

**CBO Report**

**April 25, 2006**

**Rob Levin**

**PROPRIETARY AND CONFIDENTIAL -  
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BY FANNIE MAE**

**FMSE 703311**

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# Headlines

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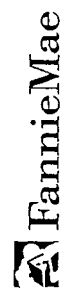
- Business Metrics SF and MF: mostly on track; Portfolio: no growth
- Market Shares 57% vs. Freddie, 22.5% overall
- Housing Goals Challenging and very expensive
- Customers Converted Nat City; failed to convert WaMu. Focused on Wells and Chase.
- Strategic Initiatives CMBS: early success; Subprime: no results; high hopes for RTF; ADC: engaged with HUD over guidelines.
- Katrina \$200 million commitments for rebuilding - more to come. Low range of loss estimate reduced from \$250 million to \$170 million.
- Debt Tender Offer \$19 billion eligible; \$4 - 6 billion expected; approximately \$100 million gain.

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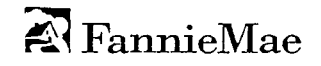
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# Macroeconomic Environment

		Latest Forecast	Plan
<b>Interest Rates</b>	Fed Fund Rate (avg)	4.94%	4.77%
	10 yr Treasury (avg)	4.82%	4.80%
	FRM Rate (avg)	6.40%	6.33%
<b>Originations</b>	Total Mortgage Originations (billions)	\$2,213	\$ 2,101
	Mortgage Debt Outstanding (billions)	\$9,978	\$ 9,825
	% Change	9.1%	8.7%
	Refi Share	35.9%	31.1%
	Conventional Conforming ARM Share	29.2%	29.2%
<b>Housing Markets</b>	Total Home sales (thousands)	7,583	7,615
	Housing Starts (thousands)	1,913	1,905
	SF	1,579	1,581
	MF	334	323
	Median Home Prices (thousands)	\$ 216	\$ 217
	% Change	2.7%	3.2%

Watching Interest Rates

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# Business Metrics

## March Year to Date

	Actual	Plan	
<b>Single - Family</b>			
Book Growth	7.4 %	6.8 %	◆
Charged Fee (bps)	26.7	26.6	◆
Delinquency Rate - ex Katrina (bps)	64	64 (Feb 05)	◆
<b>HCD</b>			
Debt Book Growth	4.9 %	5.9 %	◇
Charged Fee (bps)	25.8	24.2	◆
Delinquency Rate - ex Katrina (bps)	10	10 (Feb 05)	◆
LIHTC Investments (\$ millions)	\$ 345	\$ 300	◆
<b>Mortgage Portfolio</b>			
Book Growth	-7.00 %	5.6 %	◇
OAS (bps)	25 +	25 +	◆
Duration Gap (months)	0	-	◆

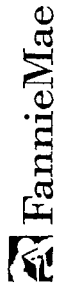
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# Housing Goals

	Goal	Forecast Before Initiatives	Initiatives (Loans)	Forecast with Initiatives
<b>HUD</b>				
Low-Mod	53%	52.8%	67,300	54.3%
Underserved	38%	38.3%	55,000	39.5%
Special Affordable	23%	24.8%	45,700	25.6%
Low-Mod Purchase	46%	40.2%	67,300	46.2%
Underserved Purchase	33%	29.6%	55,000	33.7%
Special Affordable Purchase	17%	14.1%	45,700	17.9%
MF Special Affordable (billions)	\$5.50	\$10.60	-	\$10.60
<b>Minority</b>				
Total Minority	25.1%	23.2%	38,400	26.2%
Hispanic	12.0%	10.2%	24,000	12.2%
African American	5.8%	5.2%	19,800	6.8%

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# Cost of Housing Goals

<u>Initiatives</u>	<u>Volume (billions)</u>	<u>Cash Flow Cost (millions)</u>	<u>Opportunity Cost (millions)</u>
Private Label Subprime Securities	\$ 50.0	\$ 0	\$ 0 - 40
Manufactured Housing	1.5	45	130
CRA related product	7.7	100	260
DU "bumps" and other	2.6	40	85
		<u>\$ 185</u>	<u>\$ 475 - 515</u>

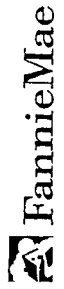
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# Strategic Initiatives

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<b>CMBS</b>	\$2 billion purchased through April at a spread of 35 basis points. We hope to do at least \$5 billion for the year.
<b>RTF</b>	On target for third quarter implementation
<b>Subprime</b>	Focused on 8 large lenders including Citigroup and Wells Fargo; have provided several indicative bids; lenders appear to be more receptive to a Fannie Mae relationship than in the past.
<b>Increase share of total market</b>	Lagging; working on \$40 billion Alt A initiative
<b>Acquisition, Development And Construction</b>	HUD Guideline Engagement

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# Katrina Rebuilding

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## \$200 million committed:

- \$110 million invested in two low income housing tax credit funds in the Gulf Opportunity Zone which will provide rental housing for people earning 60% of the area median income or less.
- \$80 million in multifamily loans
- Joined with JP Morgan Chase to provide \$225,000 to build the first 5 homes in the Treme neighborhood.
- \$900,000 in grants to organizations involved with relief and rebuilding

More to Come

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