

Partnering with Lenders to Increase Certainty

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Access to Credit and Affordable Housing

Fannie Mae's Charter: Stability, Liquidity, Affordability

- Access to mortgage credit in all communities, at all times so creditworthy borrowers can buy, refinance, or rent homes -- our mission for over 75 years. It's in our DNA.
- Corporate board and senior management mandate.
- Top priority of our conservator reflected in 2015 Scorecard.

Four Priorities:

- Increase certainty through a shared commitment to data quality and reducing repurchase risk
- Reach and engage borrowers sitting on the sidelines
- Research that increases understanding of the new market and supports industry innovation
- Provide responsive products and policies

Housing Market Observations

- Demographic sea change characterized by the rise of the Millennials, increased diversity and growing elderly population.
- New household growth driven by traditionally underserved segments.
- Household growth is projected to rebound over the next 5 years
- Minorities expected to continue to account for most household growth
- Minority households more financially constrained
- Consumers believe that obtaining a mortgage is still challenging

Fannie Mae is Committed to Addressing the Challenges that Limit Access to Sustainable Mortgage Credit:

- Partnering with Lenders and increasing certainty so lenders have the confidence to lend to tougher to serve market segments
- Providing lenders with tools to engage borrowers sitting on the sidelines
- Providing responsive products and policies, and
- Conducting research and outreach that helps us better understand the needs of the changing market

 **Overview**

Designed for creditworthy, low- to moderate-income borrowers, with expanded eligibility for financing homes in designated low-income, minority, and disaster-impacted communities.

HomeReady™ lets you lend with confidence while expanding access to credit and supporting sustainable homeownership.

- Simplicity and certainty for lenders
- Improved pricing and execution
- Product features designed to align with today's buyer demographics and support sustainable homeownership

Fannie Mae's Economic and Strategic Research group reports a “demographic sea change” in the housing market, characterized by the rise of the Millennials, increased diversity, and a growing elderly population; and new household growth is being driven by traditionally underserved segments.

Housing Finance Agencies (HFAs) Programs

Fannie Mae Partnership with HFAs

- Over 40 HFAs are doing business with Fannie Mae
- Loan performance and borrower profiles have remained strong given effective partnerships with originating lenders
- HFAs bring many valuable attributes
 - Down payment assistance
 - Support of homebuyer education
 - A careful, high-touch, mission-motivated approach to consumers from application through the life of the loan

HFA Preferred™

- Loan-to-value (LTV) ratio up to 97% with **no first-time homebuyer requirement**
- Borrower income limits **set by the HFA**
- Reduced mortgage insurance coverage with **no loan level price adjustment (LLPA)**

PARAMETER	FANNIE MAE REQUIREMENT
Pricing Terms	All loan level price adjustments (LLPAs) waived except manufactured housing LLPA (per Eligibility Matrix, currently 0.5%)
Eligible Products	Fully-amortizing fixed-rate mortgages (FRMs): Per <i>Selling Guide</i> , with terms greater than 15 years but not exceeding the maximum term permitted for MCM mortgages.
Eligible Occupancy	Owner occupied NOTE: Borrower(s) may not own any other residential property at the time of closing
Eligible Purpose	Purchase, limited cash out refinance
Desktop Underwriter® (DU®)	HFA Preferred is available through DU using the "Additional Data" screen; select "HFA Preferred." Loans with a DU recommendation of Approve/Eligible are eligible for DU's Limited Waiver of reps and warrants. Qualifying ratios, reserves, and income requirements are determined by DU.
Maximum LTV/CLTV (DU)	<ul style="list-style-type: none"> • One-unit: 97% / 105% • 2-4 units: 95% / 105%
Manual Underwriting	Permitted. HFA may manually underwrite an HFA Preferred Mortgage even if such Mortgage was previously submitted to DU.
Manual Underwriting Criteria	Per the requirements of the Eligibility Matrix and any other terms required in the <i>Selling Guide</i> , including borrowers with nontraditional credit.

The Adverse Market Delivery Charge (AMDC) was eliminated effective September 1, 2015. Refer to SEL-2015-04 for details.

HFA Preferred Risk Sharing™

- Fannie Mae began offering HFA Preferred Risk Sharing in Jan. 2012
 - Highly successful program
 - Strong borrower profile
 - Low delinquencies
- **NO MORTGAGE INSURANCE** provides borrowers with monthly cost savings
- Supports HFAs mission and objectives

New HFA Preferred Additional Flexibilities

The HFA Preferred variances will include certain new flexibilities to be part of HomeReady

New Flexibilities (matching HomeReady)

- Permit non-occupant co-borrowers up to 95% LTV in DU; 90% manual
- Exempt non-occupant co-borrower from not owning other properties
- Permit 3-2-1 buy downs
- Permit household income as compensating factor to support higher DTI
- Permit evidence of rental payments for at least 9 months versus current 12 month for boarder income

Rep & Warrant Relief

Updated rep & warrant framework:

- Introduced in 2012, effective for 2013-forward loan deliveries, with further enhancements in 2014
- Gives lenders more clarity, certainty, and transparency about their post-delivery obligations
- Provides “sunset” on rep & warrant obligations, generally after 36 months of payments (some exceptions and limitations)

More than 952,751 loans delivered to Fannie Mae since January 2013 have already achieved sunset of rep & warrant obligations based on a 12-month performance history (HARP loans). [data as of January 2015]

Rep and Warrant Relief – More to Come

- More clarity on life-of-loan reps and warrants
- Third-party dispute resolution process
- Repurchase alternatives/remedies
- Rep & warrant sunset tracking reports

“We realized these sunset provisions were good, but not enough.”
– Tim Mayopoulos, Fannie Mae CEO (October 20, 2014)

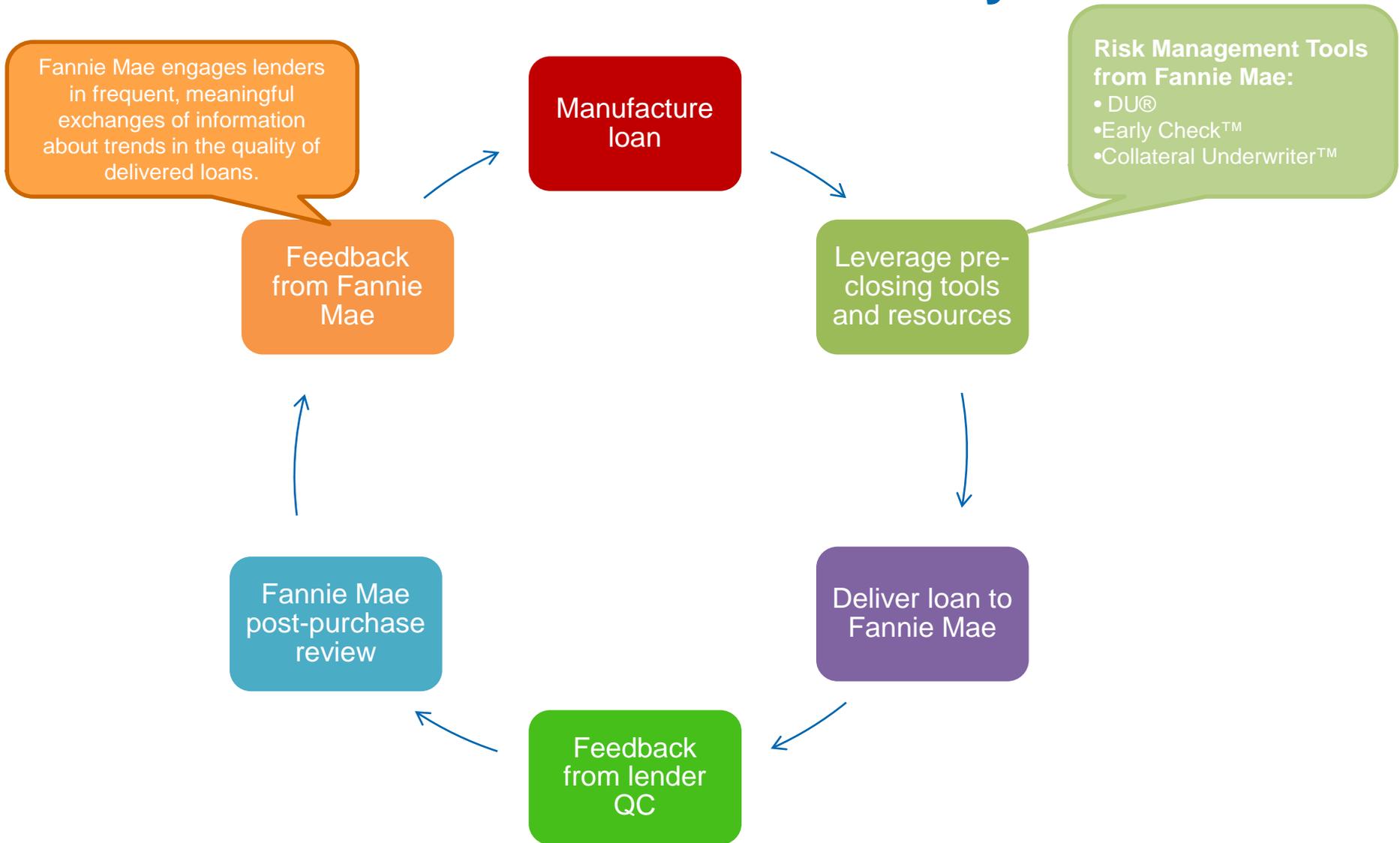
Certainty

- For loans delivered January–September 2013:
 - Less than 0.3% resulted in a repurchase request being issued
 - Of those loans on which a repurchase request was issued – for the first quarter of 2013:
 - About 60% of the repurchase requests were resolved with no repurchase after lenders provided data or documentation

- Feedback loop

- Lender risk management tools

Circular Process Increases Certainty



Tools to Effectively Manage Risk

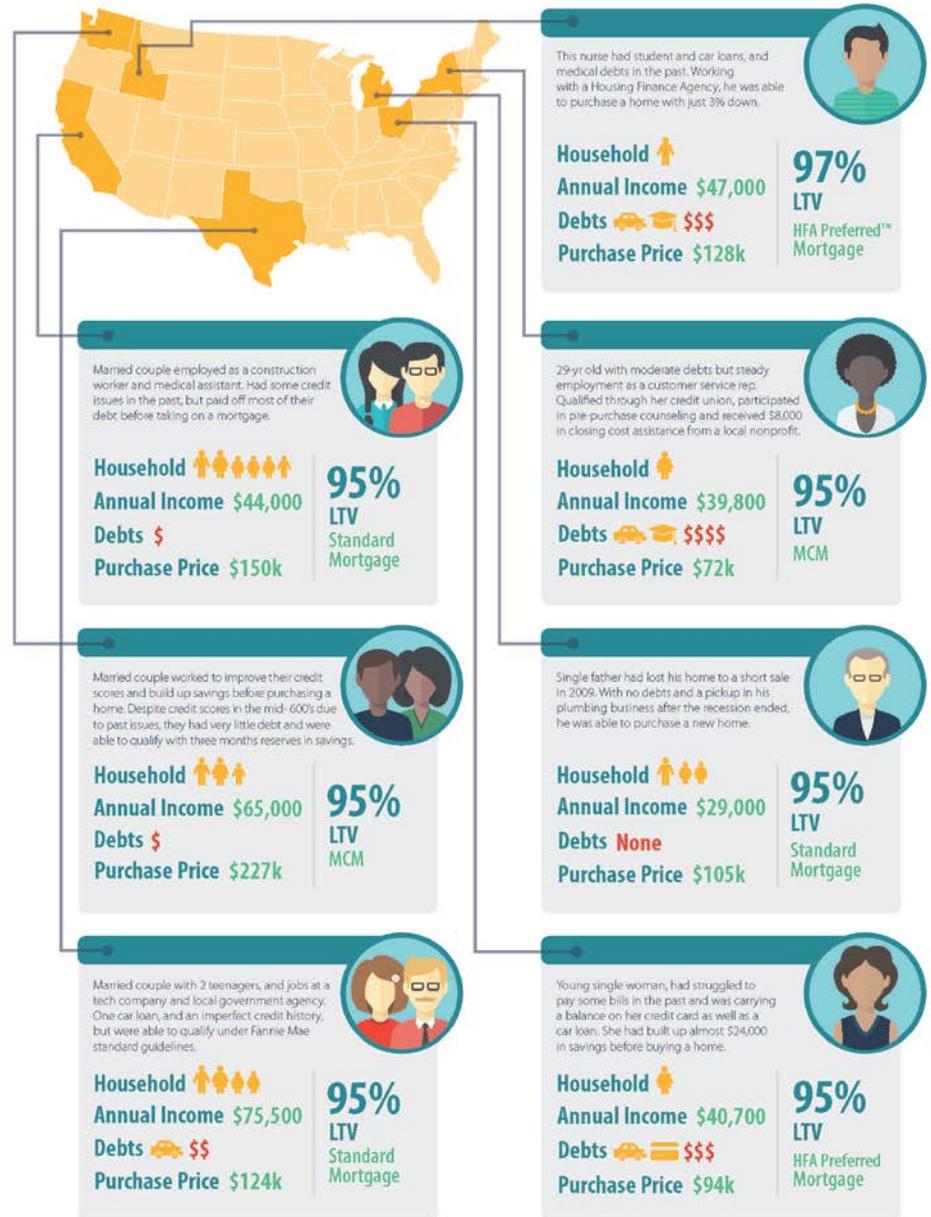
- **Desktop Underwriting® (DU®)** – the leading automated underwriting platform in the industry
- **Early Check™** – provides access to Fannie Mae delivery edits to assist lenders in identifying and correcting potential eligibility and/or data issues early in their processes and prior to loan delivery
- **Collateral Underwriter™ (CU™)** – Proprietary appraisal review application developed by Fannie Mae to support proactive management of appraisal quality.
 - Gives lenders access to the same appraisal review tool that Fannie Mae uses, at no additional cost.

FACT: Post-purchase loan reviews show that loans are being delivered with fewer defects, down to <2% in the third quarter of 2013 from a high of 8% before the crisis.



Success Stories

Here are some stories based on real credit profiles of homebuyers who were able to qualify for a Fannie Mae products



Partner of Choice

- Fannie Mae is committed to providing our lender partners with the best customer experience so they can serve the market efficiently and profitably
- We are focused on understanding our partners' needs and working to find constructive solutions that deliver value to our customers
- We are focused on making our interactions with our partners simpler and more efficient

Our Mission: To be America's most valued housing partner





QUESTIONS
And
Answers