risk that the government assumes when issuing guarantees is more costly to taxpayers than FCRA estimates suggest. The FCRA and fair-value approaches paint very different pictures of the cost of continuing to operate Fannie Mae and Freddie Mac over the next decade under current law. Whereas on a fair-value basis, new obligations generate a budgetary *cost*, under FCRA, the continuing operations would result in budgetary *savings*.[3]

CBO's Estimates of the Cost of the GSEs' Activities

In August 2009, CBO estimated that the cost of all of the GSEs' mortgage commitments made before fiscal year 2009 plus new commitments made in 2009 would total $291 billion on a fair- value basis. Since then, CBO has not produced a new estimate of the subsidy cost associated with the GSEs' past commitments. However, the GSEs' financial reports suggest that losses have increased somewhat since that time because of the continued deterioration of conditions in the housing market.

For each new set of baseline budget projections, CBO estimates the subsidy cost for the GSEs' new business over the current year and next 10 years on a fair-value basis. The average rate for that subsidy of the GSEs' new business has fallen since the peak of the financial crisis, and it is expected to decline further in coming years as the housing market recovers. The subsidy rate (the subsidy cost per dollar of mortgage principal guaranteed) will remain positive, however, as long as Fannie Mae and Freddie Mac provide capital and guarantees to the mortgage market at prices below what private financial institutions offer. On the basis of the March 2011 baseline projections used for CBO's analysis of the President's budget, the agency estimates that the new guarantees the GSEs will make over the 2012–2021 period will cost the government $42 billion.

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2. An orderly transaction is one that occurs under competitive market conditions between willing participants and does not involve forced liquidation or a distressed sale.

3. Congressional Budget Office, letter to the Honorable Barney Frank about the budgetary impact of Fannie Mae and Freddie Mac (September 16, 2010).

Options for the Federal Role in the Secondary Mortgage Market

Policymakers are contemplating a wide range of proposals for the federal role in the secondary mortgage market in general, for the future of Fannie Mae and Freddie Mac in particular, and for the transition to a new model. The broad options include:

- Moving to a hybrid public/private approach that would involve explicit federal guarantees of some privately issued MBSs;
- Establishing a fully federal agency that would purchase and guarantee qualifying mortgages; or
- Promoting a fully private secondary mortgage market with no federal guarantees.

Any new approach would need to confront major design issues—if the approach included federal guarantees, how to structure and price them; whether to support affordable housing and, if so, by what means; and how to structure and regulate the secondary market. In a recent study, CBO analyzed those alternatives and the trade-offs among them.[4] To evaluate the options, CBO looked at a number of criteria, including whether a given alternative would ensure a stable supply of financing for mortgages, how affordable-housing goals would be met, how well taxpayers would be protected from risk, whether federal guarantees would be priced fairly, and to what extent an approach would provide incentives to control risk taking. A summary of the study's findings is included at the end of this testimony.

Comparability of Cost Estimates Across Federal Housing Programs

The policy choices made about the future federal role in the secondary mortgage market will have budgetary implications that could differ considerably depending on the budgetary treatment used. In CBO's judgment, continuing to use a fair-value approach to estimate subsidy costs for Fannie Mae and Freddie Mac would provide the most accurate and comprehensive measure of the cost to taxpayers of any eventual transition to a new model for the federal role in the secondary mortgage market. However, doing so would maintain the practice of accounting for similar federal credit programs and financial transactions in different ways. Currently, fair-value accounting is used to estimate the budgetary cost of activities of the Troubled Asset Relief Program (TARP), as well as for CBO's baseline projections of the cost of operating Fannie Mae and Freddie Mac, but the FCRA approach is used to estimate the cost of federal mortgage guarantee programs operated by the Department of Veterans Affairs (VA) and FHA. At the same time, the Federal Reserve System's remittances to the Treasury (based on the Federal Reserve's net income) are recorded in the budget on a cash basis. As a result, the budgetary effects of recent purchases of mortgage-backed securities by federal entities have been accounted for on a FCRA basis for

4. Congressional Budget Office, *Fannie Mae, Freddie Mac, and the Federal Role in the Secondary Mortgage Market* (December 2010).

transactions by the Treasury, on a fair-value basis for transactions by the GSEs, and on a cash basis for transactions by the Federal Reserve.

The practice of using different accounting methods for similar federal obligations can cause confusion, make it difficult to accurately compare costs between programs, and create an incentive to rely more on programs or activities that have relatively low budgetary costs even if their full costs to taxpayers are higher. Providing an illustration, CBO recently compared the estimated cost of FHA's single-family mortgage insurance program on a FCRA versus a fair-value basis.[5] The two approaches yield very different estimates. Under the FCRA methodology, the FHA program would produce budgetary *savings* of $4.4 billion in fiscal year 2012. On a fair-value basis, in contrast, the program would have a *cost* of $3.5 billion in 2012. The inconsistent treatment of the GSEs and FHA also implies that a mortgage that generates a budgetary cost when it is guaranteed by Fannie Mae or Freddie Mac could show budgetary savings if FHA provided the coverage instead.

Fannie Mae, Freddie Mac, and the Secondary Mortgage Market

Four decades ago, Congressional charters set up Fannie Mae and Freddie Mac as government-sponsored enterprises—privately owned financial institutions established by the government to fulfill a public mission. The two GSEs were created to provide a stable source of funding for residential mortgages across the country, including loans on housing for low- and moderate-income families. The GSEs purchase mortgages that meet certain standards from banks and other originators, pool those loans into MBSs that they guarantee against losses from defaults, and sell the securities to investors—a process referred to as securitization. In addition, they buy mortgages and MBSs (both each other's and those issued by private companies) to hold in their portfolios. They fund those portfolio holdings by issuing debt obligations, known as agency securities, which are sold to investors.

Until recently, the GSEs' debt securities and MBSs were not officially backed by the federal government. Nevertheless, most investors believed that the government would not allow Fannie Mae and Freddie Mac to default on their obligations. That perception of an implicit federal guarantee stemmed from the very prominent role the two entities played in the housing market and in the broader financial markets. It also stemmed from the specific benefits that the two entities received because of their status as GSEs, such as not having to register their securities with the Securities and Exchange Commission, being exempt from state and local corporate income taxes, and having a line of credit with the Treasury.

5. Congressional Budget Office, "Accounting for FHA's Single-Family Mortgage Insurance Program on a Fair-Value Basis," attachment to a letter to the Honorable Paul Ryan (May 18, 2011).

EXHIBIT G

THE *NEW YORK TIMES*, *WALL STREET JOURNAL*, AND *USA TODAY* BESTSELLER

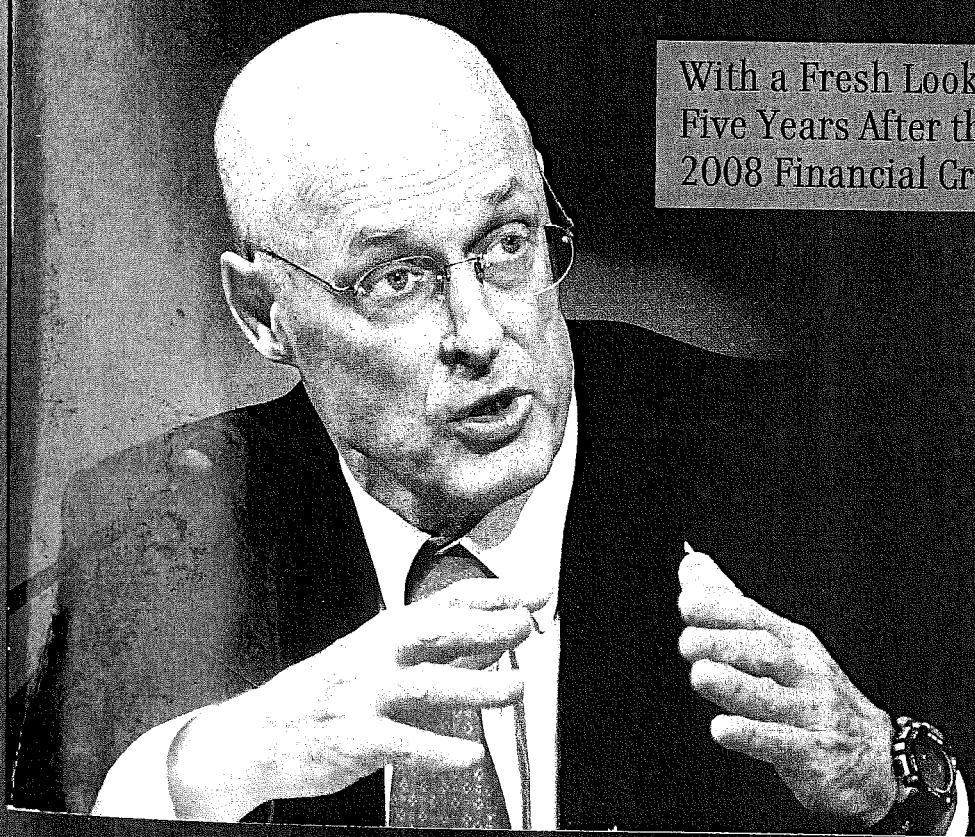
HENRY M. PAULSON, JR.

Inside the Race to Stop the Collapse of the Global Financial System

ON THE BRINK

Foreword by Rep. Barney Frank

With a Fresh Look Back Five Years After the 2008 Financial Crisis



ON THE BRINK

Inside the Race to Stop the Collapse of the Global Financial System

HENRY M. PAULSON, JR.

BUSINESS PLUS

NEW YORK BOSTON

Five Years Later

Since the outbreak of the financial crisis in the summer of 2007, I have faced any number of difficult moments. I have been grilled by the press, deposed by lawyers, called to testify before hostile members of Congress. I've been sworn in—and sworn at—more times than I can count. But few exchanges were as wrenching as the one I had on Friday morning, September 19, 2008, when I picked up the phone to call Dick Paulson, my younger brother and best friend.

Dick was a senior vice president and a veteran fixed-income salesman based in Chicago for Lehman Brothers. He loved his job, and he loved Lehman, whose collapse that Monday I had been unable to prevent. Dick had every right to ask why we hadn't saved Lehman, and he wouldn't have been alone. Plenty of pundits were blaming me, as U.S. Treasury secretary, for not having tried hard enough to rescue the historic firm, or were speculating wrongly that I had intentionally, stupidly, or even vindictively allowed it to fail.

Nothing could have been further from the truth. As I explained to Dick, we had warned Lehman management repeatedly of their need to act throughout the spring and summer, and we had tried

strenuously to find a buyer for Lehman right up to the last minute. When one did not emerge, our legal authorities were simply too limited to help the investment bank survive.

But my brother wasn't thinking about himself. All he wanted to know was how *I* was doing. *Was the pressure too much? Was I getting enough sleep?* With great empathy, he described the plight of his colleagues, many of whom had taken big hits financially and would soon be without jobs. Like them, Dick held much of his personal wealth in the bank's now worthless shares. Much of what he had spent decades working for was gone. I felt awful for him and the others at the firm.

"Believe me, Dick," I said. "We did all we could."

"I know that, Hank," my brother said. "I'm sure you did the right thing."

It is now five years since that heart-wrenching phone call—and most of the events that I describe in *On the Brink*—took place. I still get chills when I think of that time. I'm not generally given to second-guessing myself, but I've done a good bit of soul searching since 2008, as I've watched the economy flounder and the mood of our citizens darken as they struggled with unpaid debts, foreclosed homes, ravaged nest eggs, lost jobs, and lost confidence—in themselves and in our system. Hindsight isn't always 20/20. Experts still debate the causes of the crisis and the effectiveness of our actions, and likely will do so for a good long while to come. But I remain convinced that on balance, as my brother said, we did the right things and that our decisions will stand the test of time.

Many of the actions I took—seizing control of the quasi-governmental mortgage giants Fannie Mae and Freddie Mac and injecting capital into the banks through the Troubled Assets Relief Program (TARP)—were deeply distasteful to me. But today I believe more than ever that they were absolutely necessary. Think of all the suf-

Foreword

For many people, what will be most striking about this foreword is the fact that I wrote it. It's not every day a partisan, liberal Democrat gets a call from a conservative, high-ranking member of the George W. Bush administration asking for a favorable introduction to anything. But when former secretary of the Treasury Henry M. Paulson, Jr., called, I was quick to agree to express in print my enthusiasm for his excellent recounting of some of the most important and controversial events in our recent national history.

When I met Hank Paulson in the spring of 2006, he had just been appointed to one of the most important positions in a very conservative Republican Cabinet by President George W. Bush, whose election I had twice contested as hard as I could, and who clearly would have preferred someone else to serve in the seat that I held. I was the senior Democrat—then in the minority—on the committee that had a major role in supervising Treasury activity. Hank Paulson and I differed on a number of issues, which is why we were in different parties. But it was also clear by 2006 that there were some major issues that required our cooperation. Hank's

book describes in vivid and accurate detail how he and many of his colleagues in the Bush administration and I and many of my Democratic congressional colleagues found ways to cooperate on a critical set of issues even as we were disagreeing on others.

Partisanship is a legitimate concept that has been discredited by the excesses of too many of its practitioners. Political parties are an important part of a well-run democracy. In the absence of parties, personality dominates excessively. Properly organized, parties give citizens guidance in choosing candidates for office based on issues. When focus groups are convened among undecided voters in October of a presidential election year, the reports of the conversations are often discouraging. Those least influenced by party affiliation tend to regard as true things that they do not know for certain, and tend to be certain of things that are not true.

The problem with party differences is not that they exist, nor that candidates seek to win elections by emphasizing those differences, but that at times the partisanship becomes so heated that legitimate disagreements boil over, preventing partisans from cooperating when it is necessary. Sadly, that has too often been the story of politics in recent years.

That is why the events described by Hank Paulson in *On the Brink* are so extraordinary. He recounts here the remarkable cooperation between the leadership of the two major political parties during the most politicized season in American politics—the months between the nominating conventions in the summer of 2008 and the presidential election that November. Even more surprising, given current politics, a Democratic Congress gave a Republican president, with whom we had been at odds on a wide range of issues, an unprecedented grant of powers.

In mid-2008, acting on a bill passed in the House in 2007, Congress gave the Treasury secretary the power to provide unlimited federal backstop funding and capital injections for Fannie Mae and

Freddie Mac, and, if he felt it necessary, to place these institutions, which had previously fought increased federal controls, into conservatorship. Soon after, he exercised those conservatorship powers—with no congressional resistance. Subsequently, Congress empowered the Treasury secretary to advance $350 billion to troubled banks, and while we did add some restrictions to this grant of power beyond what Hank had asked for, it still amounted to a far greater delegation of government spending power than generally occurs outside of war funding.

The obvious question is what, in the midst of an election season, accounted for this temporary suspension of partisan hostility? What made a Democratic Congress grant extraordinary powers to an administration of which it was greatly skeptical and whose assertion of broader executive powers had generally been the source of significant contention? The answer, as Hank Paulson's unusually forthcoming book describes, was the threat of an economic meltdown that would have been worse than anything since the Great Depression and might conceivably have equaled that event in its economic devastation. I use the word *economic* as opposed to *financial* deliberately. Describing what we confronted as a "financial" crisis has led people to think that the devastation among institutions engaged in high finance—in many cases somewhat irresponsibly—might have had little real consequence for the Main Street economy. In fact, what the nation confronted after the emergency stabilization of Fannie Mae and Freddie Mac, the failure of Lehman Brothers, and the Federal Reserve's rescue of AIG, was a broad-scale economic stoppage. The precipitating cause was the unwillingness of institutions to lend to each other. Our economy depends almost entirely on such transactions, so the lack of lending threatened a total cessation of productive economic activity. Indeed, what made the crisis more frightening in some ways than the Great Depression was precisely the increased efficiency with

significant influence in the American government without recognizing that while *they* may not be above politics, there are sometimes going to be issues that must be.

When Hank Paulson and Ben Bernanke came to Congress in September 2008, representing President Bush, the Republicans' instant reaction was supportive, as Hank shows. House Minority Leader John Boehner said that we would be crazy to let AIG fail. And the Republican leadership, out of a sense of commitment to the country and out of the political need to work with President Bush, especially with an election pending, strongly backed the proposal. Senate Republicans were even more supportive.

By 2009, with President Bush out of power and the Democrats in control of both houses of Congress and the presidency, Republicans no longer needed to appear reasonable. I do not say that to make a partisan point. Had the situation been reversed, Democrats would have behaved similarly. But people who are in power have to understand the need to act responsibly even when this is not politically in their best interests. And the same holds true for those in the minority. The minority is often seen to take a political course; as Janis Joplin put it, "*Freedom*'s just another word for nothing left to lose."

As his book makes clear, Hank Paulson and the Democratic congressional leadership understood how much this country had to lose during the dark days of 2008. As true leaders, we wanted to show how much we have to gain if we can just work together.

REP. BARNEY FRANK (D-MASSACHUSETTS)
Fall 2010

EXHIBIT H

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from **to**

Commission File No.: 0-50231

Federal National Mortgage Association

(Exact name of registrant as specified in its charter)

Fannie Mae

Federally chartered corporation	**52-0883107**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
3900 Wisconsin Avenue, NW Washington, DC	**20016**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code:
(202) 752-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of March 31, 2016, there were 1,158,082,750 shares of common stock of the registrant outstanding.

"Executive Summary—Outlook" and "Risk Factors" in this report. We discuss proposals for housing finance reform that could materially affect our business in our 2015 Form 10-K in "Business—Housing Finance Reform."

Although Treasury owns our senior preferred stock and a warrant to purchase 79.9% of our common stock, and has made a commitment under a senior preferred stock purchase agreement to provide us with funds to maintain a positive net worth under specified conditions, the U.S. government does not guarantee our securities or other obligations.

Our common stock is traded in the over-the-counter market and quoted on the OTC Bulletin Board under the symbol "FNMA." Our debt securities are actively traded in the over-the-counter market.

EXECUTIVE SUMMARY

Overview

We reported net income of $1.1 billion for the first quarter of 2016, compared with net income of $1.9 billion for the first quarter of 2015. See "Summary of Our Financial Performance" below for an overview of our financial performance for the first quarter of 2016, compared with the first quarter of 2015. We expect to remain profitable on an annual basis for the foreseeable future; however, certain factors, such as changes in interest rates or home prices, could result in significant volatility in our financial results from quarter to quarter or year to year. For more information regarding our expectations for our future financial performance, see "Outlook" below.

With our expected June 2016 dividend payment to Treasury, we will have paid a total of $148.5 billion in dividends to Treasury on our senior preferred stock. The aggregate amount of draws we have received from Treasury to date under the senior preferred stock purchase agreement is $116.1 billion. Under the terms of the senior preferred stock purchase agreement, dividend payments do not offset prior Treasury draws. For more information regarding our dividend payments to Treasury, see "Treasury Senior Preferred Stock Purchase Agreement" below.

Our Strategy and Business Objectives

Our vision is to be America's most valued housing partner and to provide liquidity, access to credit and affordability in all U.S. housing markets at all times, while effectively managing and reducing risk to our business, taxpayers and the housing finance system. In support of this vision, we are focused on:

- advancing a sustainable and reliable business model that reduces risk to the housing finance system and taxpayers;
- providing reliable, large-scale access to affordable mortgage credit for qualified borrowers and helping struggling homeowners; and
- serving customer needs and improving our business efficiency.

Advancing a sustainable and reliable business model that reduces risk to the housing finance system and taxpayers

We have significantly changed our business model since we entered conservatorship in 2008 and our business continues to evolve. We have strengthened our underwriting and eligibility standards, we are moving from a portfolio-focused business to a guaranty-focused business and we are transferring an increasing portion of the credit risk on our guaranty book of business. These changes are transforming our business model and reducing certain risks of our business as compared with our business prior to entering conservatorship.

Stronger Underwriting and Eligibility Standards. Beginning in 2008, we made changes to strengthen our underwriting and eligibility standards that have improved the credit quality of our single-family guaranty book of business and contributed to improvement in our credit performance. See "Single-Family Guaranty Book of Business" below for information on the credit performance of the mortgage loans in our single-family guaranty book of business and on our recent single-family acquisitions.

Moving from a portfolio-focused business to a guaranty-focused business. In recent years, an increasing portion of our net interest income has been derived from the guaranty fees we receive for managing the credit risk on loans underlying our Fannie Mae MBS, rather than from interest income on our retained mortgage portfolio assets. This shift has been driven by both the impact of guaranty fee increases implemented in 2012 and the reduction of our retained mortgage portfolio in accordance with the requirements of our senior preferred stock purchase agreement with Treasury and direction from FHFA. Our "retained mortgage portfolio" refers to the mortgage-related assets we own (which excludes the portion of assets held by consolidated MBS trusts that back mortgage-related securities owned by third parties). In the first quarter of 2016, approximately two-thirds of our net interest income was derived from our guaranty business. As described in more detail in

Cash and Other Investments Portfolio

Table 22 displays information on the composition of our cash and other investments portfolio. The balance of our cash and other investments portfolio fluctuates based on changes in our cash flows, liquidity in the fixed income markets and our liquidity risk management framework and practices. See "Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Counterparty Credit Exposure of Investments Held in our Cash and Other Investments Portfolio" for additional information on the risks associated with the assets in our cash and other investments portfolio.

Table 22: Cash and Other Investments Portfolio

	As of	
	March 31, 2016	December 31, 2015
	(Dollars in millions)	
Cash and cash equivalents	$ 18,916	$ 14,674
Federal funds sold and securities purchased under agreements to resell or similar arrangements	17,550	27,350
U.S. Treasury securities	30,746	29,485
Total cash and other investments	$ 67,212	$ 71,509

Credit Ratings

As of March 31, 2016, our credit ratings have not changed since we filed our 2015 Form 10-K. For additional information on our credit ratings, see "MD&A—Liquidity and Capital Management—Fannie Mae Credit Ratings" in our 2015 Form 10-K.

Cash Flows

Three Months Ended March 31, 2016. Cash and cash equivalents increased by $4.2 billion from $14.7 billion as of December 31, 2015 to $18.9 billion as of March 31, 2016. The increase was primarily driven by cash inflows from (1) proceeds from the sale and liquidation of mortgage-related securities, (2) proceeds from repayments and sales of loans of Fannie Mae and (3) the sale of Fannie Mae MBS to third parties.

Partially offsetting these cash inflows were cash outflows from (1) the redemption of funding debt, which outpaced issuances, due to lower funding needs, (2) the acquisition of delinquent loans out of MBS trusts and (3) the payment of dividends to Treasury under our senior preferred stock purchase agreement.

Three Months Ended March 31, 2015. Cash and cash equivalents increased by $1.8 billion from $22.0 billion as of December 31, 2014 to $23.9 billion as of March 31, 2015. The increase in the balance was primarily driven by cash inflows from (1) the sale of Fannie Mae MBS to third parties, (2) proceeds from repayment of loans of Fannie Mae, (3) the sale of our acquired property and (4) proceeds from sale and liquidation of mortgage-related securities.

Partially offsetting these cash inflows were cash outflows from (1) acquiring mortgage loans and providing advances to lenders and (2) the acquisition of delinquent loans out of MBS trusts.

Capital Management

Regulatory Capital

FHFA stated that, during conservatorship, our existing statutory and FHFA-directed regulatory capital requirements will not be binding and FHFA will not issue quarterly capital classifications. The deficit of our core capital over statutory minimum capital was $141.2 billion as of March 31, 2016 and $139.7 billion as of December 31, 2015. For more information on our minimum capital requirements, see "Note 14, Regulatory Capital Requirements" in our 2015 Form 10-K.

Capital Activity

The Director of FHFA has directed us to make dividend payments on the senior preferred stock on a quarterly basis. Our first quarter 2016 dividend of $2.9 billion was declared by FHFA and subsequently paid by us on March 31, 2016. Based on the terms of the senior preferred stock, we expect to pay Treasury a dividend for the second quarter of 2016 of $919 million by June 30, 2016.

The terms of our senior preferred stock provide for dividends to accrue at a rate equal to our net worth less a capital reserve amount, which continues to decrease annually. The capital reserve amount is $1.2 billion for dividend periods in 2016, and will continue to be reduced by $600 million each year until it reaches zero on January 1, 2018.

We are effectively unable to raise equity capital from private sources at this time and, therefore, are reliant on the funding available under our senior preferred stock purchase agreement with Treasury to address any net worth deficit. Under the senior preferred stock purchase agreement, Treasury made a commitment to provide funding, under certain conditions, to eliminate deficiencies in our net worth. We have received a total of $116.1 billion from Treasury pursuant to the senior preferred stock purchase agreement as of March 31, 2016. The current aggregate liquidation preference of the senior preferred stock, including the initial aggregate liquidation preference of $1.0 billion, remains at $117.1 billion.

While we had a positive net worth as of March 31, 2016 and have not received funds from Treasury under the agreement since the first quarter of 2012, we will be required to obtain additional funding from Treasury pursuant to the senior preferred stock purchase agreement if we have a net worth deficit in future periods. As of the date of this filing, the amount of remaining available funding under the senior preferred stock purchase agreement is $117.6 billion. If we were to draw additional funds from Treasury under the agreement in a future period, the amount of remaining funding under the agreement would be reduced by the amount of our draw. Dividend payments we make to Treasury do not restore or increase the amount of funding available to us under the agreement.

See "Business—Conservatorship and Treasury Agreements—Treasury Agreements" in our 2015 Form 10-K for more information on the terms of the senior preferred stock and our senior preferred stock purchase agreement with Treasury. See "Risk Factors" in our 2015 Form 10-K for a discussion of the risks relating to our dividend obligations to Treasury on the senior preferred stock.

OFF-BALANCE SHEET ARRANGEMENTS

Our maximum potential exposure to credit losses relating to our outstanding and unconsolidated Fannie Mae MBS and other financial guarantees is primarily represented by the unpaid principal balance of the mortgage loans underlying outstanding and unconsolidated Fannie Mae MBS and other financial guarantees of $26.8 billion as of March 31, 2016 and $27.5 billion as of December 31, 2015.

For a description of our off-balance sheet arrangements, see "MD&A—Off-Balance Sheet Arrangements" in our 2015 Form 10-K.

RISK MANAGEMENT

Our business activities expose us to the following three major categories of risk: credit risk, market risk (including interest rate and liquidity risk) and operational risk. We seek to actively monitor and manage these risks by using an established risk management framework. In addition to our exposure to credit, market and operational risks, there is significant uncertainty regarding the future of our company, including how long we will continue to be in existence, which we discuss in more detail in "Risk Factors" in this report and in "Business—Housing Finance Reform" in our 2015 Form 10-K. This uncertainty, along with limitations on our employee compensation arising from our conservatorship, could adversely affect our ability to retain and hire qualified employees.

We are also subject to a number of other risks that could adversely impact our business, financial condition and earnings including human capital, model, legal, regulatory and compliance, reputational, technological and cybersecurity, strategic and execution risks. These risks may arise due to a failure to comply with laws, regulations or ethical standards and codes of conduct applicable to our business activities and functions.

In this section we provide an update on our management of our major risk categories. For a more complete discussion of the primary risks we face and how we manage credit risk, market risk and operational risk, see "MD&A—Risk Management" in our 2015 Form 10-K and "Risk Factors" in this report and our 2015 Form 10-K.

Credit Risk Management

We are generally subject to two types of credit risk: mortgage credit risk and institutional counterparty credit risk. Mortgage credit risk is the risk that a borrower will fail to make required mortgage payments. Institutional counterparty credit risk is the risk that our institutional counterparties may fail to fulfill their contractual obligations to us.

EXHIBIT I

Order Code RS22950
September 15, 2008

CRS Report for Congress

Fannie Mae and Freddie Mac in Conservatorship

Mark Jickling
Specialist in Financial Economics
Government and Finance Division

Summary

On September 7, 2008, the Federal Housing Finance Agency (FHFA) placed Fannie Mae and Freddie Mac, two government-sponsored enterprises (GSEs) that play a critical role in the U.S. home mortgage market, in conservatorship. As conservator, the FHFA has full powers to control the assets and operations of the firms. Dividends to common and preferred shareholders are suspended, but the U.S. Treasury has put in place a set of financing agreements to ensure that the GSEs continue to meet their obligations to holders of bonds that they have issued or guaranteed. This means that the U.S. taxpayer now stands behind about $5 trillion of GSE debt. This step was taken because a default by either of the two firms, which have been battered by the downturn in housing and credit markets, could have caused severe disruptions in global financial markets, made home mortgages more difficult and expensive to obtain, and had negative repercussions throughout the economy. This report provides basic information on the GSEs, the government intervention, and the potential cost to the taxpayer. It will be updated as events warrant.

Background. Fannie Mae and Freddie Mac are government-sponsored enterprises (GSEs) — shareholder-owned corporations with government charters — that play a central role in mortgage finance. They buy home mortgages from the original lenders, repackage them as mortgage-backed securities (MBSs), and either sell them or hold them in their own investment portfolios. In 2008, Fannie and Freddie have purchased about 80% of all new home mortgages in the United States. Their combined investment portfolios held mortgage assets (loans and MBSs) valued at $1.5 trillion (as of June 30, 2008).

Over the years, the GSEs have provided strong support to the housing market. When a bank (or other lender) sells a mortgage loan to the GSEs, it receives cash to make new loans, and avoids the risks of holding a long-term asset. Without this secondary (or resale) market, in which private firms participate as well as the GSEs, lenders would have to keep loans on their own books, and mortgage credit would become more expensive and difficult to obtain.

The turmoil in housing and credit markets that began in 2007 has put extreme financial pressure on the GSEs. The value of their mortgage assets has fallen, but the debt they took on to purchase those assets remains. To maintain a positive net worth in the face of falling asset values, financial firms have several options to raise capital, but none of these were readily available to Fannie or Freddie. If they sold assets, they would depress the prices of mortgage loans and MBSs still further, worsening both their own balance sheet problems and those of many other financial firms. They cannot use retained earnings to bolster capital because their operations have not turned a profit since 2006. Finally, rapidly falling share prices made it difficult to impossible to raise capital by selling new equity or common stock.

If Fannie and Freddie were purely private firms, rather than GSEs, some observers assert that they would have failed by mid-2008.[1] GSE status, however, has enabled them to continue to fund their operations by selling debt securities, because the market has long believed that Fannie and Freddie debt was "implicitly" guaranteed by the government, even though by law GSE obligations are not backed by the full faith and credit of the United States. In July 2008, however, the firms' share prices plunged sharply,[2] and the possibility emerged that market participants might refuse to extend credit to Fannie and Freddie under any terms. (This kind of "non-bank run" destroyed the investment bank Bear Stearns in March 2008.) Since then, every auction of new Fannie or Freddie debt (normally a routine event) has been followed closely by the press and the markets.

Even though Fannie and Freddie maintained access to the debt markets (albeit at higher-than-usual interest rates), their inability to raise new capital cast doubts on their long-term viability. If their interest costs continued to rise, and the value of (and their income from) mortgage assets kept falling, they were doomed to fail. Against this backdrop, the federal regulator concluded that "the companies cannot continue to operate safely and soundly and fulfill their critical public mission, without significant action" to address their financial weaknesses.[3]

Government Intervention. The Housing and Economic Recovery Act of 2008 (P.L. 110-289), enacted July 30, 2008, provides the authority for the government's takeover of the GSEs. The act created a new GSE regulator, the Federal Housing Finance Agency (FHFA), with the authority to take control of either GSE to restore it to a sound financial condition. The new law sets out a process for placing a financially troubled GSE in conservatorship or receivership. This process is generally similar to the Federal bank regulators' handling of insolvent depository institutions, but the FHFA is not bound by the bank regulators' mandate that failing institutions be resolved at the lowest possible cost.

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[1] See, e.g., "Too Political to Fail," *Wall Street Journal*, Apr. 21, 2008, p. A16: "[the GSEs] aren't held to the same standards of accountability as everyone else in American business."

[2] In July 2007, both Fannie and Freddie shares traded above $60. Between July 8 and 15, 2008, Fannie Mae shares fell by 60%, from 17.51 to 7.02. Freddie Mac shares fell from 13.46 to 5.26, losing 61% of their value. On July 15, the Securities and Exchange Commission issued an emergency order restricting short selling in the two GSEs' shares.

[3] Federal Housing Finance Agency, "Statement of FHFA Director James B. Lockhart," Press Release, Sep. 7, 2008, p. 5.

Section 1117 of the act gives the Treasury emergency authority (expiring on December 31, 2009) to purchase an unlimited amount of GSE debt or equity securities if necessary to provide stability to the financial markets, prevent disruptions in the availability of mortgage finance, and protect the taxpayer.

On September 7, 2008, the FHFA established a conservatorship for Fannie and Freddie.[4] As conservator, the FHFA has taken over the assets and assumed all the powers of the shareholders, directors, and officers. It may take any necessary action to restore the firms to a sound and solvent condition. Stockholders' voting rights are suspended during the conservatorship, and both firms' CEOs have been replaced. Dividends on common and preferred stock have been suspended, although the shares continue to trade. GSE business operations will continue as before; the conservator will delegate authority to the companies' new management to move forward. The conservatorship will end when the FHFA finds that a safe and solvent condition has been restored.

A key element of the plan calls for the government to provide financing to Fannie and Freddie.[5] There are three funding mechanisms:

- **Senior Preferred Stock Purchase Agreement.** Treasury will buy preferred stock as needed to ensure that each GSE maintains a positive net worth. The capacity of the agreement is set at $100 billion for each GSE. In return, the government has received warrants to buy up to 79.9% of GSE common stock for $0.00001 per share. (This means that if the GSEs emerge from conservatorship as stock corporations, the government will be the majority owner, and will have the option of selling its shares at a profit.) According to the Treasury, holders of senior debt, subordinated debt, and MBSs issued or guaranteed by the GSEs are protected by the agreement.[6]

- **GSE MBS Purchase Program.** Treasury will buy newly issued Fannie and Freddie MBSs in the open market as needed to improve the availability and affordability of mortgage credit.

- **GSE Credit Facility.** The GSEs will have access to short-term loans from the Treasury, and will be allowed to post MBSs as collateral.

Treasury's and FHFA's intervention has been described as a "seizure," "takeover," "rescue," and "bail-out" of the GSEs. The first two terms are accurate — the FHFA as conservator has taken full control over the operations of the companies. "Bail-out" and "rescue" are more controversial terms. Common shareholders have lost their voting rights and nearly all their investment, and dividends on preferred and common shares have been

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[4] See Federal Housing Finance Agency, "Fact Sheet: Questions and Answers on Conservatorship" (press release), Sep. 7, 2008, p. 3. Available online at [http://www.treas.gov//press/releases/reports/fhfa_consrv_faq_090708hp1128.pdf].

[5] Several fact sheets describing the financing arrangements were posted on the Treasury's website on September 7, 2008, at [http://www.ustreas.gov/news/index1.html].

[6] "Frequently Asked Questions: Treasury Senior Preferred Stock Purchase Agreement," Treasury Press Release HP-1131, Sep. 11, 2008.

suspended. On the other hand, the government action benefits the holders of debt issued or guaranteed by the GSEs, who receive "security and clarity" that the "conserved entities have the ability to fulfill their financial obligations."[7] In other words, the bondholders will be the recipients of any taxpayer funds transferred from Treasury to the GSEs under the financing agreement.

Policy and Market Implications. The takeover of Fannie and Freddie, and specifically the commitment to meet all the firms' obligations to debt holders, exposes the government to a potentially large financial risk. Debt issued or guaranteed by the GSEs totals more than $5 trillion. The ultimate value of the firms' assets is uncertain, and the Treasury — by stating that it will maintain a positive net worth in each GSE — has in effect agreed to cover all losses to the GSEs' combined $1.5 trillion portfolios.

During the current crisis, international commercial and investment banks have reported losses, or write downs of asset values, totaling over $500 billion.[8] Much of this stems from marking-to-market, or revaluing MBSs at estimated current market prices, which are often sharply below face value. By comparison, Fannie and Freddie's write downs have been modest: from the second quarter of 2007 through the second quarter of 2008, Fannie reported $5.3 billion in "credit losses," while Freddie reported $2.2 billion.[9] The contrast between the private banks' write downs — 25 individual institutions have reported losses (on much smaller holdings of mortgage-related assets) exceeding Fannie's $5.3 billion[10] — and those of the GSEs may suggest that Fannie and Freddie's portfolios contain substantial unrecognized losses. As any such losses are recognized, and any remaining capital is exhausted, Treasury will have to commit new capital (by purchasing preferred stock) to prevent the firms' net worth from falling below zero.

The risks of not acting, however, clearly appeared intolerable to the government. A failure or default by Fannie or Freddie would have severely disrupted financial markets around the world. If the GSE portfolios of mortgage loans and MBSs had to be liquidated, prices would plunge, the secondary market for mortgages would be decimated, and the supply of new mortgage credit might be severely restricted. These market disruptions would have negative impacts on the economy as a whole.

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[7] "Statement by Secretary Henry M. Paulson, Jr. on Treasury and Federal Housing Finance Agency Action to Protect Financial Markets and Taxpayers," Treasury Press Release HP-1129, Sep. 7, 2008.

[8] Yalman Onaran, "Banks' Subprime Losses Top $500 Billion on Writedowns," *Bloomberg.Com*, Aug. 12, 2008. Available online at [http://www.bloomberg.com/apps/news?pid=20601087&sid=aSKLfqh2qd9o&refer=worldwide].

[9] Figures from Fannie Mae and Freddie Mac quarterly financial statements.

[10] Onaran, "Banks' Subprime Losses Top $500 Billion on Writedowns." The comparison between banks and GSEs is not exact. Many private firms may have held larger volumes of subprime MBSs than either Fannie or Freddie, including the most risky "toxic waste" tranches of MBS collateralized debt obligations. On the other hand, virtually all of the GSEs' assets are home mortgages — whole loans or MBSs. Firms like Citigroup and Merrill Lynch (who have written down $55.1 and $51.8 billion, respectively) never had the amount of undiversified exposure to the U.S. housing market that the GSEs have.

Postponing intervention, in the hopes that the mortgage market would right itself and return the GSEs to financial health, carried the risk of raising the ultimate cost to the taxpayers, had the financial deterioration continued.

Much of the current stress in housing and credit markets is based on uncertainty about the true values of mortgage-related financial instruments (and, of course, of houses themselves). As long as further declines are considered likely, market participants will be uncertain about each other's financial condition, and lending markets will remain tight. By intervening and in effect stating that it will bear any further losses to the GSEs (which hold a significant share of all home mortgage assets), the Treasury hopes to reduce that uncertainty and create conditions under which markets can return to normal.

If housing and financial market stability returns soon, the intervention may actually earn a profit for the Treasury. (As part of the funding agreement, Treasury will acquire preferred stock paying a 10% annual dividend, and also has the option to acquire 79.9% of the firms' common stock for a nominal price.) If, however, housing values continue to fall for an extended period, the taxpayer may be required to make good on substantial losses to Fannie's and Freddie's investment portfolios and guarantee obligations.

EXHIBIT J

Fannie, Freddie to Buy $40 Billion a Month of Troubled Assets

Oct 11 2008 00:00:04

Oct 11 2008 00:00:04

By Dawn Kopecki

Oct. 11 (Bloomberg) -- Federal regulators directed Fannie Mae and Freddie Mac to start purchasing $40 billion a month of underperforming mortgage bonds as the Bush administration expands its options to buy troubled financial assets and resuscitate the U.S. economy, according to three people briefed about the plan.

Fannie and Freddie began notifying bond traders last week that each company needs to buy $20 billion a month in mostly subprime, Alt-A and non-performing prime mortgage securities, according to the people, who asked not to be identified because the plans are confidential. The purchases would be separate from the U.S. Treasury's $700 billion **Troubled Asset Relief Program**.

The Federal Housing Finance Agency, which placed the two companies in **conservatorship** on Sept. 7, directed them last month to start increasing their purchases of loans and mortgage-backed securities as the Treasury seeks to absorb underperforming and illiquid assets from financial companies.

``For now, they're under conservatorship and they have to be used to keep the flow of capital going to the housing market," former Treasury Secretary **Lawrence Summers** said in an interview on Bloomberg Television's ``Conversations with **Judy Woodruff**." ``They're important to maintaining the flow of government finance" and need to be used actively, he said.

Click to play **1 of 2**

Oct. 11 (Bloomberg) -- Former U.S. Treasury Secretary Lawrence Summers talks with Judy Woodruff about the U.S. government's efforts to restore stability to credit markets, the outlook for the U.S. economy, financial market regulations and Democratic presidential nominee Barack Obama's economic policies. ("Conversations With Judy Woodruff" airs on Bloomberg Television. Source: Bloomberg)

Adding underperforming assets to Fannie and Freddie's combined $1.52 trillion mortgage portfolios would come at a time when the two mortgage-finance companies already hold as much as $210 billion of bad debt that may be eligible itself for the Treasury's relief program, their regulator said Oct. 5.

A spokesman for Washington-based Fannie, **Brian Faith**, and **Doug Duvall** at McLean, Virginia-based Freddie wouldn't comment.

Overall Goal

Neither Fannie nor Freddie has turned a profit in the past year, accumulating $14.9 billion in combined quarterly losses, largely related to bad subprime and Alt-A mortgage assets.

FHFA spokeswoman **Stefanie Mullin** declined to comment on the details of the program. Treasury spokeswoman **Jennifer Zuccarelli** wasn't immediately available to comment.

``The overall goal of the program will be to contribute greater stability and liquidity in the mortgage market, which should enhance consumers' access to mortgage financing and ultimately result in reduced mortgage interest rates," FHFA Director **James Lockhart** said in a Sept. 19 statement.

Subprime loans were given to borrowers with poor or limited credit records or high debt burdens. Alt-A loans were made to borrowers who wanted atypical terms such as proof-of-income waivers, without sufficient compensating attributes. About 35 percent of subprime loans in non-agency mortgage securities are at least 60 days late, while 15 percent of Alt-A loans are, according to a Sept. 9 report by FTN Financial Capital Markets.

Growth

Non-agency, or private-label, bonds are issued by banks and don't carry guarantees by Fannie, Freddie or government-agency Ginnie Mae. Freddie held about $207 billion in non-agency debt in its **$760.9 billion** portfolio as of August, according to its latest monthly volume summary. Fannie had about $104 billion of such securities in its **$759.9 billion** portfolio in August.

Regulators initially restricted Fannie and Freddie's growth when they seized control of the government-sponsored enterprises Sept. 7. To ``promote stability" and lower mortgage costs to borrowers, Treasury Secretary **Henry Paulson** said the two would be allowed to ``modestly increase" their mortgage portfolios to as much as $1.7 trillion through the end of next year and said they would no longer be run ``to maximize shareholder returns."

Less than two weeks later, Fannie and Freddie were told to ramp up their mortgage bond purchases as the financial crisis deepened and credit activity came to near standstill.

Fannie and Freddie which own or guarantee almost half of the $12 trillion U.S. home loan market, were given access to $200 billion in emergency Treasury financing as part of their rescue package. The companies may also be able to sell their bad debt to the Treasury through its $700 billion financial-rescue program signed into law Oct. 3.

FHFA has said the companies plan to release third-quarter results next month as scheduled. Analysts surveyed by Bloomberg project losses for both Fannie and Freddie at least through 2009.

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