Federal Housing Finance Agency

Conservator's Report
on the Enterprises' Financial Performance

First Quarter 2013

Contents

The purpose of this report is to provide an overview of key aspects of the financial condition of Fannie Mae and Freddie Mac (the Enterprises) during conservatorship. The data in this report is derived primarily from the Enterprises' SEC filings and other publicly available sources. In some cases, FHFA adjusted the classification of certain data to provide comparability between the Enterprises. In other cases, the Enterprises' reporting methodologies changed over time. Therefore, the data in this report may not exactly match published figures.

Executive Summary

Mortgage Markets and the Enterprises' Market Presence

Seventy-six percent of all mortgage originations in the first quarter of 2013 were due to refinance volume. Refinance activity continued to be robust as mortgage rates remained low and Home Affordable Refinance Program (HARP) volume remained high driven by enhancements targeting deeply underwater borrowers. Fannie Mae and Freddie Mac accounted for $371 billion or 78 percent of mortgage-backed securities (MBS) issuance in the first quarter of 2013.

Credit Quality of New Single-Family Business

The quality of new business remained high during the quarter, as evidenced by average FICO credit scores of approximately 755. Purchases of non-traditional and higher-risk mortgages continued to be very low. The average loan-to-value (LTV) ratio for new business remained relatively level at approximately 75 percent as borrowers continued to utilize the Enterprises' refinance programs, including HARP.

Financial Results

In the first quarter of 2013, Fannie Mae reported record earnings and Freddie Mac reported its second highest quarterly earnings. This quarter marks the fifth consecutive quarter that both Enterprises reported positive net income. For the quarter Fannie Mae and Freddie Mac reported net income of $58.7 billion and $4.6 billion, respectively, ending the quarter with net worth of $62.4 billion and $10.0 billion, respectively. Fannie Mae released a substantial portion of its deferred tax assets (DTA) valuation allowance resulting in the recognition of a $50.6 billion tax benefit in the first quarter of 2013, which boosted reported earnings for the quarter.

Single-Family Credit Guarantee Segment Results

In the first quarter of 2013, both Enterprises reported a benefit for credit losses (i.e., a negative provision for credit losses). Continued improvement in national home prices (including sales prices of real estate owned (REO) properties), together with a shrinking delinquent loan count, reduced the need for further increases in loan loss reserves. This is the fifth consecutive quarter that both Enterprises have reduced loan loss reserves. The Enterprises generated $36 billion in total comprehensive income from the Single-Family Guarantee Segment in the first quarter of 2013.

Investments and Capital Markets Segment Results

The Investments and Capital Markets segment was a positive contributor to capital in the first quarter of 2013. Both Enterprises continued to benefit from low funding costs driven by the low interest rate environment, contributing to this segment generating $22 billion in total comprehensive income for the quarter.

Loss Mitigation Activity

Since conservatorship, the Enterprises have completed approximately 2.8 million foreclosure prevention actions. More than 2.3 million of these actions have helped troubled homeowners save their homes including over 1.3 million permanent loan modifications.

Projections of Financial Performance

Cumulative Treasury draws remained unchanged at $187.5 billion. Both Enterprises ended the quarter with positive net worth, and as a result, neither Enterprise required a Treasury draw in the first quarter of 2013.

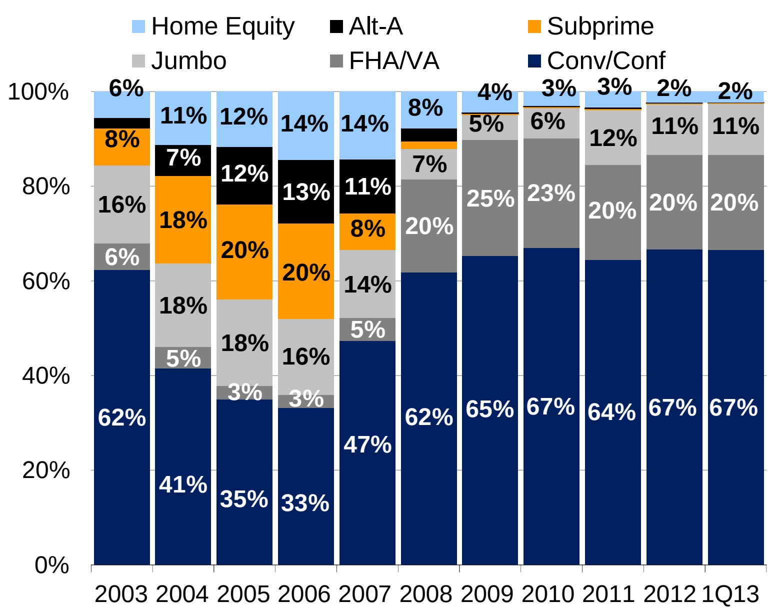
The projected combined Treasury draws for the second half of 2012 and the first quarter of 2013 ranged from $3 billion to $20 billion. The primary driver of the difference between actual and projected performance was lower than projected provisions for credit losses and lower than projected mark-to-market losses. Lower provisions for credit losses were mainly driven by improved portfolio quality reflected in lower delinquencies and improvements in national home prices.

1 Mortgage Markets and the Enterprises' Market Presence

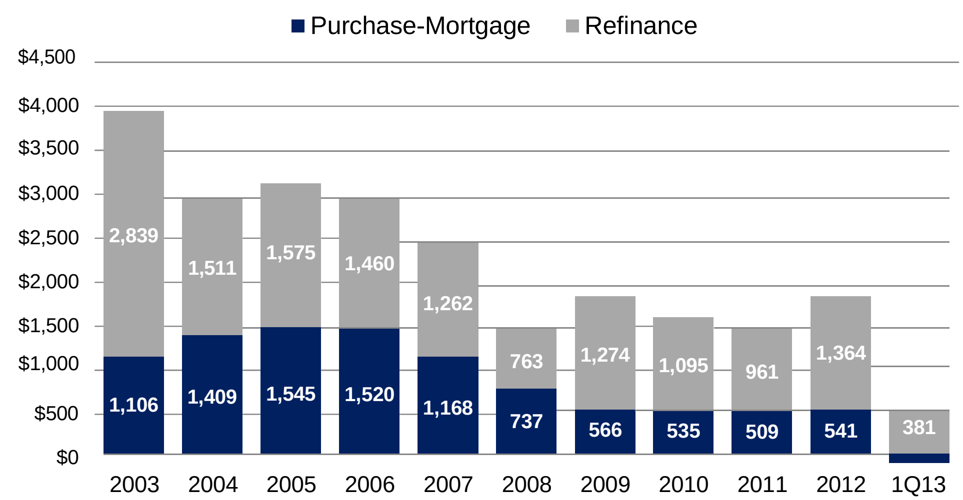
1.1 Primary Mortgage Market Trends—Mortgage Originations

- Mortgage originations in the first quarter of 2013 decreased slightly compared to the previous quarter. Refinance volume increased to 76 percent of all mortgage originations, propelled by continued low mortgage rates, coupled with high Home Affordable Refinance Program (HARP) volume driven by enhancements targeting deeply underwater borrowers.

Figure 1.1 Mortgage Originations by Product Type *($ in billions)*



Source:
Inside Mortgage Finance.

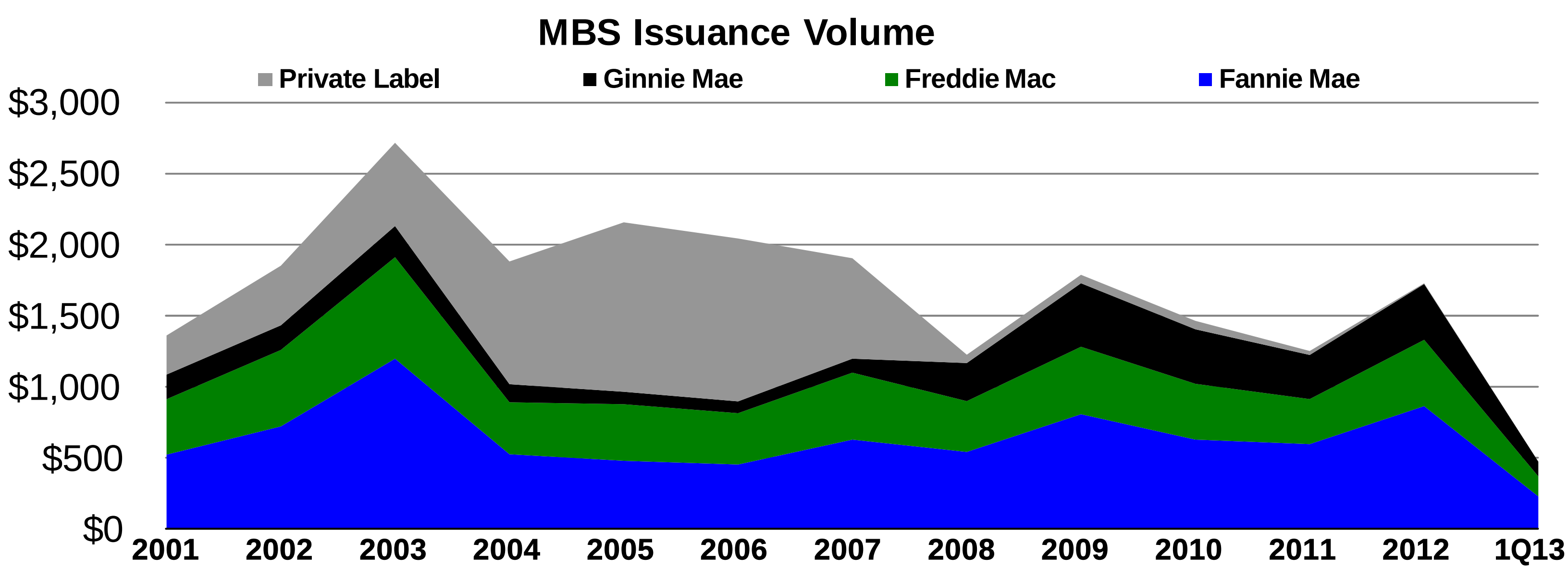


Source:
Inside Mortgage Finance.

1.2 Secondary Mortgage Market Trends—Mortgage-Backed Securities Issued

- Fannie Mae and Freddie Mac continued to maintain a significant presence in the secondary mortgage market during the first quarter of 2013. The Enterprises accounted for $371 billion or 78 percent of mortgage-backed securities (MBS) issuances in the first quarter**.** The Enterprises and Ginnie Mae continue to account for essentially all issuances of mortgage-backed securities.

Figure 1.2 Enterprises' Market Share – MBS Issuance Volume *($ in billions)*



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	1Q13
Enterprises	67%	68%	70%	47%	41%	40%	58%	73%	72%	70%	73%	77%	78%
Ginnie Mae	13%	9%	8%	7%	4%	4%	5%	22%	25%	26%	25%	23%	22%
Total Agency	80%	77%	78%	54%	45%	44%	63%	95%	97%	96%	98%	100%	100%

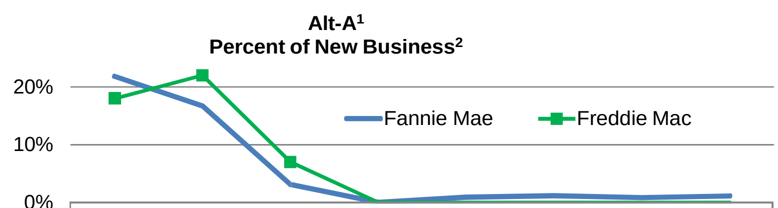
Sources:
Inside Mortgage Finance, Inside MBS & ABS, FHFA (Fannie Mae and Freddie Mac) .
Issuance figures exclude MBS issued backed by assets previously held in the Enterprises' portfolios.

2 Credit Quality of New Single-Family Business

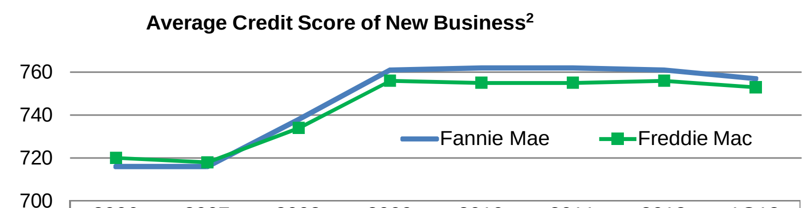
2.1 Credit Characteristics of the Enterprises’ New Single-Family Business

- The credit quality of new Single-Family business remained high in the first quarter of 2013. Purchases of non-traditional and higher-risk mortgages continued to be very low, and the average FICO credit score was approximately 755. The average LTV ratio for new business remained relatively level as borrowers continued to utilize the Enterprises’ refinance programs, including HARP, targeting deeply underwater borrowers.

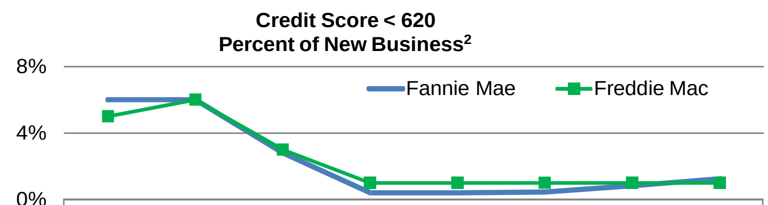
Figure 2.1 Characteristics of Single-Family Mortgage Acquisitions



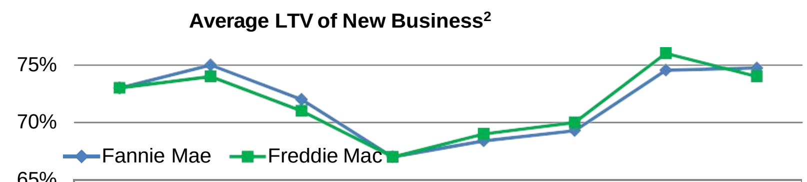
	2006	2007	2008	2009	2010	2011	2012	1Q13
Fannie Mae	22%	17%	3%	0%	1%	1%	1%	1%
Freddie Mac	18%	22%	7%	0%	0%	0%	0%	0%



	2006	2007	2008	2009	2010	2011	2012	1Q13
Fannie Mae	716	716	738	761	762	762	761	757
Freddie Mac	720	718	734	756	755	755	[illegible]	[illegible]



	2006	2007	2008	2009	2010	2011	2012	1Q13
Fannie Mae	6%	6%	3%	0%	0%	0%	1%	1%
Freddie Mac	5%	6%	3%	1%	1%	1%	1%	1%



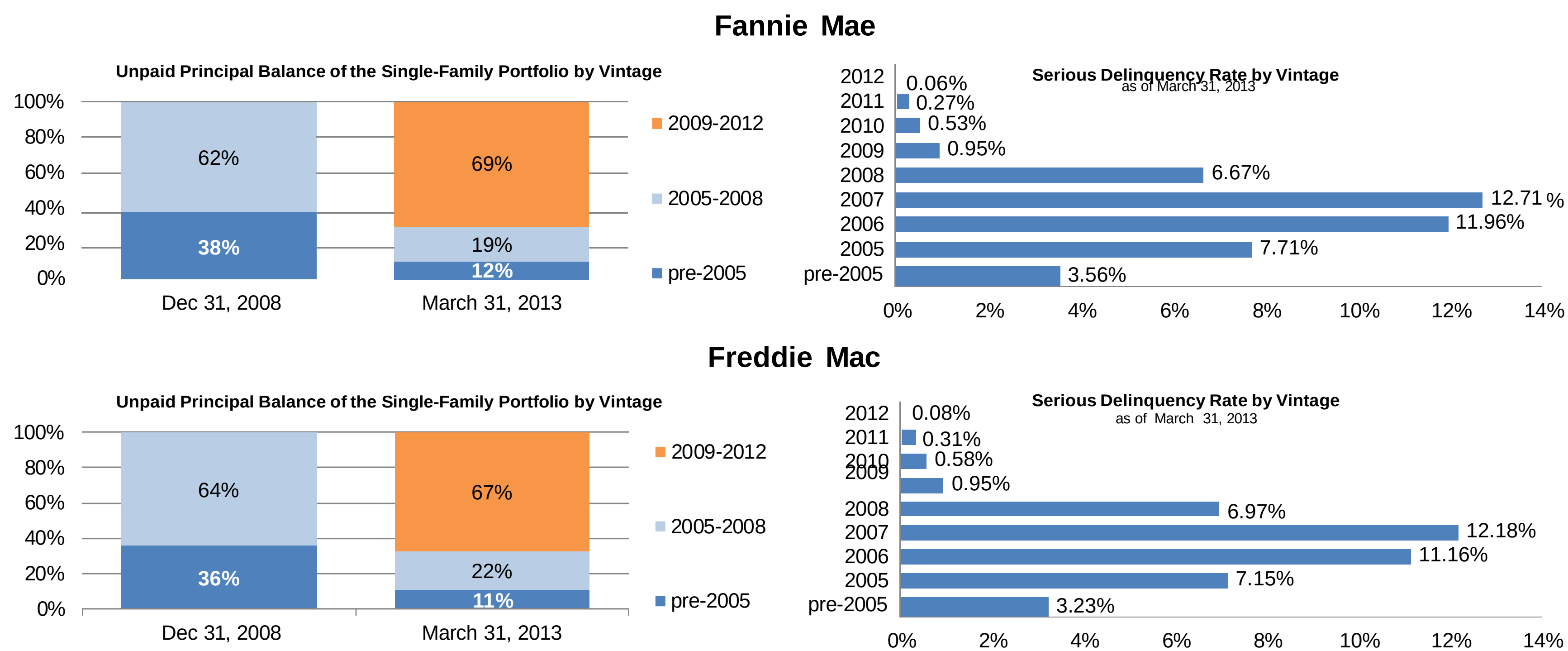
	2006	2007	2008	2009	2010	2011	2012	1Q13
Fannie Mae	73%	75%	72%	67%	68%	69%	75%	75%
Freddie Mac	73%	74%	71%	67%	69%	70%	76%	74%

Source: FHFA (Fannie Mae and Freddie Mac)
See reference notes found on pages 17 and 18.

2.2 Credit Performance by Vintage

- The post-conservatorship business now accounts for approximately 65 percent of the total single-family portfolio at both Enterprises. Serious delinquency rates for these newer vintages remain very low. However, serious delinquency rates remain very high for loans originated between 2005 and 2008, which now account for approximately 20 percent of the single-family portfolios.

Figure 2.2 Single-Family Unpaid Principal Balances and Serious Delinquency Rates



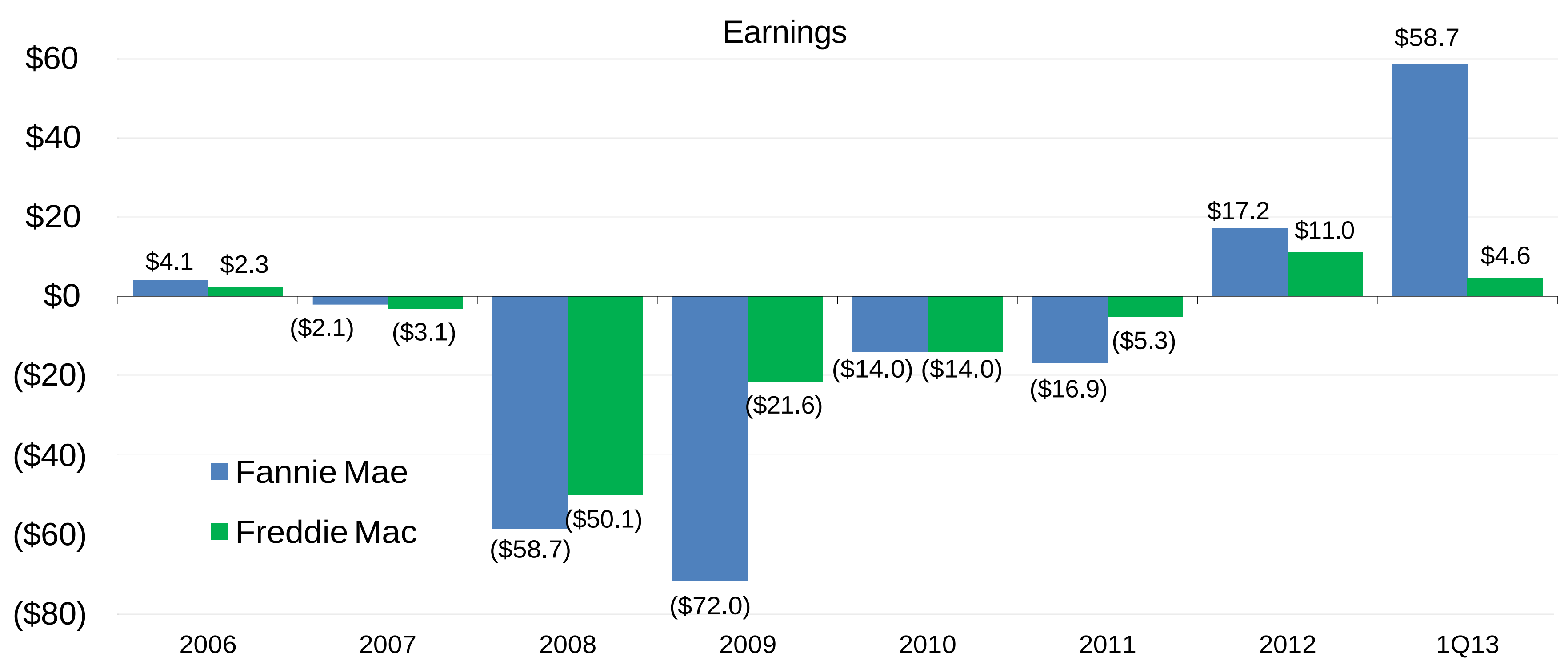
Source: FHFA (Fannie Mae and Freddie Mac)
Serious Delinquency - All loans in the process of foreclosure plus loans that are three or more payments delinquent (including loans in the process of bankruptcy).

3. Capital

3.1 Earnings: January 1, 2008 – March 31, 2013

- In the first quarter of 2013, Fannie Mae reported record quarterly earnings and Freddie Mac reported its second highest quarterly earnings. The Enterprises' financial performance in the first quarter of 2013 continues to be influenced by signs of recovery in the housing market driven by the continued increase in housing prices. According to the FHFA index, national home prices grew 1.9 percent in the first quarter of 2013 driven by tight supply and rebounding demand. Fannie Mae also released a substantial portion of its deferred tax assets (DTA) valuation allowance resulting in the recognition of a $50.6 billion tax benefit in the first quarter of 2013.

Figure 3.1 Earnings: January 1, 2006 – March 31, 2013 *($ in billions)*



Source: FHFA (Fannie Mae and Freddie Mac)

3.2 Capital Changes: January 1, 2008 – March 31, 2013

- At the end of 2007, the Enterprises had $71 billion of combined capital. From the end of 2007 through the fourth quarter of 2011, the Enterprises' combined charges against capital totaled $266 billion, requiring Treasury support of $187.5 billion through draws under the Senior Preferred Stock Purchase Agreements. The Single-Family Credit Guarantee segment continues to be the largest contributor to charges against capital, accounting for $173 billion, or 90 percent of the cumulative change in capital since 2007. Senior preferred dividends on Treasury draws accounted for $65 billion, or 34 percent of the cumulative change in capital, which will increase in the next quarter as income generated in the first quarter is paid out as dividends.

Figure 3.2 Capital Changes: January 1, 2008 – March 31, 2013 *($ in billions)*

	Fannie Mae					Freddie Mac					Combined
	2008-2010	2011	2012	1Q13	2008 - 1Q13	2008-2010	2011	2012	1Q13	2008 - 1Q13	2008 - 1Q13
Beginning Capital[3]	$44	$0	$0	$7	$44	$27	$0	$0	$9	$27	$71
Equity Issuance[4]	7	0	0	0	7	0	0	0	0	0	7
Available Capital	$51	$0	$0	$7	$51	$27	$0	$0	$9	$27	$78
Capital Change											
Single-Family Comprehensive Income (Loss)[5]	($117)	($24)	$6	$35	($100)	($64)	($10)	($0)	$1	($73)	($173)
Multifamily Comprehensive Income (Loss)[5,6]	(6)	1	2	8	5	12	2	4	1	19	24
Investments Comprehensive Income (Loss)[5,6]	(0)	10	16	17	42	(14)	6	11	5	9	50
Other	(8)	(3)	(5)	(1)	(16)	(15)	0	1	(0)	(14)	(29)
Senior Preferred dividends	(10)	(10)	(12)	(4)	(36)	(10)	(6)	(7)	(6)	(30)	(65)
Total Capital Change[7]	($141)	($26)	$7	$55	($105)	($91)	($8)	$9	$1	($88)	($193)
Capital surplus (deficit)	($90)	($26)	$7	$62	($54)	($64)	($8)	$9	$10	($61)	($115)
Treasury Senior Preferred draw[8]	$90.2	$25.9	$0.0	$0.0	$116.1	$63.7	$7.6	$0.0	$0.0	$71.3	$187.5

Source: FHFA (Fannie Mae and Freddie Mac)

Freddie Mac's 2008 and 2009 comprehensive income (loss) by segment reflect revised methodology effective January 1, 2010.
See reference notes found on pages 17 and 18.
Totals may not sum due to rouding.

4. Single-Family Credit Guarantee Segment Results

4.1 Single-Family Credit Guarantee Segment Results

- In the first quarter of 2013, both Enterprises generated income from the Single-Family Credit Guarantee segment. Improvements in national home prices, together with fewer seriously delinquent loans reduced the need for further increases in loan loss reserves, which resulted in a benefit for credit losses at both Enterprises. At Fannie Mae, the bulk of net income was a result of a tax benefit of $32 billion.

Figure 4.1 Single-Family Credit Guarantee Segment Results *($ in billions)*

	Fannie Mae					Freddie Mac					Total
	2008 - 2010	2011	2012	1Q13	2008 - 1Q13	2008 - 2010	2011	2012	1Q13	2008 - 1Q13	2008 - 1Q13
Revenue[9]	$20	$6	$8	$3	$37	$14	$5	$5	$2	$26	$63
(Provision) benefit for credit losses[10]	(100)	(26)	1	1	(125)	(64)	(12)	(3)	0	(79)	(205)
Other expenses[11]	(34)	(3)	(3)	(1)	(41)	(13)	(3)	(2)	(1)	(18)	(59)
(Provision) benefit for taxes	(3)	0	(0)	32	28	(1)	(0)	0	(0)	(1)	27
Comprehensive Income (Loss)[12]	($118)	($24)	$6	$35	($100)	($64)	($10)	($0)	$1	($73)	($173)

Source: FHFA (Fannie Mae and Freddie Mac)
Effective in the first quarter 2010, Fannie Mae changed the presentation of segment financial information; prior periods were not revised. Freddie Mac segment comprehensive income (loss) for 2008 and 2009 reflect revised methodology effective January 1, 2010. Enterprise segment comprehensive income (loss) since 2010 is not comparable with prior periods due to the adoption of accounting standards for consolidations, effective January 1, 2010.
See reference notes found on pages 17 and 18.
Totals may not sum due to rounding.

4.2 Loan Loss Reserves

- Loan loss reserves decreased at both Enterprises during the first quarter of 2013, but remain high. Loan loss reserves have decreased at both Enterprises for five consecutive quarters driven by improvement in home prices and the continued decline in the number of seriously delinquent loans.

Figure 4.2 Loan Loss Reserves *($ in billions)*

	Fannie Mae					Freddie Mac				
Single-Family Loss Reserve	**2008 - 2010**	**2011**	**2012**	**1Q13**	**2008 - 1Q13**	**2008 - 2010**	**2011**	**2012**	**1Q13**	**2008 - 1Q13**
Beginning balance[13]	$3	$60	$72	$59		$3	$39	$39	$31	
Provision (benefit) for credit losses[14,15]	100	26	(1)	(1)	125	64	12	3	(0)	79
Charge-offs, net[15]	(39)	(18)	(15)	(2)	(73)	(22)	(12)	(11)	(2)	(48)
Other	(5)	3	3	0		(5)	(1)	(0)	0	
Ending balance[13]	$60	$72	$59	$57		$39	$39	$31	$28	
Credit Losses - Single-Family										
Charge-offs[15]	$39	$18	$15	$2	$73	$22	$12	$11	$2	$48
Other[16]	0	0	0	0	0	1	0	0	0	2
Foreclosed Property Expense	4	1	(0)	(0)	5	2	1	0	(0)	3
Total[15]	$43	$18	$14	$2	$77	$26	$13	$12	$2	$52

Source: FHFA (Fannie Mae and Freddie Mac)
See reference notes found on pages 17 and 18.
Totals may not sum due to rounding.

4.3 Credit Losses

- Non-traditional and higher-risk mortgages concentrated in the 2006 and 2007 vintages, and mortgages originated in California, Florida, Arizona, Nevada, and Illinois continue to account for a disproportionate share of credit losses (charge-offs and foreclosed property expenses). However, the proportion of losses coming from non-traditional products continued to decline in the first quarter of 2013 as these vintages aged and account for a smaller proportion of the guarantee portfolio.

Figure 4.3 Credit Losses *(Percent of total credit losses)*

	Fannie Mae				Freddie Mac		
	% of UPB as of Dec 31, 2008[17]	2008	1Q13		% of UPB as of Dec 31, 2008	2008	1Q13
by State				**by State**			
California	16%	25%	10%	California	14%	30%	19%
Florida	7%	11%	23%	Florida	7%	10%	22%
Arizona	3%	8%	3%	Arizona	3%	9%	4%
Nevada	1%	5%	4%	Nevada	1%	4%	6%
Illinois	4%	3%	13%	Illinois	5%	2%	11%
by Product[18]				**by Product**[18]			
Alt-A	11%	46%	24%	Alt-A	10%	50%	22%
Interest-Only	8%	34%	20%	Interest-Only	9%	50%	20%
by Vintage				**by Vintage**			
2006	14%	35%	25%	2006	15%	41%	23%
2007	20%	28%	33%	2007	19%	25%	34%
2008	16%	1%	7%	2008	15%	0%	9%
2009	N/A	N/A	2%	2009	N/A	N/A	2%
2010	N/A	N/A	2%	2010	N/A	N/A	2%
2011	N/A	N/A	1%	2011	N/A	N/A	1%
2012	N/A	N/A	1%	2012	N/A	N/A	0%

Source: FHFA (Fannie Mae and Freddie Mac)
See reference notes found on pages 17 and 18.

5. Investments and Capital Markets Segment Results

5.1 Investments and Capital Markets Segment Results

- In the first quarter of 2013, the Investments and Capital Markets segment was a positive contributor to capital as both Enterprises continued to benefit from low funding costs as a result of the interest rate environment, combined with gains on available-for-sale (AFS) securities. At Fannie Mae, the bulk of net income was a result of a tax benefit of $11 billion.

Figure 5.1 Investments and Capital Markets Segment Results *($ in billions)*

	Fannie Mae					Freddie Mac					Combined
	2008 - 2010	2011	2012	1Q13	2008 - 1Q13	2008 - 2010	2011	2012	1Q13	2008 - 1Q13	2008 - 1Q13
Revenue[6,19]	$34	$13	$13	$3	$62	$17	$7	$6	$1	$32	$94
Derivatives gains (losses)	($25)	(7)	(4)	1	(34)	($10)	(4)	2	1	(10)	(45)
Trading gains (losses)	($0)	0	1	0	1	$4	(1)	(2)	(0)	1	2
Security impairments	($18)	(0)	(1)	(0)	(19)	($31)	(2)	(2)	0	(34)	(53)
Other[20]	$5	$3	$5	$1	$14	$1	$2	$3	$1	$7	21
(Provision) benefit for taxes[21]	(9)	0	(0)	11	2	(2)	0	1	0	(1)	1
Net income (loss)	**($12)**	**$9**	**$14**	**$16**	**$27**	**($20)**	**$3**	**$8**	**$3**	**($6)**	**$21**
Unrealized gains (losses) on AFS[22]	$9	1	2	1	12	$1	3	3	2	9	22
Accounting change for Impairments	3	-	-	-	3	5	-	-	-	5	8
Total Comprehensive Income (Loss)[6]	**($0)**	**$10**	**$16**	**$17**	**$42**	**($14)**	**$6**	**$11**	**$5**	**$9**	**$50**

Source: FHFA (Fannie Mae and Freddie Mac)
Effective in the first quarter 2010, Fannie Mae changed the presentation of segment financial information; prior periods were not revised. Freddie Mac segment comprehensive income (loss) for 2008 and 2009 reflect revised methodology effective January 1, 2010. Enterprise segment comprehensive income (loss) since 2010 is not comparable with prior periods due to the adoption of accounting standards for consolidations effective January 1, 2010.
See reference notes found on pages 17 and 18.
Totals may not sum due to rounding.

5.2 Security Impairments

- Security impairments in the first quarter of 2013 were minimal at both Enterprises driven by improved house prices.

Figure 5.2 Security Impairments *($ in billions)*

Fannie Mae

	2008 - 2010	2011	2012	1Q13	2008 - 1Q13
Alt-A/Option	$9.1	$0.6	$0.4	$0.0	$10.0
Subprime	8.0	(0.3)	0.3	0.0	8.0
Other	0.5	0.0	0.0	0.0	0.6
Total[23]	$17.6	$0.3	$0.7	$0.0	$18.6

Freddie Mac

	2008 - 2010	2011	2012	1Q13	2008 - 1Q13
Alt-A	$6.4	$0.2	$0.2	$0.0	$6.7
Subprime	11.9	1.3	1.3	0.0	14.5
CMBS	0.2	0.4	0.1	0.0	0.7
Option ARM	10.7	0.4	0.6	0.0	11.7
Other	2.6	0.1	0.0	0.0	2.7
Total[23]	$31.9	$2.3	$2.2	$0.0	$36.4

Source: FHFA (Fannie Mae and Freddie Mac)
See reference notes found on pages 17 and 18.
Totals may not sum due to rounding.

6. Loss Mitigation Activity

- The Enterprises have traditionally worked with delinquent borrowers to mitigate credit losses. Loss mitigation actions include home retention actions (loan modifications, repayment plans and forbearance plans), and home forfeiture actions (short sales and deeds-in-lieu).
- The Enterprises have completed approximately 2.8 million foreclosure prevention actions since the start of conservatorship in September 2008. More than 2.3 million of these actions have helped troubled homeowners save their homes including over 1.3 million permanent loan modifications.
- More information on the Enterprises' loss mitigation activities can be found in FHFA's First Quarter 2013 Foreclosure Prevention Report.

Figure 6 Enterprises' Completed Foreclosure Prevention Actions

	Full Year 2010	Full Year 2011	Full Year 2012	YTD Mar-13	Conservatorship to Date[24]
Home Retention Actions					
Repayment Plans	185,954	181,558	142,615	32,082	697,878
Forbearance Plans	63,024	34,423	22,812	3,808	151,410
Charge-offs-in-lieu	3,118	2,263	1,335	146	9,382
HomeSaver Advance *(Fannie)*	5,191	0	0	0	70,178
Loan Modifications	575,022	322,108	232,993	63,766	1,381,313
Total	**832,309**	**540,352**	**399,755**	**99,802**	**2,310,161**
Nonforeclosure - Home Forfeiture Actions					
Short Sales	107,953	115,237	125,232	25,843	435,904
Deeds-in-lieu	6,043	10,231	16,232	4,415	40,432
Total	**113,996**	**125,468**	**141,464**	**30,258**	**476,336**
Total Foreclosure Prevention Actions	**946,305**	**665,820**	**541,219**	**130,060**	**2,786,497**

See reference notes found on pages 17 and 18.

7. Comparison of Actual Results to Projections of the Enterprises' Financial Performance

7.1 Comparison of Actual Results to Projections of the Enterprises' Financial Performance

- FHFA published updated projections of the Enterprises' financial performance in October 2012. The purpose and approach of these projections can be found in FHFA's Projections of the Enterprises' Financial Performance, October 2012.
- October 2012 projections are not expected outcomes, but rather modeled projections in response to "what if" exercises based on assumptions about Enterprise operations, financial market conditions, and house prices.
- Combined projected Treasury draws for the Enterprises for the second half of 2012 and the first quarter of 2013 ranged from $3 billion to $20 billion. Neither Enterprise required a Treasury draw for the second half of 2012 and the first quarter of 2013 as both Enterprises ended the quarter with positive net worth.
- The primary driver of the difference was lower than projected provision for credit losses and mark-to-market losses.

Figure 7.1 Actual versus Projected Treasury Draws through 1Q13 *($ in billions)*

Fannie Mae

	Cumulative Treasury Draw as of 6/30/12	Projected Draw through 3/31/13	Projected Cumulative Draw as of 03/31/13
Scenario 1	$116.1	$2	$118
Scenario 2	$116.1	$6	$122
Scenario 3	$116.1	$15	$131
Actual Draw as of 03/31/13			**$116.1**

Freddie Mac

	Cumulative Treasury Draw as of 6/30/12	Projected Draw through 3/31/13	Projected Cumulative Draw as of 03/31/13
Scenario 1	$71.3	$1	$73
Scenario 2	$71.3	$2	$74
Scenario 3	$71.3	$5	$76
Actual Draw as of 03/31/13			**$71.3**

Totals may not sum due to rounding.

Notes

1. Refer to sources for Alt-A definitions. Freddie Mac's 2010 figures include Alt-A purchases of $1.5 billion due to a long-term standby commitment termination and a subsequent PC issuance. There was no change to the Alt-A exposure on these mortgages as a result of these transactions. Fannie Mae newly originated Alt-A loans acquired since 2009 consist of the refinancing of existing loans.

2. New business is defined as issuance of MBS/PC plus purchases of whole loans and does not include purchases of mortgage-related securities.

3. Capital is defined as stockholders' equity. In 2011 and 2012, beginning capital includes requested Treasury draws pertaining to the fourth quarter of the prior year.

4. Fannie Mae's figure includes common and preferred stock issuance pre-conservatorship.

5. Segment comprehensive income (loss) represents net income (loss) plus total other comprehensive income (loss) by segment.

6. Freddie Mac includes net interest income on investments in multifamily loans, net interest income on commercial mortgage-backed securities, and non-interest rate risk-related unrealized gains (losses) on commercial mortgage-backed securities and held-for-sale loans in Multifamily Comprehensive Income (Loss), while Fannie Mae includes similar items in Investments comprehensive income. Investments comprehensive income includes the impact of accounting changes for security impairments.

7. Included in total capital change for both Enterprises are losses attributable to the writedown of low income housing tax credits (LIHTC) investments to zero in the fourth quarter of 2009. The writedown of these LIHTC losses for Fannie Mae and Freddie Mac were $5 billion and $3 billion, respectively, and are included in Other. The establishment of a deferred tax asset valuation allowance, which reduced capital by $21 billion for Fannie Mae and $14 billion for Freddie Mac in 2008, is also contributing to the total capital change (valuation allowance has been allocated across segments). In the first quarter of 2013, Fannie Mae released the substantial majority of the valuation allowance against its deferred tax assets, resulting in a benefit for federal income taxes of $50.6 billion.

8. Amounts represent the total draws requested based on quarterly net deficits for the periods presented.

9. Consists of guarantee fee income, trust management income, net interest income, and other income.

10. The provision for credit losses is the recognition of estimated incurred losses and increases the loan loss reserve. Fannie Mae's figures have been adjusted to exclude losses on credit-impaired loans acquired from MBS trusts.

11. Consists of investment gains (losses), fair value losses (Fannie Mae), administrative expenses, other expenses, losses on credit-impaired loans acquired from MBS/PC Trusts, and at Freddie Mac, segment adjustments.

12. Represents segment earnings (loss) and, for periods after 2008, total comprehensive income (loss), net of taxes, for the Single-Family Credit Guarantee segment.

13. Fannie Mae's loan loss reserve excludes amounts related to the allowance for accrued interest receivable and allowance for pre-foreclosure property taxes and insurance receivable. Freddie Mac's loan loss reserve excludes amounts related to the allowance for accrued interest receivable and forgone interest on loans placed on non-accrual status.

14. Freddie Mac's figures represent Segment Earnings provision for credit losses, which is generally higher than that recorded under GAAP, primarily due to recognized provision associated with forgone interest income on loans placed on non-accrual status, which is not recognized under GAAP.

15. Fannie Mae's provision for credit losses has been adjusted to exclude losses on credit-impaired loans acquired from MBS trusts. Additionally, the effect of losses from credit-impaired loans acquired from MBS trusts on charge-offs and foreclosed property expense has been reflected as an adjustment to total credit losses and charge-offs, net.

16. Freddie Mac's figures include charge-offs related to certain loans purchased under financial guarantees.

17. Represents each category's share of the respective Enterprise's single-family book of business, which is based on the unpaid principal balance of all single-family unsecuritized mortgages held by the Enterprises and those underlying Freddie Mac mortgage-related securities, or covered by the Enterprise's other guarantee commitments.

18. Product categories overlap.

19. Consists of guarantee fee expense, trust management income, net interest income, and other income.

20. Figures consist of debt extinguishment losses, debt foreign exchange gains (losses), debt fair-value losses, investment gains (losses), hedged mortgage assets gains, net, administrative expenses, other expenses, and at Freddie Mac, segment adjustments.

21. Includes extraordinary losses /noncontrolling interest.

22. Amount for 2008 includes consolidated changes in unrealized gains (losses) on available for sale securities, net of taxes. Effective April 2009, includes adjustments for other-than-temporary impairments, net of taxes, included in accumulated other comprehensive income due to a change in accounting standards for impairments. At Freddie Mac, amount also includes the change in unrealized gains (losses), net of taxes, related to cash flow hedge relationships.

23. The adoption of an accounting standard for impairments in April 2009 required the Enterprises to begin recognizing only the credit portion of impairments in their statements of income and comprehensive income. This accounting standard did not require the Enterprises to revise previously recorded amounts in their statements of income and comprehensive income but did result in an equity increase of $5 billion and $3 billion for Freddie Mac and Fannie Mae, respectively, which is not reflected in Figure 5.2. For the full year of 2008 and a portion of 2009, amounts include both credit and non-credit-related security impairments.

24. Since the first full quarter in conservatorship (4Q08).