Fannie Mae

Reference Document – Financial Impact Calculations for Impacted Securities

This document provides details to support the financial impact analysis for the impacted securities as outlined in Fannie Mae's MBS investor announcement.

Fannie Mae has identified four categories of loans (resolution category) based on the January 2022 status of the loans that experienced earlier than expected modification trial-related buyouts.

1. **Resolved:**
   - Delinquent loans that were removed from the security early but have since experienced an event that would have necessitated removal from the security (e.g., the loan has since successfully completed a modification trial, the loan paid in full, etc.).
   - The financial impact is calculated as the missed coupon payments between the early buyout period and the correct buyout period, less a reasonable estimate of earnings on early principal[1].

2. **Unresolved – Mod Trial**:
   - Delinquent loans that were removed from the security early but are currently performing in modification trials and on track to complete the trial payments in 1–3 months.
   - The financial impact is calculated as the likely missed coupon payments between the early buyout period and the expected buyout period based on an assumed successful completion of a modification trial, walked forward to the third or fourth trial payment month based on the loan's circumstances, less a reasonable estimate of earnings on early principal[1].

3. **Unresolved – Not Performing**:
   - Delinquent loans that were removed from the security early, did not receive a modification, are currently not performing and likely moving to an event that would have necessitated removal from the pool (e.g., modification, referral to foreclosure, twenty-four months delinquent).
   - The financial impact is calculated to include an estimate of likely missed coupon payments starting at the early buyout period and walked forward with the total future periods capped at 12 months in anticipation of a modification or referral to foreclosure prior to the 12-month timeframe[2], less a reasonable estimate of earnings on early principal[1].

4. **Unresolved – Performing**:
   - Delinquent loans that were removed from the pool early and are now currently performing without a modification (e.g., successful payment deferral).
   - The financial impact is determined by calculating the pool market premium at the time the loan was removed from the security or the financial impact determined using the "Unresolved – Not Performing" approach, whichever results in the larger financial impact.

For each Fannie Megas® or Supers® that was impacted by an MBS security, our analysis calculates the MBS share of the security and prorates the investor according to the pool's percentage (L2 Summary Tab). The financial impact

[1] The reasonable estimate of earnings on early principal is based on the historical SOFR earnings factor reflecting the time from the early removal date to the correct removal date.
[2] If the loan is projected to reach 24 months delinquency before 12 months, the projected coupon payments will be capped at that date.

identified for the L2 securities is not additive to the overall financial impact related to the issue, but instead only represents the financial impact of the underlying L1 MBS that is re-securitized into Megas or Supers.