FANNIE MAE

2014 ANNUAL HOUSING ACTIVITIES REPORT

and

ANNUAL MORTGAGE REPORT

SUBMITTED TO:

THE FEDERAL HOUSING FINANCE AGENCY (FHFA)

THE COMMITTEE ON FINANCIAL SERVICES
OF THE
UNITED STATES HOUSE OF REPRESENTATIVES

THE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
OF THE
UNITED STATES SENATE

PURSUANT TO

The Federal National Mortgage Association
Charter Act

MARCH 13, 2015

INTRODUCTION

Under Section 309(n) of the Federal National Mortgage Association Charter Act ("Charter Act"),[1] Fannie Mae is required to submit a report on its annual housing activities to the Director of the Federal Housing Finance Agency ("FHFA") and to its oversight committees in the United States House of Representatives and the United States Senate, and to make the report available to the public. This report responds to these requirements.

Since 1993, Fannie Mae has been subject by statute and regulation to the achievement of certain housing goals. The structure of our housing goals changed in 2010 as a result of the passage of the Housing and Economic Recovery Act of 2008[2] and goals for 2010 and 2011 were set at that time.[3]

In 2012, FHFA issued a rule revising our housing goals.[4] The following single-family home purchase and refinance housing goal benchmarks were established for 2012–2014.

- *Low-Income Families Home Purchase Goal:* At least 23 percent of our acquisitions of mortgage loans financing single-family owner-occupied home purchases must be affordable to low-income families (defined as families with income no higher than 80 percent of area median income ("AMI")).
- *Very Low-Income Families Home Purchase Goal:* At least 7 percent of our acquisitions of mortgage loans financing single-family owner-occupied home purchases must be affordable to very low-income families (defined as families with income no higher than 50 percent of AMI).
- *Low-Income Areas Home Purchase Goal:* The benchmark level for our acquisitions of single-family owner-occupied purchase money mortgage loans for families in low-income areas is set annually by notice from FHFA, based on the benchmark level for the low-income areas home purchase subgoal (below), plus an adjustment factor reflecting the additional incremental share of mortgages for moderate-income families (defined as income equal to or less than 100% of area median income) in designated disaster areas. For 2014, FHFA set the overall low-income areas home purchase benchmark goal at 18%.
- *Low-Income Areas Home Purchase Subgoal:* At least 11 percent of our acquisitions of mortgage loans financing single-family owner-occupied home purchases must be for families who reside in low-income census tracts or for moderate-income families who reside in minority census tracts.
- *Low-Income Families Refinancing Goal:* At least 20 percent of our acquisitions of refinance loans for single-family owner-occupied housing must be affordable to low-income families. Permanent modifications of mortgages under the Home Affordable Modification Program completed during the year may count toward this refinance goal.

If we do not meet these benchmarks, we may still meet our goals. Single-family housing goals performance is measured against both the FHFA-set benchmarks and against goals-qualifying originations in the primary mortgage market. We will be in compliance with the housing goals if we meet either the benchmarks or market share measures. If our performance against any of our 2014 single-family housing goals is below the benchmark level, Fannie Mae and FHFA will compare our performance with that of goals-qualifying originations in the primary mortgage market after the release of data

[1] 12 U.S.C. § 1723a(n).

[2] Pub.L. 110-289, 122 Stat. 2654, enacted July 30, 2008, § 1128 (codified at 12 U.S.C. §§ 4502 and 4561-4564).

[3] 2010-2011 Enterprise Housing Goals; Enterprise Book-Entry Procedures, 75 Fed. Reg. 55892 (Sept. 14, 2010).

[4] 2012-2014 Enterprise Housing Goals, 77 Fed. Reg. 67535 (Nov. 13, 2012).

reported under the Home Mortgage Disclosure Act ("HMDA").[5] This release will be made in the fall of 2015. At that time it will be determined whether Fannie Mae met any additional goals based on the HMDA market data.

FHFA also established multifamily goals and subgoals for 2012-2014 as follows. For 2012, we were required to finance at least 285,000 units affordable to low-income families and 80,000 units affordable to very low-income families. For 2013, we were required to finance at least 265,000 units affordable to low-income families and 70,000 units affordable to very low- income families. For 2014 we were required to finance at least 250,000 units affordable to low-income families and 60,000 units affordable to very low-income families. There is no market-based alternative measurement for the multifamily goals.

If our efforts to meet our goals prove to be insufficient, FHFA determines whether the goals were feasible. If FHFA finds that our goals were feasible, we may become subject to a housing plan that could require us to take additional steps, including describing the actions we would take to meet the goal in the next calendar year. The potential penalties for failure to comply with housing plan requirements include a cease-and-desist order and civil money penalties.

For 2013, FHFA determined that we met all of our single-family goals and subgoal with the exception of the single-family very-low income purchase goal. FHFA also determined that we met our multifamily goal and subgoal.

In September 2014, FHFA issued a proposed rule setting forth new single-family and multifamily goals and subgoals for 2015-2017. [6] The rule is expected to be finalized in 2015.

The following table sets forth Fannie Mae's housing goals performance against our 2014 single-family housing benchmarks and multifamily housing goals, as calculated by Fannie Mae. We believe we met four out of five of our single-family benchmarks for 2014, as well as both 2014 multifamily goals. Final performance results will be calculated and published by FHFA.[7]

Housing Goals	2014 Benchmark	2014 Result
Single-family[8]		
Low-Income Home Purchase	23%	23.47%
Very Low-Income Home Purchase	7%	5.66%
Low-Income Areas Home Purchase	18%	22.68%
Low-Income Areas Home Purchase Subgoal	11%	15.48%
Low-Income Refinance	20%	26.45%
Multifamily (in units)		
Low-Income	250,000	262,050
Very Low-Income Subgoal	60,000	60,542

[5] 12 U.S.C. § 2801 et seq.

[6] 2015-2017 Enterprise Housing Goals: Proposed Rule, 79 Fed. Reg. 54482 (Sept. 11, 2014)(to be codified at 12 C.F.R. pt. 1282).

[7] Our 2014 results have not been validated by FHFA. After validation they may differ from the results reported above.

[8] Our single-family results and benchmarks are expressed as a percentage of the total number of eligible mortgages acquired during the period. A home purchase mortgage may be counted towards more than one home purchase benchmark.

CHARTER ACT REQUIREMENTS

Fannie Mae's Charter Act specifies the information that must be included in the Annual Housing Activities Report.[9] Each statutory requirement is set forth below, followed by Fannie Mae's response for 2014.

1. Include, in aggregate form and by appropriate category, statements of the dollar volume and number of mortgages on owner-occupied and rental properties purchased which relate to each of the annual housing goals.

The dollar volume and number of mortgages on owner-occupied properties that relate to each of the housing goals are set forth on Table 1A of the Annual Mortgage Report ("AMR") attached hereto.[10]

The dollar volume and number of mortgages on rental properties that relate to each of the housing goals are set forth on AMR Table 1A (Single-Family Owner-Occupied 2-4 Unit Properties/Mortgages) and AMR Table 1B (Multifamily) attached hereto. In 2014, Fannie Mae mortgage purchases financed 11,023 units affordable to families earning 80 percent or less of AMI living in owner-occupied 2-4 unit properties.[11]

2. Include, in aggregate form and by appropriate category, statements of the number of families served by the corporation, the income class, race, and gender of homebuyers served, the income class of tenants of rental housing (to the extent such information is available), the characteristics of the census tracts, and the geographic distribution of the housing financed.

In 2014, Fannie Mae's purchases of mortgages served 2,326,309 families, as measured by the number of units financed. The income class, race, and gender of homebuyers served, the characteristics of the census tracts, and the geographic distribution of the housing financed are set forth on AMR Tables 2, 3, 4, 5A, 6, 7, 8, 9, 10A, and 10B attached hereto.

3. Include a statement of the extent to which the mortgages purchased by the corporation have been used in conjunction with public subsidy programs under Federal law.

In 2014, Fannie Mae purchased 4,807 single-family mortgages and 277 multifamily mortgages with an aggregate unpaid principal balance of approximately $642 million and $2.569 billion, respectively, that were originated in conjunction with public subsidy programs.[12]

[9] Charter Act, § 309(n)(2)(A-L).

[10] The Annual Mortgage Report is provided pursuant to § 309(m) of the Charter Act.

[11] For 1,387 units that we financed, affordability data was not provided so these units are not included in our calculation.

[12] For purposes of this AHAR, Fannie Mae defined programs originated in conjunction with public subsidy programs to include: certain single-family and multifamily HUD-related and Rural Housing Service-related programs and other government insured and/or related programs; Fannie Mae's Multifamily Affordable Housing execution; mortgages purchased from housing finance agencies that benefit from federal tax exemption; bond credit enhancements; and mortgages that benefit from low-income housing tax credits. Because some loans may have been made in conjunction with more than one public subsidy program, there may be a small amount of overlap.

4. Include statements of the proportion of mortgages on housing consisting of 1 to 4 dwelling units purchased by the corporation that have been made to first-time homebuyers, as soon as providing such data is practicable, and identifying any special programs (or revisions to conventional practices) facilitating homeownership opportunities for first-time homebuyers.

In 2014, 44.14 percent of single-family owner-occupied home purchase mortgages acquired by Fannie Mae financed mortgage loans to first-time homebuyers.[13]

Fannie Mae has also developed special products (or revisions to conventional practice) or accepts the use of special products that are designed to assist first-time homebuyers. These include the following:

- MyCommunityMortgage®, which is a conventional community lending mortgage that offers underwriting flexibilities to qualified borrowers who meet specific income criteria. As an example, this product was utilized by a married couple with an annual income of $65,000 and credit scores in the 600s due to past issues, to finance a 95 percent loan to value ("LTV") purchase of a $150,000 home.
- Community Seconds, which are subordinate mortgages financed by a nonprofit, housing finance agency, or other organizations to fund all or part of the down payment, closing costs, renovations to the property, or a permanent interest rate buy down. As an example, this product was used by a 29-year old woman with an annual income of $39,800 and moderate debts to secure $8,000 in closing costs on a $72,000 house which was financed with a MyCommunityMortgage. [14]
- HFA Preferred™, a product which enables eligible Housing Finance Agencies ("HFAs") to offer loans to borrowers with up to 97 percent LTV ratios with low mortgage insurance coverage requirements. As an example, this product was utilized by a young single woman with an annual income of $40,700 who struggled to pay some bills in the past and had outstanding credit card debt and a car loan. After participating in homebuyer education, she was able to build up almost $24,000 in savings which enabled her to finance a 95 percent LTV loan on a $94,000 house.
- HFA Preferred Risk Sharing™ a product which also enables HFAs to offer loans to borrowers with up to 97 percent LTV ratios, but without the cost of mortgage insurance. As an example, this product was utilized by a nurse with an annual income of $47,000 and student, car, and medical related debt who, after receiving homebuyer education, was able to qualify for a loan on a $128,000 house.

[13] Exclusions from this calculation include: loans exempt from housing goals reporting (*e.g.,* loan restructures, convertible adjustable rate mortgages, and real estate owned properties), long-term standby commitments, refinance mortgages, home equity conversion mortgages, government loans, and Making Home Affordable modifications. Fannie Mae has relied on information provided by its customers to identify units occupied by first-time homebuyers. Fannie Mae's 2014 Single Family Selling Guide provides that a first-time homebuyer is an individual who (1) is purchasing the security property; (2) will reside in the security property as a principal residence; and (3) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period

[14] Community Seconds are not a Fannie Mae product. Rather, they are subordinate mortgages that comply with Fannie Mae's guidelines, thus allowing the first mortgage on the same property (if it otherwise qualifies) to be delivered to Fannie Mae.

The percentage of mortgages made to first-time homebuyers in 2014 under these special products (or revisions to conventional practices) or where Fannie Mae accepts the use of special products, that are designed to assist first-time homebuyers, includes the following:

Products and Initiatives	**Percentage of Mortgages Made to First-Time Homebuyers**
MyCommunityMortgage®	90.46%
Non-HFA Community Seconds	91.86%
HFA Preferred™	92.05%
HFA Preferred Risk Sharing™	84.51%
HomePath®	61.15%

5. Include, in aggregate form and by appropriate category, the data provided to the [Director] under subsection (m)(1)(B) [*i.e.*, the loan-to-value ratios of purchased mortgages at the time of origination].

AMR Table 11 provides LTV ratio of single-family owner-occupied mortgages purchased by Fannie Mae.

6. Compare the level of securitization versus portfolio activity.

During 2014, Fannie Mae securitized $407.7 billion in mortgage loans. We had total portfolio acquisitions of $178.3 billion, which included approximately $17.9 billion of delinquent loans purchased from our MBS trusts. In 2014, Fannie Mae's portfolio decreased by $77.4 billion.

7. Assess underwriting standards, business practices, repurchase requirements, pricing, fees, and procedures, that affect the purchase of mortgages for low- and moderate-income families, or that may yield disparate results based on the race of the borrower, including revisions thereto to promote affordable housing or fair lending.

Fannie Mae has an ongoing comprehensive fair lending risk assessment program that is designed to ensure that its underwriting standards, business practices, repurchase requirements, pricing policies, fee structures, and procedures comply with the fair lending laws and promote fair and responsible lending.

Fannie Mae considers service to low- and moderate-income families to be an important part of its mission. Fannie Mae designs its underwriting standards, business practices, repurchase requirements, and procedures to balance the company's multiple objectives of serving low- and moderate-income families, meeting its liquidity mission, and appropriately addressing credit risk.

2014 Changes

Fannie Mae implemented certain changes to its single-family mortgage underwriting and business practices in 2014, including the following:

- Property and Appraisal Requirements– clarified policy for small towns and rural areas;
- Refi Plus/DU Refi Plus – allowed lenders to use unemployment benefits as source of income, whether or not they are seasonal and without meeting continuity of income requirement;

- Reestablishment of Credit Following Deeds-in-Lieu of Foreclosure and Pre-Foreclosure Sales – removed LTV restrictions and streamlined to four years or two years with extenuating circumstances;
- Grant and Community Seconds – expanded providers to permit Federal Home Loan Banks as providers;
- Reestablishment of Credit Following Waiting Period for Mortgage Debt Discharged Through Bankruptcy – clarified borrower is held to the bankruptcy (and not foreclosure) waiting period
- HUD Section 184 (Native American) and Rural Development Section 502 Programs – allowed as standard products;
- 97% LTV – permitted LTVs to 97% for first-time home buyers for MyCommunityMortgage® and standard options; and
- Student Loan Payments – modified monthly payment calculation from 2 percent to 1 percent for purposes of determining borrower's debt-to-income ratio.

Moreover, Fannie Mae continues to provide refinance opportunities for existing Fannie Mae borrowers through the DU Refi Plus™ and Refi Plus™ initiatives, including the Home Affordable Refinance Program ("HARP"), which were originally implemented in 2009.

Fannie Mae continues to implement various policy, process and technology enhancements aimed at improving a lender's ability to deliver mortgage loans that meet Fannie Mae's underwriting and eligibility guidelines, thereby mitigating repurchase risk of ineligible loans. Lenders were required to begin collecting Uniform Loan Delivery Dataset Phase 2 data points on all applications received on or after March 1, 2014, but lenders will not be required to deliver these new data points (and some revised Phase 1 data points) until the second quarter of 2016. At the direction of FHFA, Fannie Mae and the Federal Home Loan Mortgage Corporation ("Freddie Mac") jointly developed the Uniform Closing Disclosure Dataset ("UCD") to provide the industry with a uniform way to collect information once the new closing disclosure form required by the Consumer Financial Protection Bureaus becomes effective. In addition, at the direction of FHFA, throughout 2014 Fannie Mae and Freddie Mac jointly worked to update the Uniform Residential Loan Application; this project will continue into 2015.

Fannie Mae announced that it will be making Collateral Underwriter™ ("CU"), Fannie Mae's proprietary appraisal risk assessment tool, available to lenders in 2015. CU is intended to assist lenders in assessing property eligibility and appraisal quality. It will perform an automated risk assessment of appraisals submitted to the Uniform Collateral Data Portal and return a CU risk score, flags, and messages to the submitting lender. CU will provide lenders additional transparency and certainty by giving lenders access to the same analytics used in Fannie Mae's quality control process.

In May 2014, at the direction of FHFA, Fannie Mae and Freddie Mac announced changes to the selling representations and warranties framework that relate to how a mortgage becomes eligible for relief from certain specified selling representations and warranties. Under the revised framework, there are two separate, independent paths through which a lender may obtain relief from the selling representations and warranties. Relief is either based on the borrower's acceptable payment history (which was relaxed to permit two 30 day late payments) or a satisfactory conclusion of a quality control loan file review.

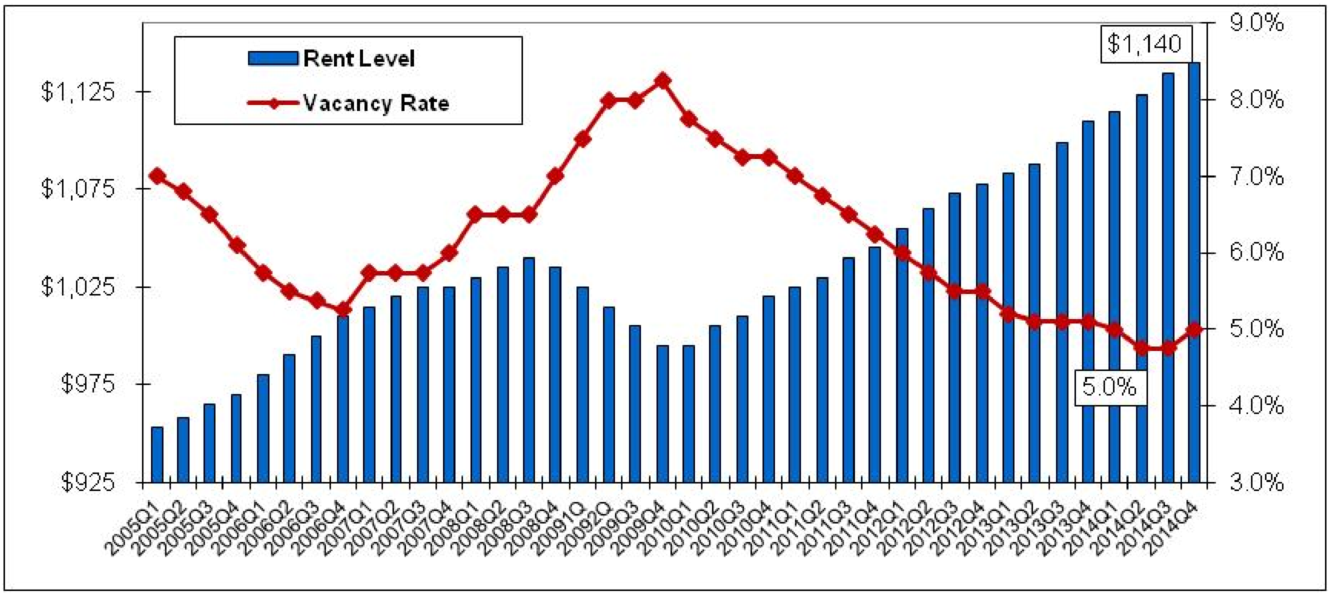
In November 2014, at the direction of FHFA, Fannie Mae and Freddie Mac announced changes to the selling representation and warranty framework that relate to conventional loans delivered on or after January 1, 2013. The primary changes include a significance test for post-relief date remedies related to misrepresentations or data inaccuracies that is intended to clarify that we will only seek repurchase on these loans if we would not have purchased the loans had we known the accurate information at the time of delivery. In addition, for loans delivered after November 20, 2014, we will only seek repurchase of a loan for failure to comply with laws if we determine the failure to comply with laws would impair our rights under the note or mortgage, if the failure to comply could impose assignee liability on Fannie Mae, or if a specified law or regulation may have been violated.

8. Describe trends in both the primary and secondary multifamily housing mortgage markets, including a description of the progress made, and any factors impeding progress toward standardization and securitization of mortgage products for multifamily housing.

__Primary and Secondary Market Trends__

The primary multifamily housing market is influenced by a variety of economic and demographic conditions. These conditions impact the demand for, and absorption of, additional units. National multifamily fundamentals (*e.g.*, vacancy levels, rent growth, and apartment housing demand) held up quite well during 2014, despite an influx of new, higher-end supply in some submarkets. Continued demand for rental apartments remains a positive force across most of the country and is expected to continue into 2015. Set forth below are charts illustrating trends that impact the market for multifamily mortgage originations.

Estimated National Rent Level and Vacancy Rate



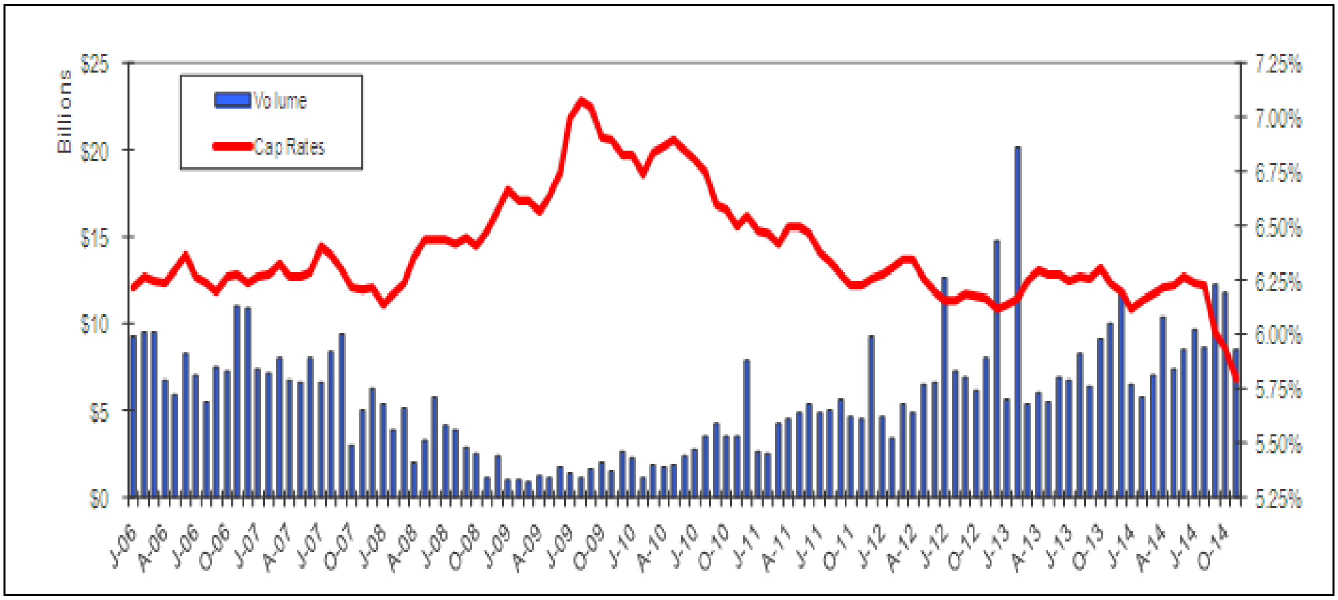
Source: Fannie Mae Economics and Multifamily Market Research

As illustrated in the chart above, estimated rent levels have increased steadily for 19 straight quarters, with a 3.0 percent annualized increase in 2014. Estimated vacancy rates generally decreased during most of the same period, although the rate increased to an estimated 5.0 percent during the fourth quarter of 2014.

Effective rents and net absorption both continued to increase during 2014. National asking rents grew by an estimated 3.0 percent in 2014. National asking rents increased by an estimated 0.5 percent during the fourth quarter of 2014, compared with a 1.0 percent increase in the third quarter of 2014.

Continued demand for multifamily rental units was reflected in the estimated positive net absorption (that is, the net change in the number of occupied rental units during the time period) of approximately 165,000 units in 2014. According to preliminary data from Reis, Inc., there was positive net absorption of approximately 45,000 units during the fourth quarter of 2014, compared with approximately 37,000 units during the third quarter of 2014. Although an estimated 240,000 units were added to inventory in 2014, multifamily rental demand remained healthy.

National Apartment Sales Volume and Cap Rates



Source: Real Capital Analytics (www.rcanalytics.com) (Used by permission; excludes Tishman-Speyer transaction in 2007); 2005-present based on properties and portfolios $2.5 million and greater.

Sales of apartment properties valued at $2.5 million or greater were $34.3 billion in fourth quarter 2014, compared to $27.5 billion in third quarter 2014 and representing a year-over-year increase of 9.0 percent, according to recent data from Real Capital Analytics. Apartment sales reached a new peak of $112 billion in 2014, up 7.0 percent compared to the previous peak back in 2007.

In addition, the average reported capitalization rate[15] remained fairly steady most of the year at approximately 6.0 percent, and in the same range as over the past two years. However, capitalization rates in some of the nation's largest metropolitan areas remained at below-average levels, according to Real Capital Analytics.

Standardization and Securitization

Securitization of mortgages functions more effectively when such mortgages are standardized. Over the past two decades, standardization of multifamily mortgages has been advanced by a number of factors, including: (1) the development of the market for commercial mortgage-backed securities ("CMBS"), including those backed by multifamily mortgage loans; (2) the introduction of Fannie Mae's risk-sharing Delegated Underwriting and Servicing program in 1988 and subsequent enhancements; (3) efforts to standardize commercial securitization and offering documents, spearheaded by the Commercial Real Estate Finance Council; (4) the issuance by the Securities and Exchange Commission ("SEC") of

[15] The capitalization rate, as defined by the Mortgage Bankers Association, is the rate of return on net operating income considered acceptable to investors and used to determine the capitalized value. The rate should provide a return on, as well as a return of, capital.

Regulation AB in 2005, which established uniform disclosure requirements for all publicly registered CMBS transactions; and (5) passage of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") and the 2014 revisions to Regulation AB.

In 2014, Fannie Mae continued to rely on its securitization activities for new production, using MBS as the primary execution to further its mission to provide liquidity and stability to the multifamily market. This occurred through three primary activities:

- Fannie Mae issued $28.6 billion in multifamily MBS in 2014, which accounted for 99 percent of its multifamily lender production.
- In an effort to improve the liquidity and increase demand for multifamily MBS, in 2014 Fannie Mae issued $12.0 billion of Multifamily structured securities through eleven Real Estate Mortgage Investment Conduit ("REMIC") transactions as part of our GeMS™ program. GeMS structured securities are backed by multifamily MBS previously issued by Fannie Mae. In 2015, Fannie Mae will continue to market its Multifamily structured product offerings through the GeMS program.
- In addition, the company securitized approximately $3.8 billion of whole loans held in portfolio into multifamily MBS in 2014. The total amount of seasoned whole loans that have been securitized from 2010 through 2014 is $29.1 billion, supporting liquidity and addressing regulatory limits for Fannie Mae's portfolio. As part of Fannie Mae's GeMS program, the multifamily trading desk structured and sold approximately $5.3 billion of these pools backed by seasoned loans across ten REMIC transactions in 2014.

Over the past several years, the SEC (and other federal agencies) began to consider a variety of proposals designed to enhance securities disclosure and investment quality related to asset-backed securities. Many of these proposals were in response to mandates set forth in the Dodd-Frank Act While some of these proposals have resulted in the issuance of final rules, others are still in the rulemaking process. All are intended to require issuers of MBS to provide greater transparency about the securities they are issuing.

For example, in 2011 the SEC adopted a final rule requiring many issuers of asset-backed securities to file quarterly reports with the SEC disclosing the volume of repurchase demands with respect to such securities due to breaches of representations and warranties by the sellers of such assets. In 2014, the SEC revised Regulation AB, which governs disclosure related to the issuance of asset-backed securities.[16] In addition, the SEC (together with the FHFA and several other federal agencies) issued a rule requiring certain sponsors of asset-backed securities to retain a certain amount of risk with respect to such securities. All Fannie Mae mortgage securities meet the requirements of this rule, provided that (i) such securities are fully guaranteed and (ii) Fannie Mae is in conservatorship or receivership at the time of issuance. Fannie Mae believes that all of these activities could lead to further standardization of disclosure practices for securitizations.

Another development that could impact Standardization and Securitization is the proposed "best practice" released by the Federal Reserve Bank of New York's Treasury Market Practices Group ("TMPG") in June 2014, regarding the use of margining for forward-settling agency MBS transactions. We are in the process of evaluating the impact of this proposal on the Multifamily MBS market. However, it is clear that the proposal will apply to Fannie Mae Multifamily MBS and not to executions that purchase and aggregate whole loans.

[16] Regulation AB does not apply to securities issued by Fannie Mae and Freddie Mac, because such securities are not registered with the SEC.

9. Describe trends in the delinquency and default rates of mortgages secured by housing for low- and moderate-income families that have been purchased by the corporation, including a comparison of such trends with delinquency and default information for mortgage products serving households with incomes above the median level that have been purchased by the corporation, and evaluate the impact of such trends on the standards and levels of risk of mortgage products serving low- and moderate-income families.

Delinquency and Default Trends Based on 2014 Performance Data

An analysis of the performance of single-family mortgage loans serving low- and moderate-income borrowers[17] shows that these loans do not perform as well as loans serving borrowers with incomes above the median level. The chart below compares 90-day delinquencies occurring within the first 12 months of acquisition and defaults (defined as a foreclosure sale, deed-in-lieu of foreclosure, pre-foreclosure sale, or third party sale, at any time during the life of the loan) on loans made to low- and moderate-income borrowers as against loans made to borrowers with incomes above the median level, by acquisition year. For example, loans made in 2013 to low- and moderate-income families were 168 percent more likely to become 90-days delinquent and 174 percent more likely to default than loans made to families with income above the median level. This analysis is based on income relative to AMI and does not control for other risk dimensions, such as LTV or credit history. Information regarding serious delinquency and default performance is based on acquisitions through December 2013; performance is observed through December 2014.

There can be significant changes in relative delinquency and default rates between various years. What is reflected here is the relative measures between low- and moderate- income borrowers and those borrowers above the median level. Actual delinquency and default rates today are one-tenth of those seen 5 years ago.

[17] Since 2010, Fannie Mae no longer tracks unit-level affordability data. To ensure consistency comparing loans from 2000 onward, this analysis is based upon the borrowers' income relative to the AMI. Additionally, this analysis only pertains to owner-occupied principal residences.

Relative 90-Day Delinquency and Default Rates between Single Family Loans Serving Low- and Moderate-Income Families and Loans Serving Families with Income above the Median Level, by Year[18]

Acquisition Year	Increased Likelihood of 90-Day Delinquency	Increased Likelihood of Default
2002	126%	199%
2003	157%	177%
2004	159%	111%
2005	123%	41%
2006	118%	22%
2007	49%	30%
2008	46%	57%
2009	108%	126%
2010	126%	130%
2011	137%	127%
2012	132%	119%
2013	168%	174%

10. Describe in the aggregate the seller and servicer network of the corporation, including the volume of mortgages purchased from minority-owned, women-owned, and community-oriented lenders, and any efforts to facilitate relationships with such lenders.

Based upon annual information provided by lenders, Fannie Mae has selling and servicing relationships with approximately 1,930 single-family and 109 multifamily primary market lenders through which the company both purchases loans for its portfolio and issues MBS. The following table sets forth the volume of mortgages purchased in 2014 from single-family and multifamily lenders identified as minority- or women-owned lenders, women-owned lenders[19] and community-oriented lenders.[20]

Seller/Servicer Type	Volume of Mortgages
Minority- or women-owned	$2.39 billion
Women-owned	$1.05 billion
Community-oriented lenders	$95.66 billion

Efforts to facilitate relationships with single-family lenders include formal business alliances or affinity agreements in which lenders receive benefits designed to reduce the cost of doing business with Fannie Mae.[21]

[18] Sample used: unseasoned, conforming, conventional, owner-occupied, first lien, non-reverse mortgages, excluding Growing-Equity Mortgages, Graduated Payment Mortgages and loans missing affordability data. During the period 2006 through and including 2008, acquisitions of mortgage loans to borrowers of all income categories had a higher risk of delinquency and default

[19] Some of these women-owned lenders also identified as a minority group such as African-American, Hispanic, Asian-Pacific or Indian-Alaskan.

[20] For these purposes, a "community-oriented lender" is defined as a financial institution with total assets of less than $1.202 billion. This definition is consistent with the definition of "small bank" under the Community Reinvestment Act implementing regulations (12 C.F.R. § 228.12), as in effect during 2014.

[21] These agreements do not preclude members from doing business through other secondary market channels.

11. Describe the activities undertaken by the corporation with nonprofit and for-profit organizations and with State and local governments and housing finance agencies, including how the corporation's activities support the objectives of comprehensive housing affordability strategies under section 105 of the Cranston-Gonzalez National Affordable Housing Act.[22]

Activities undertaken by Fannie Mae in 2014 with nonprofit and for-profit organizations, State and local governments, and HFAs include:

- The Department of the Treasury, the Department of Housing and Urban Development, and FHFA announced an initiative on October 19, 2009, to provide $23.4 billion of liquidity for HFAs. This initiative was designed in collaboration with Fannie Mae and Freddie Mac, and consisted of two primary programs: a temporary credit and liquidity facilities ("TCLF") program and the new issue bond program ("NIBP"). The NIBP program ended in 2012. The TCLF program balance continued to decrease in 2014 with two additional HFA's completely exiting the program. Two HFAs remain in the program as of December 31, 2014, with a total outstanding balance remaining of $779 million. The program will terminate on December 31, 2015.
- Fannie Mae purchased 23,899 loans from HFAs in 2014, with an unpaid principal balance of $3,614,250,000.
- In 2014, Fannie Mae volunteer activities included over 300 projects supporting homeless service providers, staffing foreclosure prevention events, rebuilding homes in hard-hit neighborhoods, refurbishing inner-city schools, and conducting food and clothing drives.
- Fannie Mae facilitated the sale of three multifamily real estate owned properties with 450 units to nonprofits and/or public entities involved in providing affordable housing.
- Approximately 13 foreclosed multifamily properties, with over 1,700 units, were marketed to at least 23 non-profits, public entities and/or affordable housing developer organizations for potential purchase to convert into affordable housing.
- Fannie Mae helped provide financing for almost 9,000 Low-Income Housing Tax Credit ("LIHTC") units of housing by providing $639 million for debt financing on LIHTC projects via our lending partners.
- Fannie Mae supported its existing investment in over 3,498 affordable housing LIHTC projects, which provide 209,880 units at LIHTC properties. Almost 1,700 of these projects were developed and/or are managed, by local not-for-profit developers. In 2014, Fannie Mae funded over $18 million in deferred capital contributions to its LIHTC partners for the benefit of the projects.

One of the purposes of the Cranston-Gonzalez National Affordable Housing Act is to extend and strengthen partnerships among all levels of government and the private sector in the production and operation of housing that is affordable to low- and moderate-income families. Fannie Mae believes that the activities listed above support the objectives of the legislation.

[22] Under Section 105, comprehensive housing affordability strategies include, among other things: (1) efforts to address homelessness and meet the needs of homeless persons; (2) the provision of housing for different categories of residents, such as very low-income, low-income, and moderate-income families, the elderly, single persons, large families, residents of non-metropolitan areas, families who are participating in an organized program to achieve economic independence and self-sufficiency, and other categories of persons; (3) combined efforts with private industry, nonprofit organizations and public institutions to deliver safe and adequate housing; (4) encouraging public housing residents to become homeowners; and (5) efforts to provide affordable housing through the production of new units, rehabilitation, or acquisition of existing units.