

Confidential - Highly Restricted

2/17/06

## 2006 Corporate Priorities & Objectives

**Priority 1: COMPLETE STABILIZATION - Become a first-rate regulated company with strong and productive relationships with all of our regulators; restate our earnings; manage our capital surplus; and build our relationship with investors.**

1. **Regulators:** Foster productive relationship with OFHEO (B. Senhauser), Treasury (P. Niculescu), and the SEC (B. Wilkinson).
2. **HUD:** Build our relationship with HUD, and deliver on our special minority first-time homebuyer commitment and under the President's "Blueprint for The American Dream" initiative. (K. Bacon)
3. **OFHEO Agreements:** Fulfill remaining items in the OFHEO agreements. (B. Senhauser)
4. **Restatement:** File 10-K for 2004 and prepare to file 10-K for 2005. (R. Blakely)
5. **SOX:** Remediate a significant portion of the material weaknesses and deficiencies identified during the 2005 SOX design and testing. (R. Blakely)
6. **Legal & Compliance:** Create a plan for the realignment of the legal department to business priorities (B. Wilkinson) and build the CEI function (B. Senhauser).
7. **Dividend:** Develop with the Board and implement a dividend (and/or stock repurchase) strategy. (R. Blakely)
8. **Investors:** Develop and implement an investor relations strategy, including, where possible, any non-GAAP metrics, and begin reintroducing the company to investors. (R. Blakely)

**Priority 2: OPTIMIZE OUR BUSINESS - Launch key initiatives that optimize our business model and generate shareholder value, while meeting our challenges and customers' needs as One Fannie Mae.**

### *Core Business*

9. **Share:** Achieve SF MBS issuance share targets, >55% vs. Freddie and >25% vs. the market, consistent with financial & risk guidelines. (T. Lund)
10. **Profitability:** Meet or exceed SF mission adjusted gap efficiency targets for the core business (T. Lund) and achieve MF ROC of 8-12% for the Whole Loan Desk and achieve other ROC targets to be determined per objective #20. (K. Bacon).
11. **Portfolio Return:** Achieve an investment spread of 25 bps on an option- and credit-adjusted basis for net mortgage portfolio investments in 2006. (P. Niculescu)
12. **Price Spread:** Maintain a better than theoretical MBS price spread versus the Freddie Mac PC. (P. Niculescu)

### *Strategic Initiatives*

13. **CRO:** Build the CRO function, and implement business unit risk officer organizations and the 2006 plan for policies. (M. Winer)
14. **CMBS:** Implement CMBS purchase capability by Q1 '06. (P. Niculescu)
15. **RTF:** Implement the Risk Transformation Facility by Q3 '06. (P. Niculescu)
16. **HCD:** Develop and implement the strategic plan for expansion of the HCD businesses. (K. Bacon)
17. **Subprime:** Increase our penetration into subprime. (T. Lund)
18. **Community & Multicultural:** Develop and implement plan to increase sourcing of minority loans. (T. Lund)

### *Strategy & Metrics*

19. **Corporate Strategy:** Refine strategic planning process by Q2 '06 and develop new multiyear corporate strategy in 2006. (C. Groobey)
20. **Performance Metrics:** Recommend to the Executive Committee performance metrics by Q2 '06 including 1) corporate financial and risk metrics including return on capital and capital allocation framework (R. Blakely, M. Winer) and 2) metrics for each business: Portfolio (P. Niculescu), SF (T. Lund), and HCD (K. Bacon) including customer loyalty metric(s) for the credit guaranty businesses. Implement where approved.

**Priority 3: DELIVER ON THE MISSION - Deliver our mission commitments by increasing liquidity to make U.S. housing more affordable and making an impact in highly disadvantaged communities.**

21. **HUD Goals:** Achieve the HUD Goals. (T. Lund)
22. **Minority Lending:** Achieve the minority lending targets. (T. Lund)
23. **ADC 3.0:** Achieve ADC 3.0 and Katrina targets. (K. Bacon)

**Priority 4: INSTILL OPERATIONAL DISCIPLINE - Instill operational discipline into all functions, resulting in stronger processes, reduced risk, and good SOX reports.**

24. **Audit:** Rebuild the function to meet Board, outside auditor, and regulator requirements. (J. Hinrichs)
25. **Decision Processes:** Establish a structured decision making process for key initiatives, which is more efficient, clarifies accountabilities and roles, and leads to better outcomes. (C. Groobey)
26. **SIR:** Begin parallel production testing for Servicer and Investor Reporting for cash transactions by Q4 '06. (J. St. John)
27. **HCD Technology:** Implement Committing and Delivery for MBS by Q1 '06, automated reporting for Consolidated Disclosure by Q4 '06, Credit Enhancement Servicing and Reporting Phase 3 by Q4 '06, and four Credit Management upgrades by Q4 '06. (J. St. John)
28. **Finance Transformation:** Develop and implement the 2006 portion of the overall plan. (R. Blakely)
29. **Lean Six Sigma:** Pilot Lean Six Sigma. (J. St. John)
30. **Data Integrity:** Develop and implement plan to improve data integrity. (M. Williams)

**Priority 5: RENEW OUR CULTURE - Build a culture to achieve our objectives by demonstrating SEAM, reenergizing diversity programs and renewing our people strategy.**

31. **Culture:** Implement the next phase of the culture strategy. (D. Mudd)
32. **Diversity:** Develop and implement a next generation diversity strategy. (M. Williams)
33. **People Strategy:** Implement compensation recommendations from the Semler-Brossy Report by Q4 '06 and new performance management program by Q3 '06. (M. Williams)

Confidential Treatment  
Requested by Fannie Mae

FMSE 698336