Fannie Mae

Investor Presentation

Single-Family Credit Risk Transfer

May 2024

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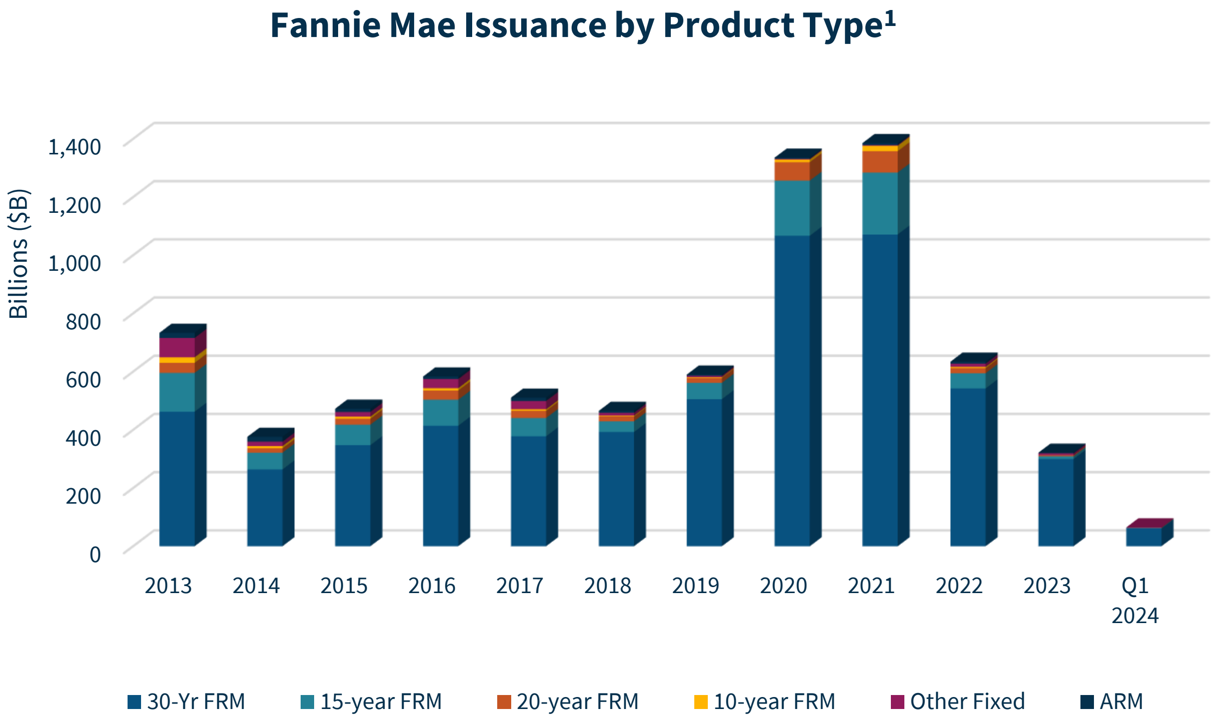
Contents

Single-Family Business and Credit Risk Management

Our Size and Scale: Single-Family

The U.S. mortgage market is dominated by the 30-year Fixed-Rate Mortgage (FRM)



- Fannie Mae **provided $62 billion in Single-Family mortgage liquidity** in Q1 2024.

- As of December 31, 2023, U.S. single family mortgage debt outstanding totaled $14.0 trillion.[2] **Fannie Mae's share stood at approximately $3.6 trillion, representing 26%.[3]**

[1] *Through March 31, 2024*
[2] *Includes HELOCs*
[3] *Source: Federal Reserve's Flow of Funds*

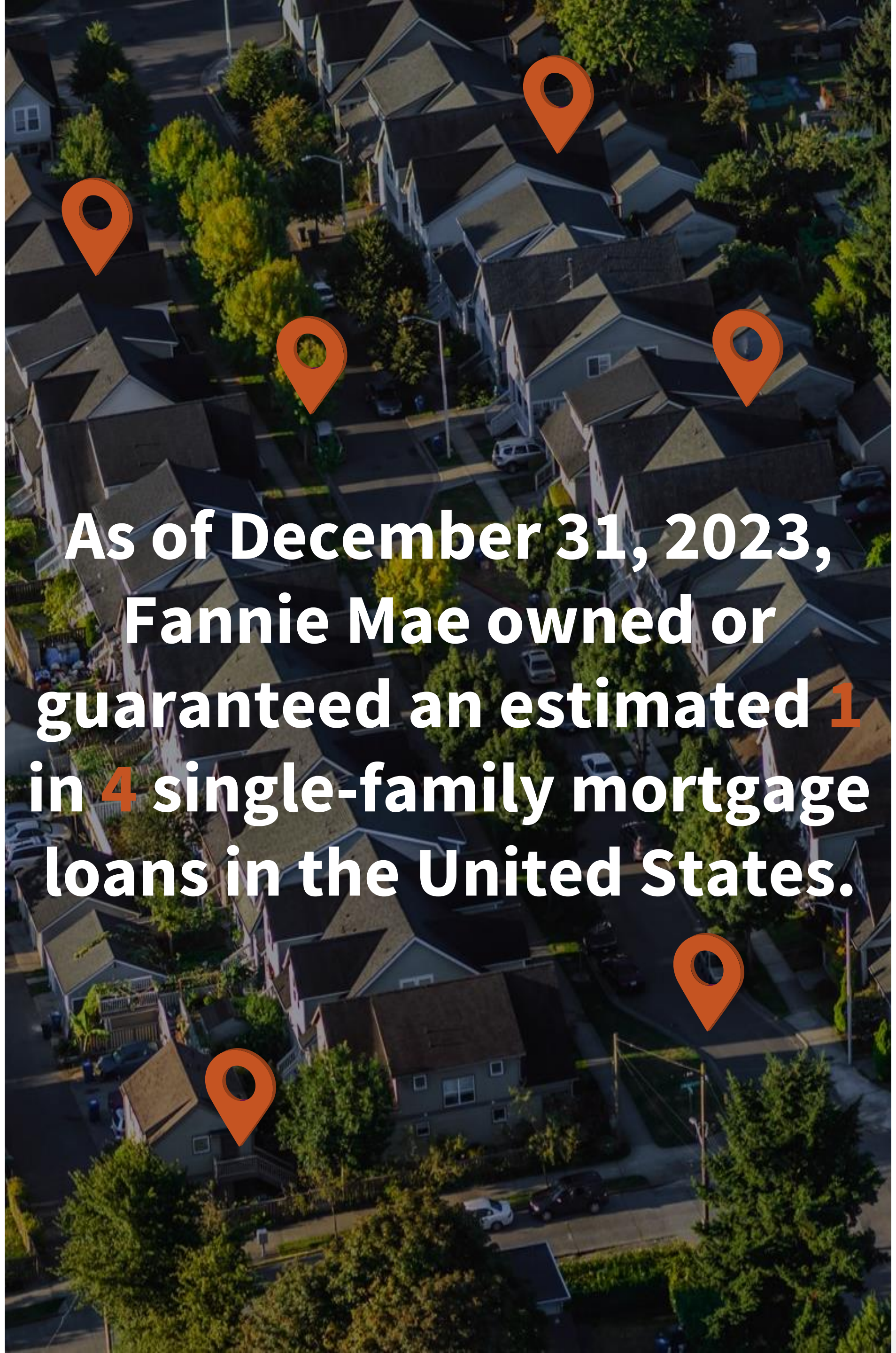
Who We Are

We create opportunities to buy, refinance, or rent a home.

Fannie Mae sits at the very heart of the U.S. housing industry.

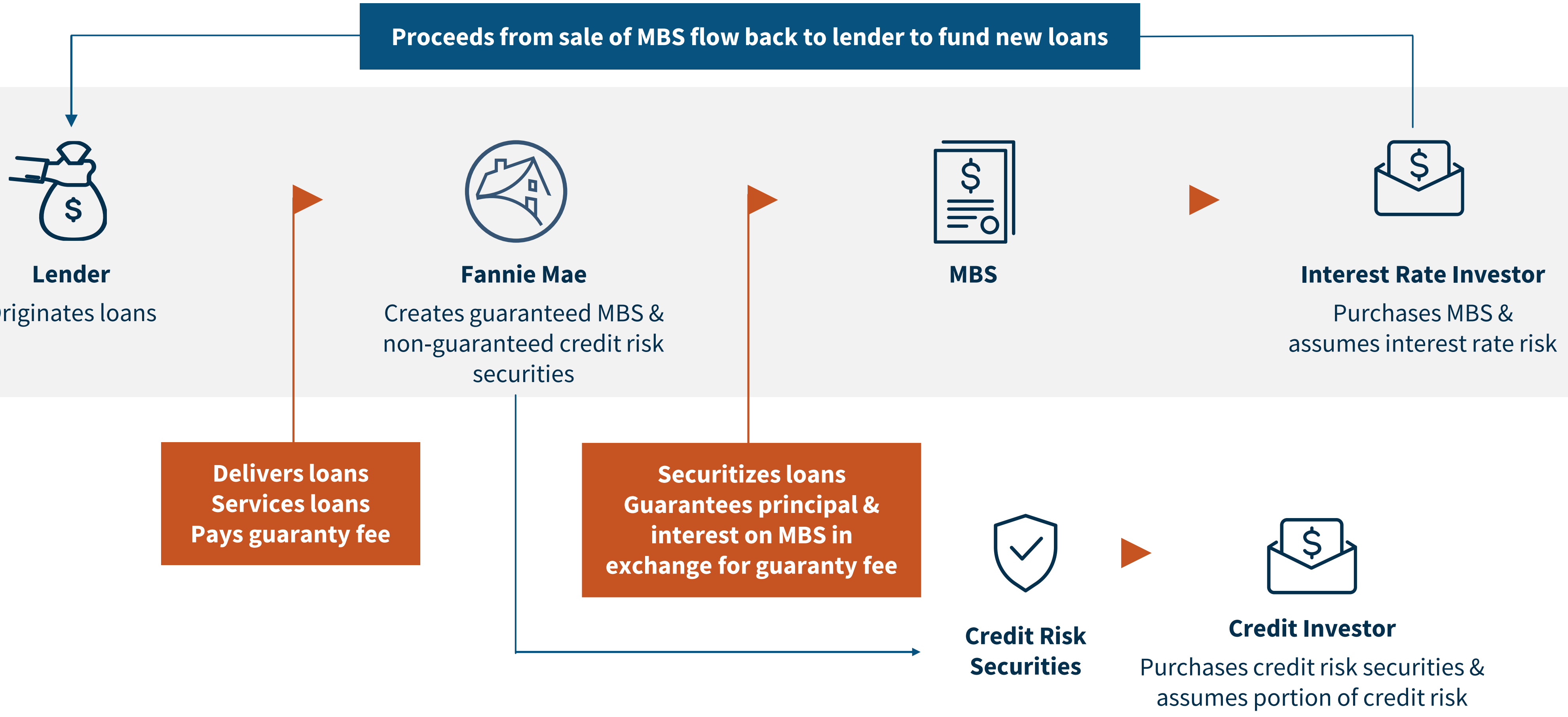
We purchase eligible mortgages from lenders and bundle them into mortgage-backed securities that we guarantee and sell to investors. Lenders use their replenished cash to originate new mortgages, and we use ours to start the process again. This continuous flow of money promotes a healthy housing market.

We partner with lenders to create home purchase and refinance (single-family) and rental (multifamily) opportunities for millions of borrowers and renters across the country.



Our Single-Family Business

Providing liquidity to the housing market and investment options to rates and credit investors.



Credit Risk Transfer Overview

Program benefits:

- Benchmark issuer
- Large, geographically diversified loan pools
- Innovative credit risk management tools
- Program transparency
- Unique online investor tools and resources

We have **transferred over $100 billion** in single-family credit risk to private market participants since 2013, **transferring a portion of the credit risk on over**

$3.3 Trillion

of UPB at Issuance*

Connecticut Avenue Securities® (CAS)	Credit Insurance Risk Transfer™ (CIRT™)
The benchmark for U.S. mortgage credit	**Attracts diversified insurers/ reinsurers**
Over **$66.0 billion** issued since program inception*	Over **$26.5 billion** of coverage committed since program inception*
Covering nearly **$2.2 Trillion in UPB** at issuance*	Covering roughly **$907 billion in UPB** at issuance*

** Issuance amount as of March 31, 2024.*

Our Credit Risk Management Approach

Lender quality

- Lenders undergo a rigorous approval process prior to doing business with Fannie Mae and must meet ongoing net worth and business operational requirements.
- Lenders are subject to ongoing oversight through comprehensive operational reviews to assess the effectiveness of their quality control procedures.

Loan quality

- Loans must be underwritten in accordance with Fannie Mae guidelines.
- 96%[(1)] of loans that we acquire are evaluated through Desktop Underwriter® (DU®), the industry's most widely used automated underwriting system.
- 100% of Fannie Mae's single family and condominium appraisals are assessed through Collateral Underwriter® (CU®), our proprietary appraisal risk assessment tool.

Servicing quality

- Fannie Mae sets loan servicing standards, acts as Master Servicer, and provides oversight of loan servicers.
- We set standards for loss mitigation and borrower workout options. Our proprietary servicing tool, Servicing Management Default Underwriter™ (SMDU™), automates our servicing policies.

Property management

- We manage all property management and disposition in-house, managing one of the industry's largest real-estate owned portfolios – dispositioning over 1.8 million homes since 2009.
- Our strategy is to sell non-distressed homes to owner-occupants, helping to maximize sales proceeds, stabilize neighborhoods, and preserve the value of our guaranty book.

1. Approximate loan deliveries in 2022 through DU

Click to learn more about our approach to Credit Risk Management

Credit Risk Management Highlights

Fannie Mae's industry-leading technology drives improved loan quality and better outcomes.

Desktop Underwriter

1,700(1)
Lenders/Agents

94%

Loan deliveries in Q1 2024 through DU®(1)

- In Q1 2024, approximately 82% ($51B) of the single-family loans (by UPB) acquired by Fannie Mae had one or more **Day 1 Certainty®** components

(1) Approximately 1,200 lenders actively deliver loans to Fannie Mae through DU on an annual basis. Approximately 650 additional lenders are approved for DU access.

Collateral Underwriter[1]

65.8 Million+
Appraisals collected from August 2011 to date

10.9 Million+
Appraisals viewed by lenders since launch in January 2015

- **100%** of single-family and condominium appraisals go through CU as part of our QC process

Servicing Management Default Underwriter™

~94% of
Delinquencies covered through SMDU as of end of Q1 2024

- Over **1,300 servicers** currently benefit from SMDU through B2B integration or through the SMDU User Interface
- Provides **consistent decisioning** for loss mitigation solutions

Real Estate Owned

1.8 million+
Homes disposed of since 2009

- Best execution approach to sell real estate based on NPV comparison to move-in ready home sold to owner occupant
- Evolution within our REO repair strategy has increased repair rates and investment over time, resulting in increased access for owner occupants to purchase move-in-ready homes.

[1]*Through March 31, 2024*

Connecticut Avenue Securities® (CAS) Overview

2024 CAS Issuance Calendar

- Calendar highlights periods in 2024 during which Fannie Mae may issue Connecticut Avenue Securities.
- Fannie Mae may choose not to issue in some or all periods.
- Issuance volumes and utilization of available issuance windows continue to be dependent on business factors and market conditions.

Month(s)	Potential CAS REMIC® Transactions	
January/February	☑	
March/April	☑	☑
May/June	☑	☐
July/August	☐	☐
September/October	☐	☐
November/December	☐	☐

→ CAS 2024-R04 (Group 1) execution targeted for late-May

Fannie Mae's Connecticut Avenue Securities (CAS program)

Since 2013, we've built an award-winning mortgage credit risk transfer program, with:

- The creation of the innovative CAS REMIC
- Industry-leading, data-driven credit risk management methodologies
- Transparent and unique investor resources
- Maturing and liquid market

Large, geographically diverse mortgage credit book, with innovative tools to improve the loan manufacturing process with over

$66 billion

issued under the CAS program since 2013

Transferred a portion of risk on over

$2.2 trillion

in unpaid principal balance of mortgage loans at time of CAS issuance

Transparent credit risk management process with historical research dataset of over

55 million

loans

Issuance amount as of April 11, 2024.

CAS Evolution: Transforming the CRT Sector

2013
- **CAS 1.0: Fixed severity loss framework**
  - CAS 2013-C01 through CAS 2015-C03
  - **Legal maturity:** 10-years
  - **Optional call:** 10% clean-up call
  - **Corporate debt**
- **Class M-1 and Class M-2 notes**
- **Group 1 loans (60-80% LTVs)**

2014
- **Introduced transactions with Group 2 loans (80-97% LTVs)**

2015
- **CAS 2.0: Actual loss framework**
- **CAS 2015-C04 and forward**
  - **Legal maturity**: 12.5 years
  - **Optional call**: 10-year call option or 10% clean-up

2016
- **Issued Class B Notes**: sold portion of the first loss position

2017
- **Issued Class B-1 Notes:** retained first 50 bps of loss
- Received ratings on **previously unrated M-2 classes**

2018
- **CAS 3.0: CAS REMIC**
  - CAS 2018-R07 and forward
  - All classes issued as REMICs

2019
- **CAS 2019-R04 and forward:**
  - **Legal maturity:** 20-years
  - **Optional Call:** 7-year starting with CAS 2019-R04 or 10% clean-up
- **Issued HARP transaction:** CAS 2019-HRP1

2020
- **Issued Seasoned B Tranche Transaction: CAS 2020-SBT1**
  - Re-reference of CAS 2015-C04 through CAS 2016-C07

2021
- **Issued Class B-2 Notes:** retained a first loss piece
- Legal maturity: 20-years
- **Optional Call:** 5-years or 10% clean-up
- Transitioned to SOFR-based transactions
- Received ratings for 16 unrated classes from 13 transactions between 2017-2019
- Conducted seasoned CAS Note tender offer

2022
- **Optimizing structure** to conform to the Enterprise Regulatory Capital Framework (ERCF)

CAS Bond Ratings

M-1 Rating Transition Matrix

At Issuance Rating

AA	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	M1 (Current Rating*)
1		1		4	1	4					AAA
	1			1	3	4					AA+
				1	2	6		1			AA
				4	3	1					AA-
	1	3	1	8	3	3					A+
		4	3	2	3	5					A
			18	6	1	6					A-
				16	1	5					BBB+
					7	4					BBB
						7					BBB-
											BB+
											BB
											BB-
											B+
											B

M-2 Rating Transition Matrix

At Issuance Rating

A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	M2 (Current Rating*)
											AAA+
						2	4	6			AAA
											AAA-
						2	1	6	16	1	AA+
								2	3		AA
					1	3		3			AA-
				2				2	2		A+
				1		1		1	2		A
						2		2			A-
		7	3			1	1				BBB+
			15	3							BBB
				14							BBB-
						1		1	1		BB+
						1					BB
											BB-
											B+
									1		B
											B-

At Issuance

All CAS M-1 and M-2 bonds have current ratings the same as or higher than their rating at issuance.

Additional Ratings

In 2023, CAS M1, M2, and B1 bonds have received 118 upgrades.

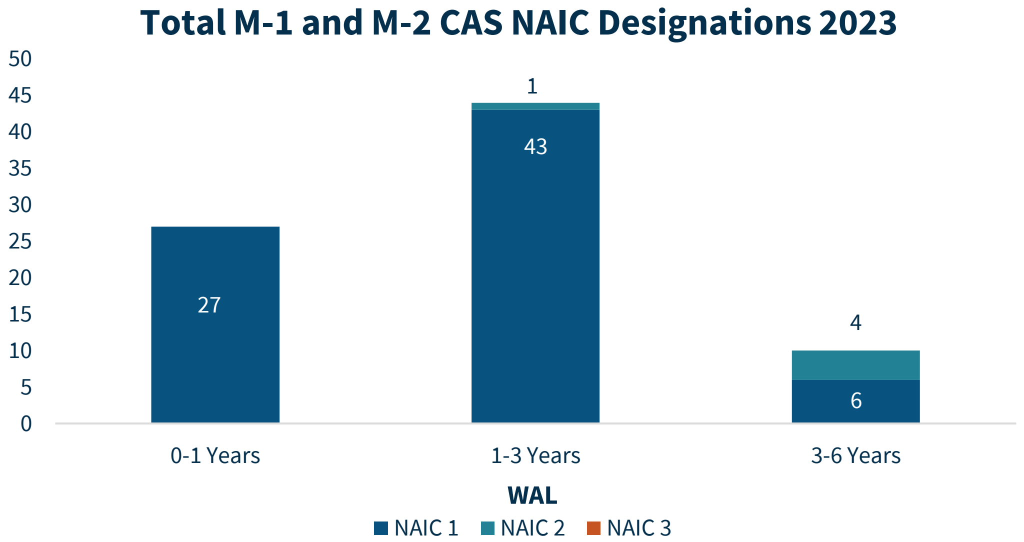
In 2024*, there have been 4 upgrades YTD on M1 and M2 bonds.

Upgrade
No Change
Downgrade

* Current ratings as of 04/01/24

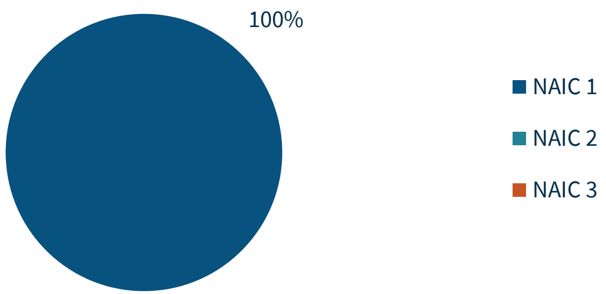
CAS REMIC and Direct Debt NAIC Designations for 2023

- 20 M-1 bonds and 56 M-2 bonds received designations of NAIC 1 for the 2023 filing year.
- 11 M-2 bonds received an upgraded rating of NAIC 1 and 41 M-2 bonds maintained their NAIC 1 rating from last year.
- Our 2023 CAS REMIC transactions received NAIC designations for the first time for the 2023 filing year.

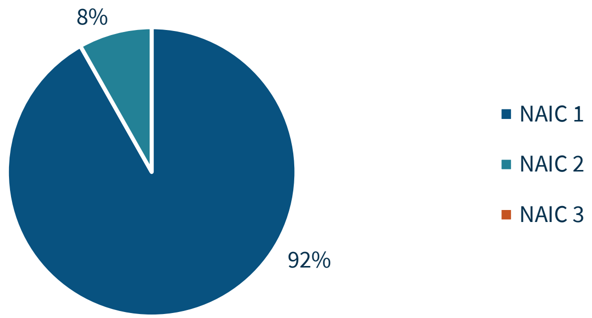


Note: The current WALs were run on February 15, 2024
NAIC designations as of the 2023 filing year

REMIC and Direct Debt M-1 Classes by NAIC rating



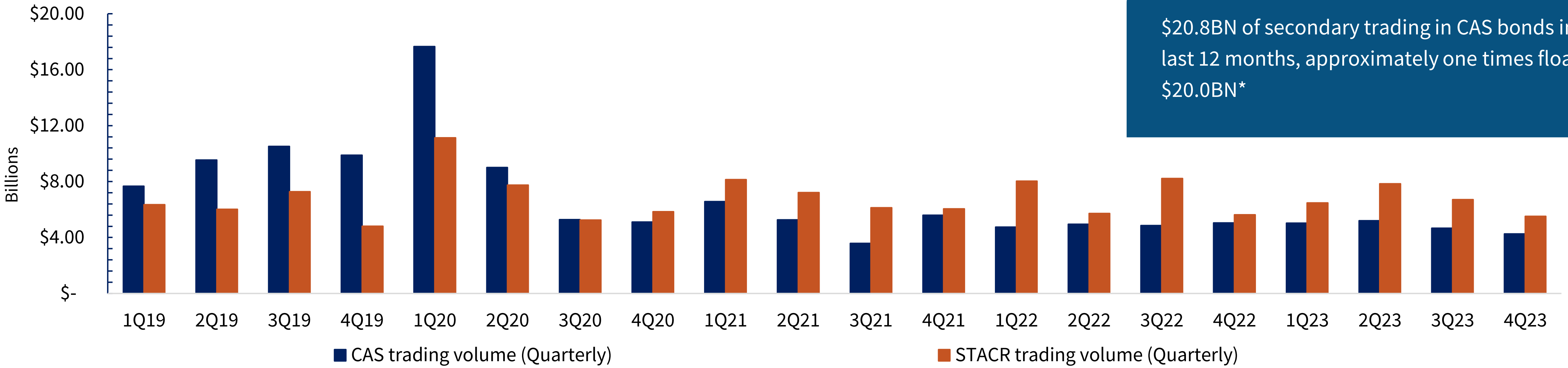
REMIC and Direct Debt M-2 Classes by NAIC rating



CAS REMIC and direct debt transactions received **favorable NAIC designations** for the 2023 filing year. View the full list of NAIC designations **here**

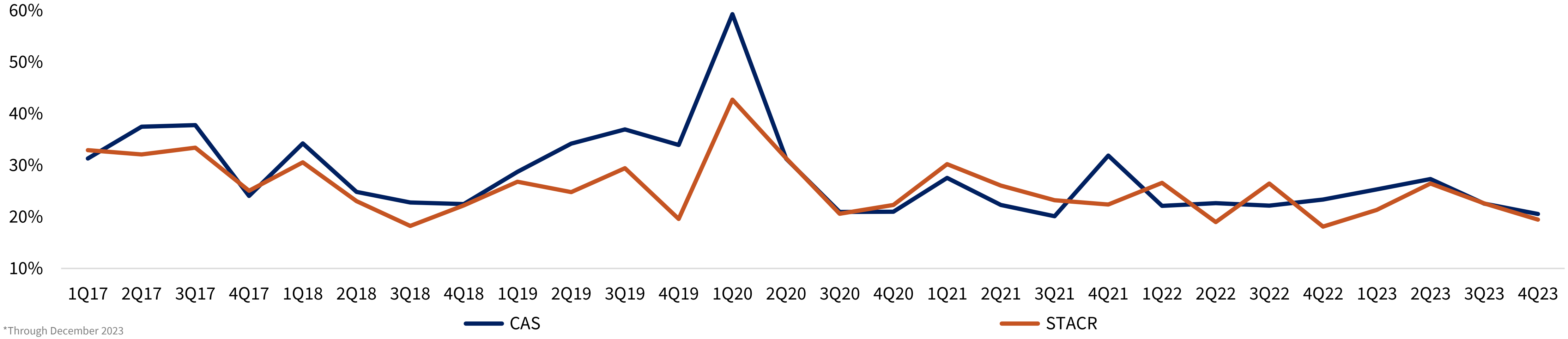
CRT Quarterly Trading Volume and Turnover

Quarterly CRT Trading Volume*



$20.8BN of secondary trading in CAS bonds in the last 12 months, approximately one times float of $20.0BN*

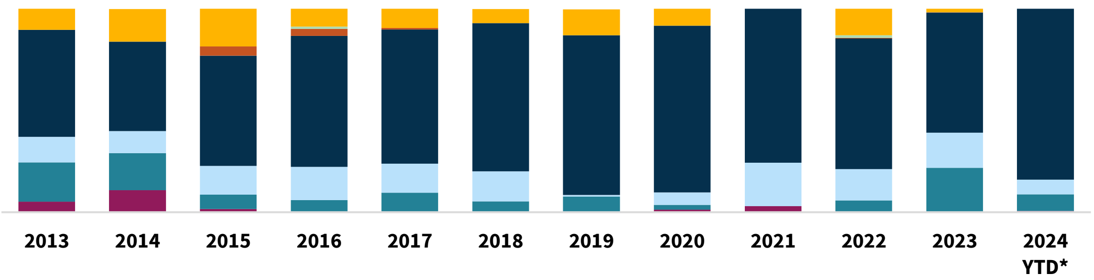
Quarterly CRT Turnover**



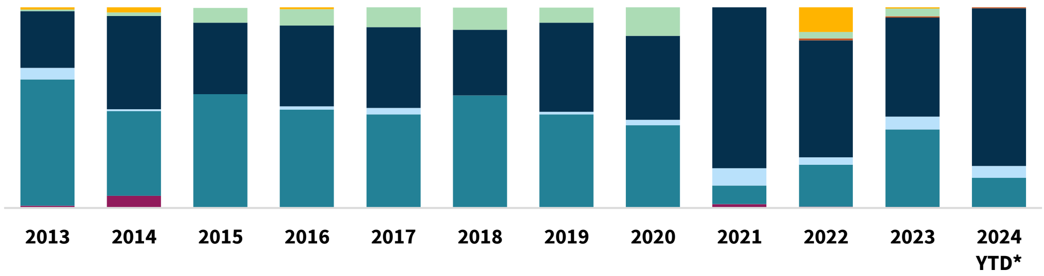
*Through December 2023
**Note: total quarterly trading volume/average quarterly outstanding UPB
Source: Fannie Mae trading survey, Bloomberg

CAS Benchmark Program Investor Distribution Through 2024*

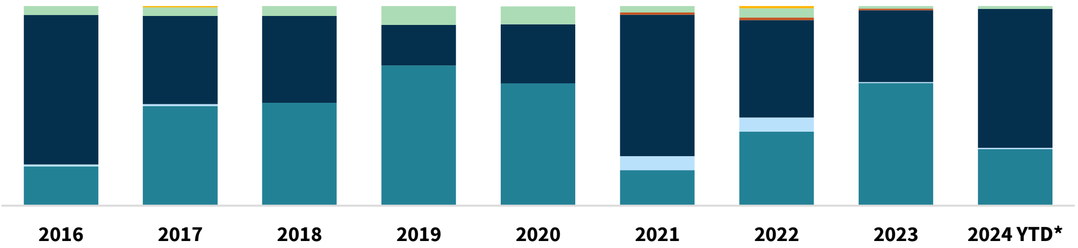
M-1



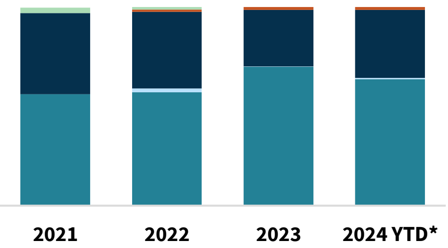
M-2



B-1



B-2



276 unique investors since program inception*

71 new investors since returning to market in 2021*

*As of April 12, 2024
Source: Fannie Mae and dealers, primary issuance only

For additional details on CAS Benchmark Program Investor Distribution data, please visit:
https://capitalmarkets.fanniemae.com/media/document/xlsx/cas-program-investor-distribution.xlsx

CAS 2024-R02 G1 Reference Pool Selection Process

April 2023– July 2023 Total Acquisitions of $119.2BN Original UPB

Random Division → Reserved for Reinsurance

↓

Loans have REMIC election and were securitized in MBS issued in April 2023 – December 2023*

Fully amortizing, generally 25-year and 30-year fixed rate, 1-4 unit, first lien, conventional**

Not Refi Plus™ / Not HARP

60% < Loan-to-Value ≤ 80%

0 x 30 payment history since acquisition

Not subject to a repurchase request as of Cut-Off Date

Not subject to any form of risk sharing with the loan seller and/or servicer

↓

A randomly selected subset of April 2023 to July 2023 Loans

↓

Connecticut Avenue Securities: $18.6BN Current UPB ***

Note: No more than one loan made to a given borrower is included in the reference pool, except for investor loans, in which case no more than two loans to the same borrower are included.
*April 2023 – July 2023 acquisitions were pooled into REMIC-eligible MBS in April 2023 – December 2023
**All loans will have terms greater than 240 months and less than or equal to 360 months. Other minimal exclusion criteria apply
*** Current UPB Reflects CAS 2024-R02 December 2023 Book Profile. Numbers may not foot due to rounding

CAS 2024-R02 Transaction Overview

Est. $751.299 million in offered notes[1]

Class	Loan Group	Offered Notes (Est. MM)	Credit Support		Expected Ratings (S&P/DBRS)	10% CPR to Early Redemption Date	
			Attach (%)	Detach (%)		Expected WAL (yrs)	Expected Principal Window
1M-1	1	$256.326	3.80%	5.25%	A (sf) / A (high) (sf)	1.29	1 – 33
1M-2	1	$229.809	2.50%	3.80%	BBB+ (sf) / BBB (high) (sf)	4.15	33 – 60
1B-1	1	$176.776	1.50%	2.50%	BB+ (sf) / BBB (low) (sf)	4.95	60 – 60
1B-2	1	$88.388	1.00%	1.50%	B+ (sf) / BB (sf)	4.95	60 – 60
1B-3H[2]	1	Not Offered	0.00%	1.00%	N/A	N/A	N/A

(1) The Maturity Date for all classes will be February 2044. First Early Redemption Date will be February 2029.
(2) 1B-3H is a reference tranche, not offered notes, and is included solely to illustrate the structure of the transaction.

Transaction Timeline*

February 2024

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29		

March 2024

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

- Tape Release
- Pre-Marketing
- Execution
- Closing

Deal timing:

Loan Data File: February 28, 2024

Pre-Marketing: March 4-5, 2024

CAS 2024-R02 Execution: March 6, 2024

Closing and Settlement: March 13, 2024

*All dates are approximate

CAS 2024-R02 Structural Overview (Group 1)

Reference Pool
April 2023 – July 2023
(Loans with REMIC election)

Group 1 Loans
Original LTV 60.01 – 80.00%

Class 1A-H
94.75% thick
5.25% credit support (initial)
5.25% credit support (required)

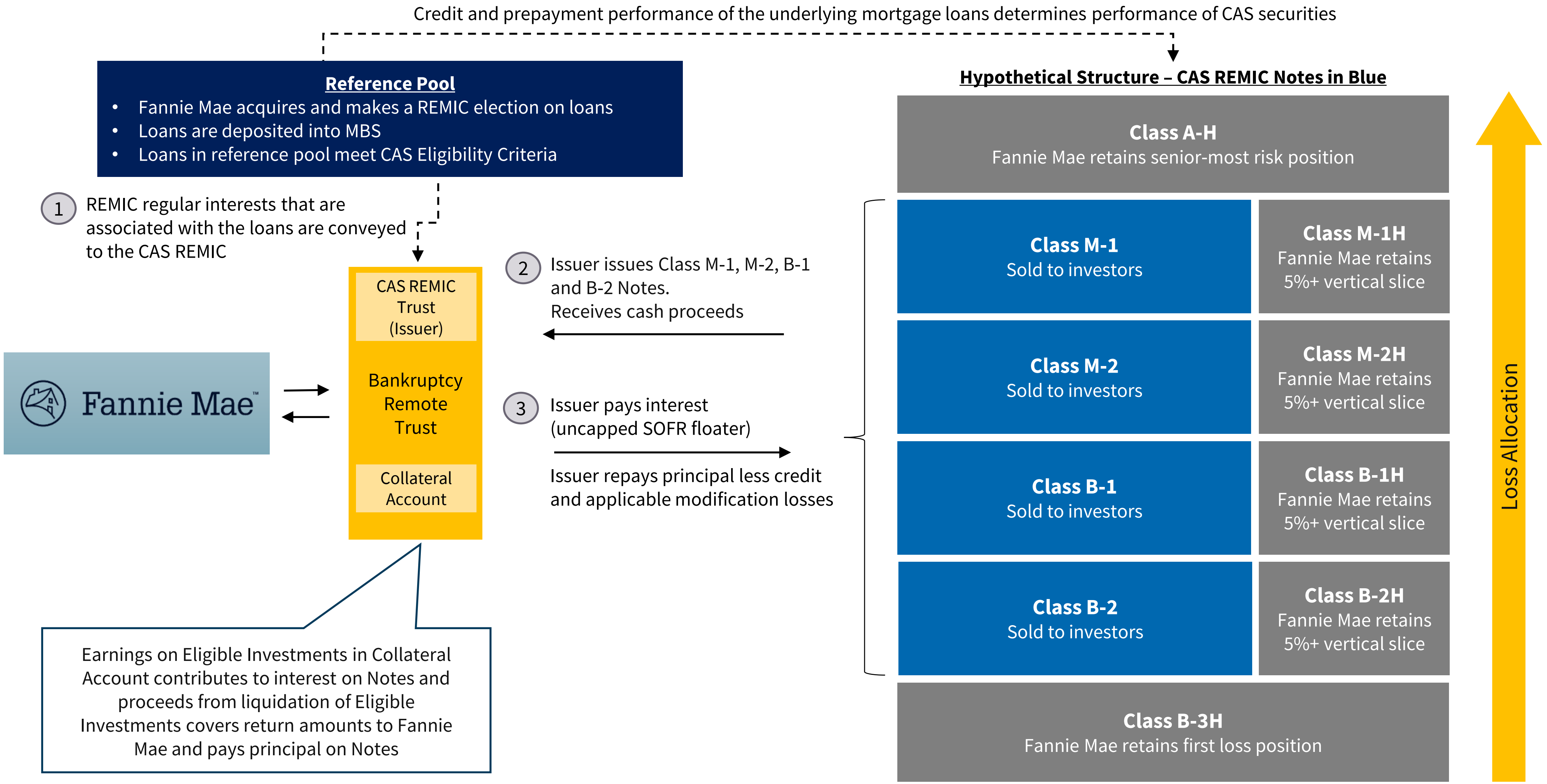
Class 1M-1 **1.45% thick** **3.80% credit support**	**Class 1M-1H** **(5% vertical slice)**
Class 1M-2 **1.30% thick** **2.50% credit support**	**Class 1M-2H** **(5% vertical slice)**
Class 1B-1 **1.00% thick** **1.50% credit support**	**Class 1B-1H** **(5% vertical slice)**
Class 1B-2 **0.50% thick** **1.00% credit support**	**Class 1B-2H** **(5% vertical slice)**

Class 1B-3H
1.00% thick
0.00% credit support

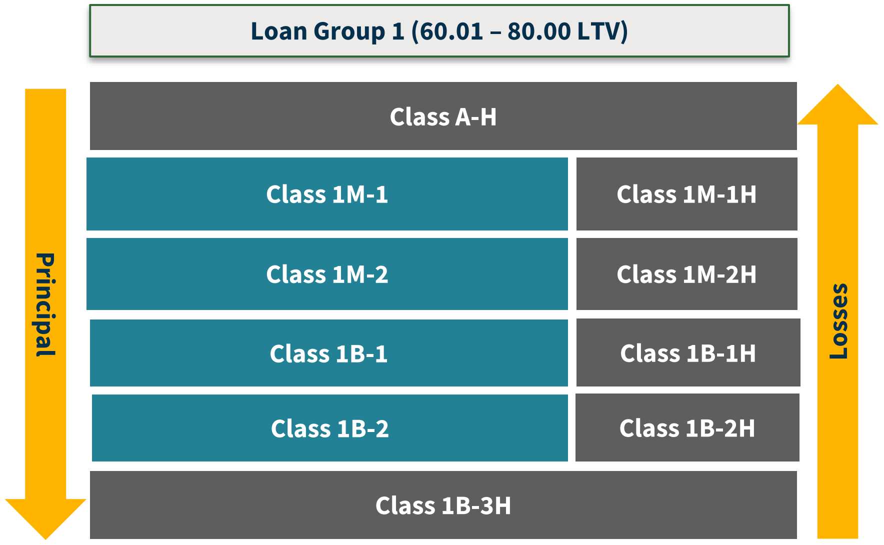
All H tranches are reference tranches only and will not be issued

- Loans acquired in April 2023 – July 2023 and securitized into MBS pools issued in April 2023 – December 2023
- Reference Pool contains only 60.01-80.00% LTV loans
- 20-year legal final maturity; Fannie Mae optional call starting in year 5
- Fannie Mae optional 10% clean up call
- Notes are par-priced uncapped SOFR-based floaters
- Minimum credit enhancement to unlock unscheduled and scheduled principal is 5.25%
- Delinquency test trigger must be satisfied to unlock unscheduled and scheduled principal
- Credit events are based on actual losses
- 1M-2 class and 1B-1 class will offer exchange features with rated exchangeable notes
- The Class 1M-1, Class 1M-2, and 1B-1 Notes will be ERISA eligible
- All classes are issued as REMICs and treated as debt-for-tax
- Fannie Mae will retain 100% of the first loss tranche and at least 5.00% of all offered tranches. Retention is in line with requirements of Regulation (EU) 2017/2402 Section 5.1(d) and Article 6.3(a) of the UK Securitization Regulation regarding retention of material net economic interest

CAS REMIC Structure



Cash Flow Waterfall



Senior Notes: A-H class
Mezzanine Notes: M classes
Subordinate Notes: B classes
Retained Vertical Slice: 1M-1H, 1M-2H, 1B-1H, 1B-2H

- CAS cash flow structure is similar to typical RMBS transaction cash flows
- Principal payments and losses applied to the notes mirror the activity on the loans in the underlying Reference Pool
- **Principal Payments** are first allocated pro rata between senior notes, mezzanine notes, and subordinate notes, then are applied sequentially to the mezzanine notes and subordinate notes starting with 1M-1
- Deal must meet specified credit enhancement and delinquency tests for the subordinate notes to receive unscheduled and scheduled principal payments
- **Losses** are applied in reverse sequential order beginning with class 1B-3H
    - 1B-3H will have a class coupon for use in connection with the allocation of Modification Loss Amounts
- Principal payments and losses are allocated pro rata between the sold notes and the retained vertical slice

Credit Events and Allocation of Losses

Allocation of principal loss amounts

1. Class B3H - Principal
2. Class B2 - Principal
3. Class B1 - Principal
4. Class M2 - Principal
5. Class M1 - Principal

Allocation of modification loss amounts

1. Class B3H - Interest
2. Class B3H - Principal
3. Class B2 - Interest
4. Class B2 - Principal
5. Class B1 - Interest
6. Class B1 - Principal
7. Class M2 - Interest
8. Class M2 - Principal
9. Class M1- Interest
10. Class M1 - Principal

Actual Loss Calculation – Principal Losses

Losses at Disposition		
(+)	Loan Balance	UPB at time of removal from reference pool (including any prior principal forgiveness amount)
(+)	Total Liquidation Costs	Foreclosure Expense
		Property Preservation Expense
		Asset Recovery Expense
		Miscellaneous Holding Expenses/Credits
		Associated Taxes
(+)	Accrued Interest	Unpaid interest from Last Paid Installment date through Disposition Date on interest-bearing UPB, based on net Note rate (Note Rate net of servicing fee or 35 bps, whichever is greater)
(-)	Total Proceeds	Net Sales Proceeds
		Credit Enhancement Proceeds (Mortgage Insurance Proceeds)
		Repurchase/ Make Whole Proceeds
		Other Proceeds

Expenses and proceeds associated with a credit event are passed through to noteholders 90 days after the disclosed Disposition Date (e.g., property sale date). Any remaining trailing expenses and proceeds are passed through on a monthly basis thereafter as received.

Credit Insurance Risk Transfer™ (CIRT ™) Overview

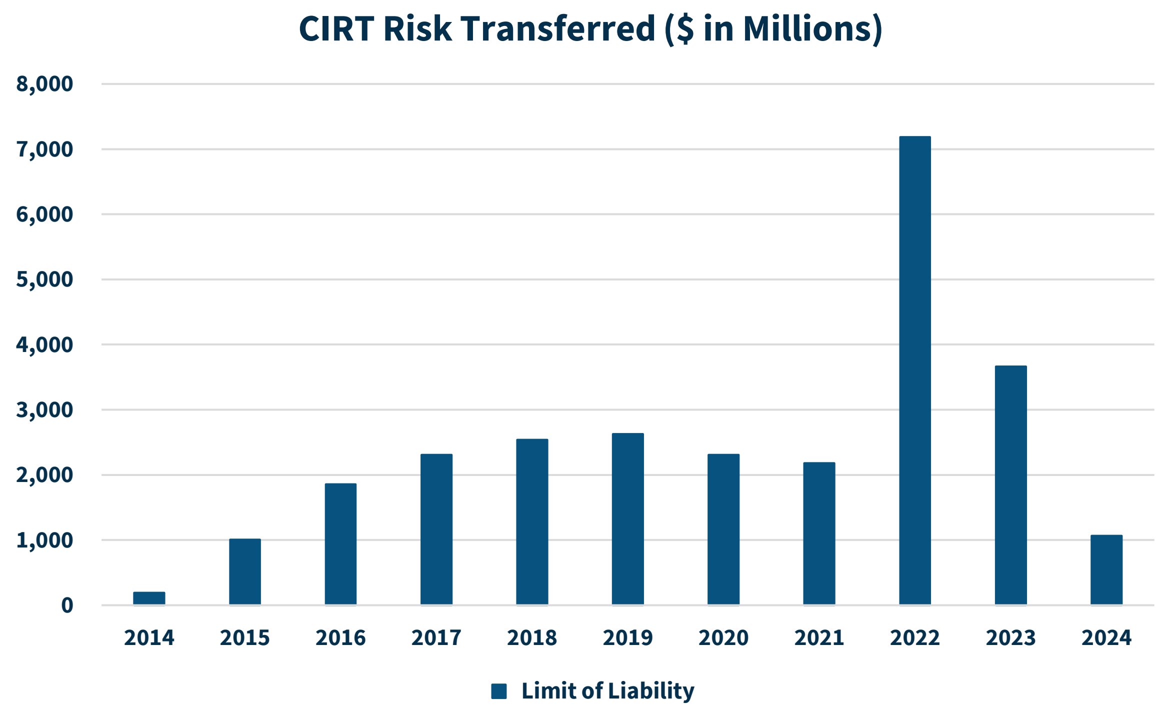
2024 CIRT Issuance Calendar

- Calendar highlights periods in 2024 during which Fannie Mae may execute Credit Insurance Risk Transfer.
- Fannie Mae anticipates acquiring approximately $2-2.5 billion of CIRT coverage in 2024.
- Fannie Mae may choose not to execute in some or all periods.
- Coverage volumes and utilization of available execution windows continue to be dependent on business factors and market conditions.

Quarter	Low LTV Deal(s)	High LTV Deal(s)
Q1 2024	☑	☑
Q2 2024	☑	☑
Q3 2024	☑	
Q4 2024		☑

Note: Subject to change.

Mortgage Credit Risk Transferred under the CIRT Program

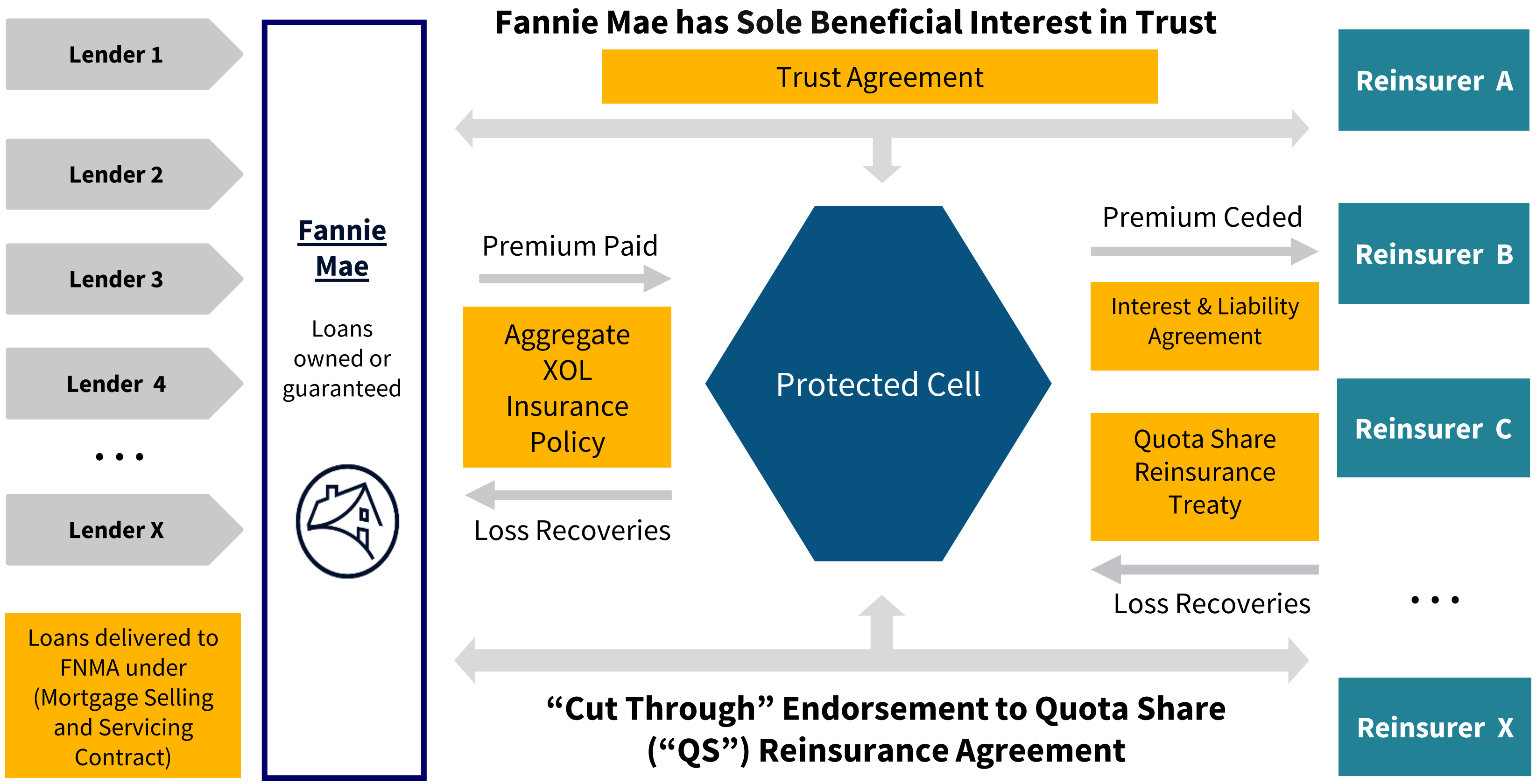


- **Large, geographically diversified loan pools provide broad exposure to U.S. housing market**
- **Fannie Mae acts as an intermediary between the lender and investor to set standards, manage quality, mitigate losses, and maximize value**
- **Transparent pricing provided on our webpage for all transactions – along with key deal documents and transaction data**
- **Powerful investor resources – including proprietary analytical tool Data Dynamics®**

The CIRT Program has provided over $26.9B in coverage since program inception.

Note: As of March 31, 2024

Reinsurance Deal Structure



CIRT 2024-L2 Loan Pool Selection Process

April 2023 through July 2023 Total Acquisitions
Selection of Acquisitions
(random division based upon recent acquisition period)

Proportional allocation for CAS

Random Division

Fully amortizing, generally 25-year and 30-year fixed-rate[1], 1–4-unit, first lien, conventional

Not Refi Plus™ / Not HARP[2]

80% < Loan-to-Value ≤ 97%

0 x 30 payment history since acquisition

Not subject to a repurchase request as of Cut-Off Date

Not subject to any form of risk sharing with the loan seller and/or servicer

Other exclusions may apply

A randomly selected subset of April 2023 to July 2023 Loans

UPB covered at Issuance CIRT 2024-L2: $9.89 Billion

1. All loans will have terms greater than 240 months and less than or equal to 360 months. Other minimal exclusion criteria apply.
2. Fannie Mae acquires HARP loans under its Refi Plus™ initiative, which provides expanded refinance opportunities for eligible Fannie Mae borrowers.

Insurance Policy Structural Overview

Illustration (CIRT 2024-L2)

Loan Pool
$9.89 billion loans, 80-97 LTV
Acquired Apr – Jul 2023

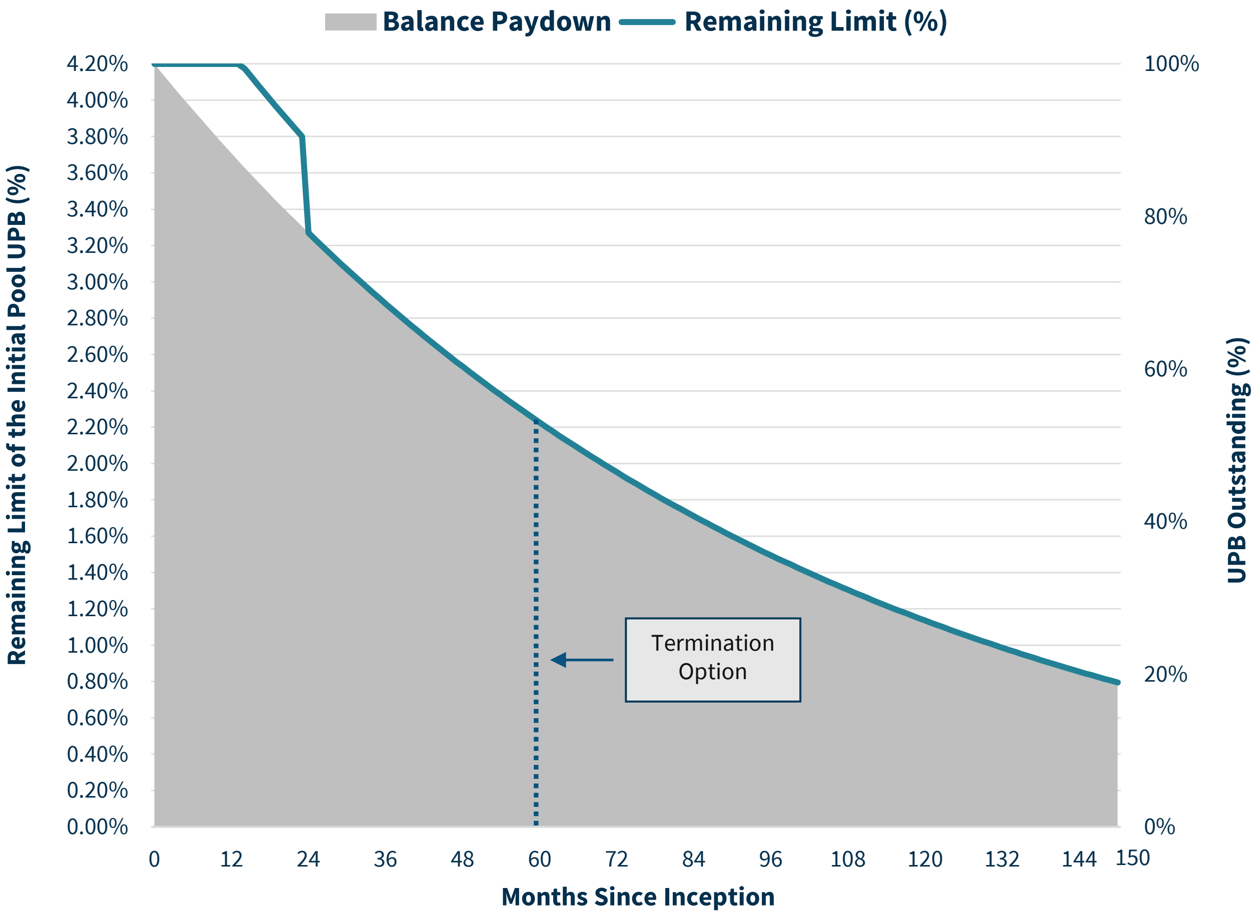
5.70% detachment	**Catastrophic losses** (retained by Fannie Mae)
4.10% Limit	**Aggregate limit of liability** **(transferred to reinsurers)** **$406 million**
1.60% attachment	**First loss layer** (retained by Fannie Mae) **$158 million**

Key Features:

- Simple loss structure
- Structured with retention layer and an aggregate limit of liability
- Fannie Mae retains first loss (retention) layer
- If retention layer is exhausted, reinsurers cover actual losses up to aggregate limit of liability
- Actual loss is determined after property disposition
- Limit may step down on first anniversary and monthly thereafter depending on level of delinquencies and pool paydowns
- Partial collateralization of risk exposure, based upon external ratings of reinsurer
- Termination option at any time on/after a specified anniversary date (typically 60 months) with a fee paid to reinsurers
- "Clean up" call once covered balance <=10% initial covered balance without a termination fee

Limit of Liability Step Down

Expected Scenario - Illustration



- Step down typically begins at Month 12 following the effective date and monthly thereafter
- Remaining Limit of Liability will be reduced based on the paydown of the covered pool and balance of delinquent loans
- Limit step down beneficial to reinsurers as collateral requirement declines
- Fannie Mae has early termination option, typically at Month 60, or thereafter

Comparison of Typical CIRT Bulk Deals and Front-End Deals

	Bulk Deal	Front-End Deal
Loan Acquisitions Period	2-12 months prior to inclusion in pool	Future acquisition months (can also include loans acquired within the last 12 months)
Fill-up Period	N/A	12-15 months
Covered Loans	15-30 YR FRM	30 YR FRM
Limit of Liability Determination	At the time of policy execution	Limit % determined at the time of policy execution; limit $ determined at the end of the fill-up period
Limit of Liability Step Down	May begin 12 months following effective date and monthly thereafter	May begin 18 months following effective date and monthly thereafter
Monthly Premium	Based on competitive bids; locked in at time of execution	Based on competitive bids for a sample pool of loans, with pricing true-up at end of fill-up period
Loan Profile Restrictions	Follows standard eligibility; covered loans are disclosed prior to pricing	Follows standard eligibility; pricing based upon an indicative reference pool; may include restrictions on final risk attributes of the pool
Reinsurer Collateral	Collateral amount due at time of execution	Collateral posted as covered loan pool is delivered

Summary of Key Recent CIRT Deal Terms

CIRT Transaction Name	2024-H1	2024-L2	2024-L1	2023-9	2023-8	2023-7
Year	2024	2024	2024	2023	2023	2023
Product	241 - 360 month FRM	241 - 360 month FRM	241 - 360 month FRM	241 - 360 month FRM	241 - 360 month FRM	241 - 360 month FRM
Deal Type	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
OLTV	>80-97	>60-80	>60-80	>80-97	>60-80	>80-97
Term (years)	18	18	18	12.5	12.5	12.5
Effective Date	02/01/24	02/01/24	01/01/24	09/01/23	08/01/23	05/01/23
Covered Loan Acquisition Period	1/2023-5/2023	4/2023-7/2023	01/2023-4/2023	10/2022-12/2022	9/2022-12/2022	7/2022-9/2022
Initial Step Down (anniversary month)	12	12	12	12	12	12
Total Initial Principal Balance	$ 12,134,222,381	$ 9,894,263,926	$ 9,003,632,921	$ 11,519,596,467	$ 8,397,593,117	$ 16,935,416,887
Aggregate Retention	$ 212,348,892	$ 158,308,223	$ 135,054,494	$ 190,073,342	$ 117,566,304	$ 262,498,962
Limit of Liability	$ 303,355,560	$ 405,664,821	$ 355,643,500	$ 270,710,517	$ 344,301,318	$ 397,982,297
Retention %	1.75%	1.60%	1.50%	1.65%	1.40%	1.55%
Limit %	2.50%	4.10%	3.95%	2.35%	4.10%	2.35%
Annual Premium (bps)	5.40	6.30	7.62	8.16	10.44	11.40
Termination Date	01/31/42	01/31/42	12/31/41	02/29/36	01/31/36	10/31/35
Time-based Cancellation Option (beginning anniversary month)	60	60	60	60	60	60

Above is a summary of CIRT deal terms that, in some cases, may approximate the definitive terms of CIRT transactions posted on the Fannie Mae website:
https://capitalmarkets.fanniemae.com/credit-risk-transfer/single-family-credit-risk-transfer/credit-insurance-risk-transfer/cirt-pricing
Definitive deal terms are included in the published deal documents for each CIRT transaction.

Insurance Policy Key Terms – Sample

(CIRT 2024-L2)

Insurance Structure:	Aggregate excess of loss credit insurance
Covered Loans:	Portfolio of 21 to 30-year fixed-rate residential mortgage loans acquired between April 1, 2023, and July 31, 2023
Initial Principal Balance:	$9.89 Billion
Limit of Liability:	4.10% of the total Initial Principal Balance ($406M)
Retention / First Loss Risk:	1.60% of the total Initial Principal Balance ($158M)
Monthly Premium Rate:	0.00525% of remaining UPB
Step-Down of Limit Liability:	At 12 month following effective date, and each month thereafter, limit of liability shall be reduced to the lesser of: a) the Remaining Limit of Liability at such date, or b) the greater of: i. The following target Limit percentages: a) At 12-23 months after the effective date: total current UPB x 115% of limit of liability %; b) At 24 and greater months after the effective date: total current UPB x limit of liability%, or ii. The following non-performing triggers: a) At 12-23 months after the effective date: 650% of (SDQ+REO) UPB, b) At 24-35 months after the effective date: 425% of (SDQ+REO) UPB, c) At 36-59 months after the effective date: 300% of (SDQ+REO) UPB, d) At 60 and greater months after the effective date: 200% of (SDQ+REO) UPB
Cancellation:	18-year term. Fannie Mae may terminate coverage on/after the 5-year anniversary, and early termination fee paid if early termination option exercised between 5-year and 10-year anniversary. Also subject to a 10% clean-up call, and if exercised no termination fee will be paid.

Illustration of Property Disposition and Loss to CIRT Structure

Default (2 missed payments) → Mediation → Foreclosure Date → Property Disposition Date

Foreclosure Proceedings
(Typically initiated on 3rd missed payment)

REO Process

Loss Applied to CIRT Structure

$100k Home
(95% LTV)

Equity

$95k Unpaid Principal Balance (UPB)[1]

+

- Delinquent Accrued Interest[2]
- Maintenance & Preservation[2],[3]
- Legal Costs[2],[3]
- Real Estate Taxes/Fees[2],[3]

$15k Interest and expenses

−

$33k Primary MI Recovery (30% of (UPB + DQ Int + Expenses))

$75k Proceeds from property sale

=

<u>$2k Net Loss To CIRT Structure</u>

$108k Total Proceeds

[1] Loss covered by Mortgage Insurance
[2] The covered loss may be curtailed based upon eligibility under MI policy
[3] The covered loss may be estimated under MI factor

Historical Comparative Analysis

CRT-Eligible Profile Summary

> 60-97 LTV Historical FRM30 Loan Acquisition Profile

Orig Year	Original UPB	WA Note Rate	WA FICO	WA DTI	WA OLTV	WA OCLTV	% Purchase	% CA	WA Risk Layers[1]	% Investor	% FICO < 680	% Cash-out	% DTI 46-50[2]
1999-2004	$1,289.3B	6.50%	712	34.8	79.0	79.6	42%	17%	0.81	4.2%	28.1%	25.8%	22.7%
2005-2008	$694.7B	6.17%	723	39.2	78.4	80.2	48%	12%	0.94	5.9%	23.4%	32.3%	32.8%
2009-2013	$1,321.2B	4.41%	760	33.3	78.1	79.0	45%	24%	0.33	6.0%	3.7%	16.2%	7.6%
2014-2017	$1,191.1B	4.18%	746	34.9	81.8	82.3	65%	20%	0.36	6.4%	9.2%	15.0%	5.7%
2018-2021	$2,324.6B	3.58%	750	35.7	81.1	81.3	54%	18%	0.43	4.4%	6.5%	16.5%	15.9%
2022-2023	$625.6B	5.54%	750	38.2	83.2	83.3	83%	12%	0.48	5.9%	6.5%	11.9%	23.4%

Source: Fannie Mae Q4 2023 LLPUB data release

CAS/CIRT Eligible Loan Issuance Profile

Issue Qtr	Original UPB	WA Note Rate	WA FICO	WA DTI	WA OLTV	WA OCLTV	% Purchase	% CA	WA Risk Layers	% Investor	% FICO < 680	% Cash-out	% DTI 46-50[2]
1Q 2020	$122.0B	3.92%	751	36.1	81.0	81.3	48%	20%	0.43	4.3%	5.1%	17.8%	15.8%
2Q 2020	$211.0B	3.51%	755	34.6	80.4	80.7	38%	18%	0.36	4.0%	4.0%	15.6%	12.4%
3Q 2020	$227.7B	3.22%	756	34.5	80.7	81.0	47%	18%	0.33	3.7%	4.2%	12.8%	11.9%
4Q 2020	$244.7B	2.99%	756	34.4	79.9	80.2	45%	19%	0.36	4.6%	4.6%	14.3%	12.0%
1Q 2021	$222.1B	2.90%	754	34.5	79.2	79.5	40%	20%	0.39	5.6%	5.2%	16.4%	12.2%
2Q 2021	$219.8B	3.09%	752	35.1	80.6	80.8	51%	18%	0.40	3.1%	6.2%	17.1%	13.8%
3Q 2021	$177.5B	3.14%	747	35.9	80.8	81.1	58%	18%	0.45	1.8%	8.1%	19.1%	16.4%
4Q 2021	$167.4B	3.17%	746	36.2	80.2	80.3	56%	16%	0.55	5.0%	8.5%	24.2%	17.4%
1Q 2022	$153.6B	3.44%	745	37.0	80.8	81.0	60%	17%	0.60	5.6%	8.7%	26.2%	19.3%
2Q 2022	$125.4B	4.48%	746	37.6	82.8	82.9	76%	13%	0.54	6.6%	8.2%	18.1%	21.3%
3Q 2022	$97.4B	5.45%	747	38.4	83.7	83.8	86%	12%	0.48	6.1%	7.5%	10.5%	24.4%
4Q 2022	$64.3B	5.98%	749	38.7	83.9	84.1	89%	11%	0.46	6.4%	6.0%	8.1%	25.7%
1Q 2023	$52.9B	6.37%	750	39.0	84.1	84.3	90%	13%	0.44	6.3%	5.2%	6.2%	26.6%
2Q 2023	$71.1B	6.36%	755	38.1	84.0	84.2	92%	11%	0.38	5.3%	4.7%	4.8%	22.9%
3Q 2023	$69.6B	6.67%	757	38.4	83.8	84.0	93%	11%	0.37	5.1%	4.2%	4.2%	23.9%
4Q 2023	$58.3B	7.15%	758	38.9	83.6	83.7	94%	11%	0.39	4.8%	4.3%	3.7%	26.0%
1Q 2024	$51.2B	6.87%	758	38.8	83.6	83.8	91%	13%	0.39	5.6%	3.9%	4.2%	25.6%
Apr 2024	$18.6B	6.75%	759	38.9	83.8	84.0	91%	12%	0.40	5.1%	3.8%	4.4%	26.7%

Source: Fannie Mae Issuance Data through April 2024.
Only loans with LTV between 60-97 are included. Excludes loans with CLTV>97. Statistics weighted by origination UPB.
1. Risk Layers defined as: Investor Property, DTI 46-50 (rounded to the nearest integer), FICO<680, & Cash-out Refinance
2. Rounded to the nearest integer

CRT-Eligible Profile Summary

60.01-80.00 LTV CAS/CIRT Eligible Loan Issuance Profile

	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Original UPB ($M)	$ 7,665	$ 8,888	$ 9,261	$ 12,761	$ 13,895	$ 12,921	$ 11,457	$ 11,707	$ 11,939	$ 10,182	$ 8,488	$ 9,420	$ 8,599	$ 8,762
WA Interest Rate	6.4%	6.3%	6.4%	6.4%	6.4%	6.5%	6.7%	6.8%	7.0%	7.2%	7.4%	7.2%	6.9%	6.6%
WA FICO	754	753	753	760	760	760	758	759	759	760	758	760	760	760
WA DTI	38.1%	38.0%	37.8%	37.2%	37.1%	37.5%	37.6%	37.5%	37.8%	38.1%	38.2%	38.0%	37.8%	37.9%
WA LTV	75.8%	75.8%	76.2%	75.5%	75.6%	75.7%	75.7%	75.6%	75.7%	75.6%	75.6%	75.6%	75.6%	75.5%
WA CLTV	76.1%	76.0%	76.3%	75.8%	76.0%	76.0%	76.0%	75.9%	75.9%	75.8%	75.8%	75.9%	75.9%	75.7%
% Purchase	84.1%	81.6%	84.2%	85.8%	86.4%	88.5%	88.2%	87.8%	89.1%	89.1%	89.3%	88.8%	85.2%	82.1%
% CA	12.8%	13.9%	11.8%	11.6%	11.8%	12.1%	12.1%	11.8%	11.5%	12.9%	10.5%	13.1%	13.6%	14.3%
WA Risk Layers	0.53	0.54	0.50	0.50	0.45	0.44	0.47	0.48	0.46	0.45	0.49	0.47	0.47	0.51
% Investor	11.2%	11.0%	10.3%	11.2%	9.1%	8.6%	9.6%	10.6%	8.9%	7.5%	10.2%	9.7%	9.9%	11.6%
% FICO < 680	6.2%	5.5%	5.1%	6.6%	5.5%	5.1%	6.0%	5.4%	5.6%	5.0%	6.1%	5.5%	5.0%	4.9%
% Cashout	9.8%	13.0%	10.7%	9.5%	8.6%	7.4%	8.1%	8.6%	7.2%	7.0%	6.7%	6.4%	8.2%	9.8%
% DTI 46-50	25.9%	24.3%	23.7%	22.5%	21.5%	23.0%	23.4%	23.2%	24.1%	25.7%	25.8%	25.3%	23.4%	24.6%
% Moderate Temp BD	5.5%	6.1%	4.9%	4.0%	3.2%	2.7%	2.6%	2.7%	3.3%	4.2%	5.1%	5.9%	5.2%	4.5%
% Significant Temp BD	0.5%	0.5%	0.5%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.4%	0.7%	0.6%	0.5%	0.4%

80.01-97.00 LTV CAS/CIRT Eligible Loan Issuance Profile

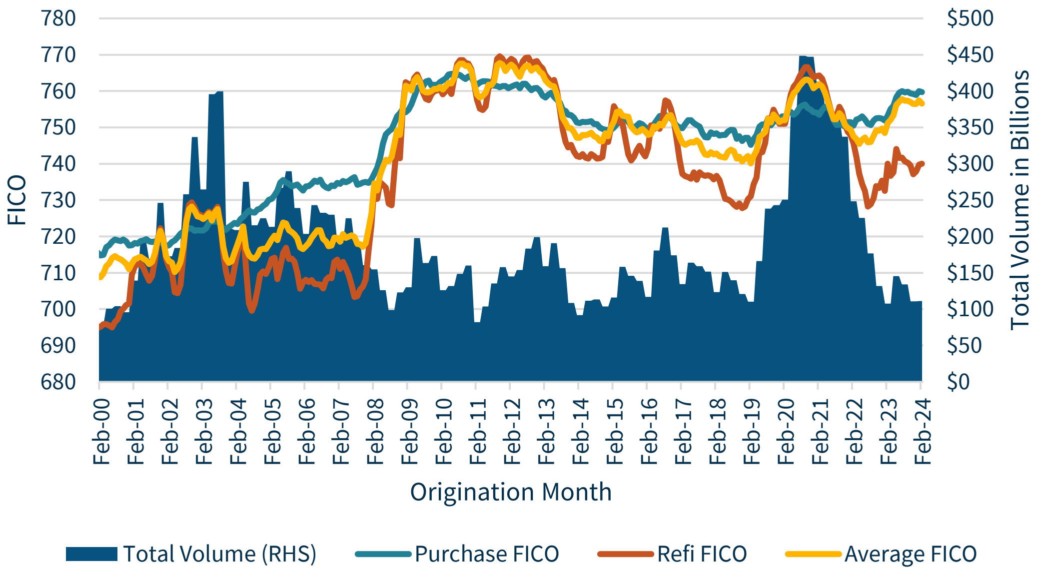
	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Original UPB ($M)	$ 7,399	$ 9,831	$ 11,480	$ 11,290	$ 12,385	$ 11,933	$ 10,795	$ 10,781	$ 10,686	$ 8,685	$ 8,274	$ 8,508	$ 7,756	$ 8,158
WA Interest Rate	6.4%	6.2%	6.3%	6.4%	6.3%	6.5%	6.7%	6.8%	7.0%	7.2%	7.3%	7.1%	6.8%	6.6%
WA FICO	747	750	751	752	755	756	754	756	756	757	755	756	756	757
WA DTI	39.8%	39.5%	39.1%	38.9%	38.8%	39.1%	39.3%	39.5%	39.5%	40.0%	40.0%	39.8%	39.6%	39.9%
WA LTV	92.5%	92.5%	92.4%	92.7%	92.5%	92.4%	92.7%	92.6%	92.4%	92.2%	92.7%	92.2%	92.4%	92.6%
WA CLTV	92.5%	92.6%	92.5%	92.7%	92.5%	92.4%	92.7%	92.7%	92.5%	92.2%	92.7%	92.3%	92.4%	92.6%
% Purchase	97.8%	98.1%	98.3%	98.5%	98.2%	98.6%	98.8%	98.9%	98.8%	98.5%	98.5%	98.3%	97.4%	97.2%
% CA	10.7%	13.0%	10.4%	9.4%	9.3%	10.0%	9.4%	9.2%	9.7%	10.5%	9.0%	11.2%	11.6%	11.1%
WA Risk Layers	0.33	0.29	0.27	0.29	0.26	0.27	0.28	0.29	0.29	0.31	0.31	0.30	0.29	0.31
% Investor	0.5%	0.5%	0.5%	0.4%	0.4%	0.3%	0.3%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
% FICO < 680	4.7%	3.1%	2.2%	5.3%	3.1%	2.7%	3.2%	2.8%	3.0%	2.8%	3.1%	3.0%	2.4%	2.4%
% Cashout	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% DTI 46-50	28.0%	25.5%	24.1%	23.5%	22.7%	23.9%	24.7%	25.7%	26.0%	28.2%	27.3%	26.9%	26.1%	27.9%
% Moderate Temp BD	9.8%	9.9%	7.5%	6.9%	5.3%	4.5%	4.1%	4.5%	5.3%	6.8%	7.9%	9.1%	8.6%	6.8%
% Significant Temp BD	0.5%	0.4%	0.3%	0.3%	0.2%	0.1%	0.2%	0.2%	0.2%	0.3%	0.4%	0.6%	0.5%	0.3%

Note: CRT eligible loans using MBS issuance data.
Source: Fannie Mae MBS issuance data.
1. Risk Layers defined as: Investment Property, Cash-out Refinance, DTI 46-50 (rounded to the nearest integer), and FICO < 680.
2. CRT-eligible criteria defined as: fixed-rate, 1-4 units, origination LTV (60,97], origination CLTV (60,97], origination DTI (0,50], original loan term (300,360], conventional, non-reperforming.

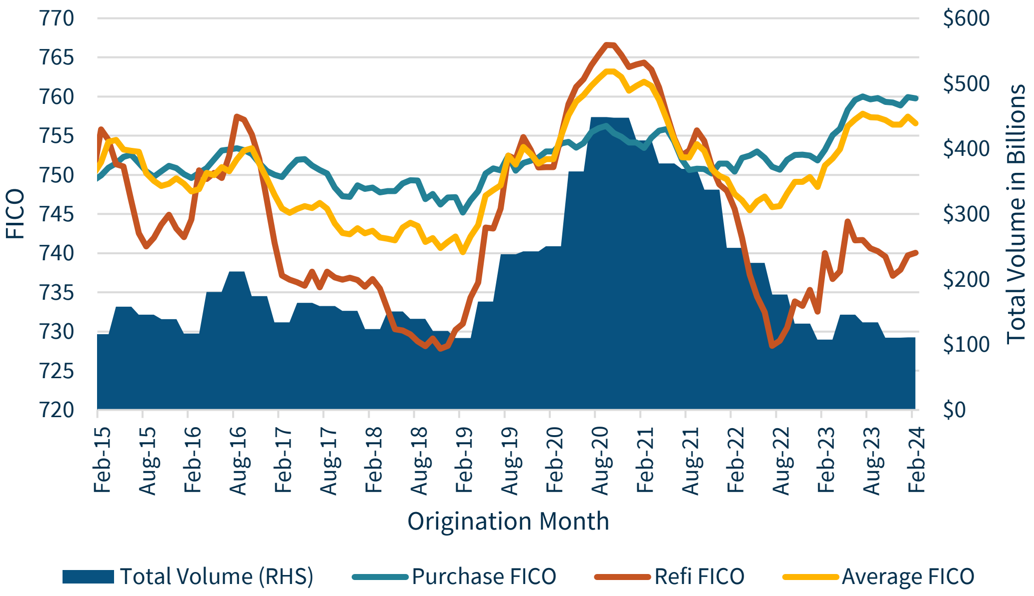
Total Mortgage Origination Volume and FICO

Credit profile typically fluctuates with the origination cycle

- When origination capacity is tight, credit profile is strongest
- Lower origination volumes mean lenders have more capacity to underwrite to the full credit box
- Overall profile is heavily levered to profile of refinancings, as purchase profile is more stable



Feb 2000 – Feb 2024



Feb 2015 – Feb 2024

Source: Fannie Mae. Origination estimates for aggregate market

DU Model Updates: 2021-2023

Sep 2021: DU 11.0

- Updated the credit score used by DU in the eligibility assessment for loan casefiles with more than one borrower by using an average median credit score when determining if a loan casefile meets the minimum credit score requirement of 620.
- DU to consider a borrower's positive rent payment history in the credit risk assessment. Lender must obtain a 12-month Verification of Asset (VOA) report.
- *May result in additional loans receiving Approve/Eligible in DU*

Mar 2022: DU 11.0

- Implemented a desktop appraisal option. Must be a purchase transactions secured by a one-unit principal residences, and LTV ratio is <=90%.

Apr 2022: DU 11.0 – Removed the minimum representative credit score requirement of 620 for RefiNow™ loans.

Jul 2022: DU 11.0 – Updated risk and eligibility assessment in response to changing market conditions. *May yield a reduction in loan case files receiving Approval/Eligible, with most noticeable reduction on cash-out refinance transactions when multiple high-risk factors are present.*

Learn more: **singlefamily.fanniemae.com/applications-technology/desktop-underwriter-desktop-originator**

Aug 2022: DU 11.0

- DU to issue employment documentation messages specific to RefiNow when the requirements are different than standard documentation requirements.
- Asset documentation flexibility extended to RefiNow loan casefiles.

Dec 2022: DU 11.0

- Enhancements to support loans where no borrower has traditional credit. Principal residence, purchase or limited cash-out refinance, LTV/CLTV <=95%, DTI up to 50%. Cashflow assessment required via 12-month asset verification report.
- *May result in additional loans receiving Approve/Eligible in DU*

Jan 2023: DU 11.1

Fine tune DU's ability to assess risk. *May yield a reduction in loans case files receiving Approve/Eligible with most notable reduction of loans with high LTV and DTI ratios with multiple high-risk factors.* Certain loans meeting specific housing goals or Duty to Serve initiatives are excluded.

- Updates to improve DU's ability to identify rent payment history on a third-party asset verification report.

Oct 2023: DU 11.1

DU no longer considers number of borrowers as a factor in the risk assessment. *May yield a slight increase in loan casefiles receiving an Approve/Eligible recommendation.*

Pandemic-Related Hardships Resolving

Refi wave and strong housing market enabled a significant portion of COVID-affected borrowers to prepay

CAS and CIRT Active Loans as of Feb-2020
100%

- **Entered Forbearance**
  10% of Feb-20 loans
- Did Not Enter Forbearance
  90% of Feb-20 loans

Entered Forbearance

- **Became Delinquent**
  82% (8% of Feb-20 loans)
- Did Not Become Delinquent
  18% (2% of Feb-20 loans)

Became Delinquent

- Prepay
  50% (4% of Feb-20 loans)
- Current (Self-Cure)
  11% (1% of Feb-20 loans)
- Repay Plan
  0% (0% of Feb-20 loans)
- Payment Deferral
  28% (2% of Feb-20 loans)
- Trial/Perm Mod
  8% (1% of Feb-20 loans)
- Active Forbearance
  0% (0% of Feb-20 loans)
- Delinquent – No Workout
  1% (0% of Feb-20 loans)
- Other ZB Event
  2% (0% of Feb-20 loans)

Did Not Become Delinquent

- Prepay
  67% (1% of Feb-20 loans)
- Current
  32% (1% of Feb-20 loans)
- Other
  1% (0% of Feb-20 loans)

Source: Fannie Mae. Shows CAS and CIRT combined performance through January 31, 2024. Outcomes only shown for loans active as of Feb 29, 2020. Excludes cancelled CIRT deals, fixed severity CAS deals, and HARP/lender recourse deals. Note: Percentages calculated using loan count

Investor Resources

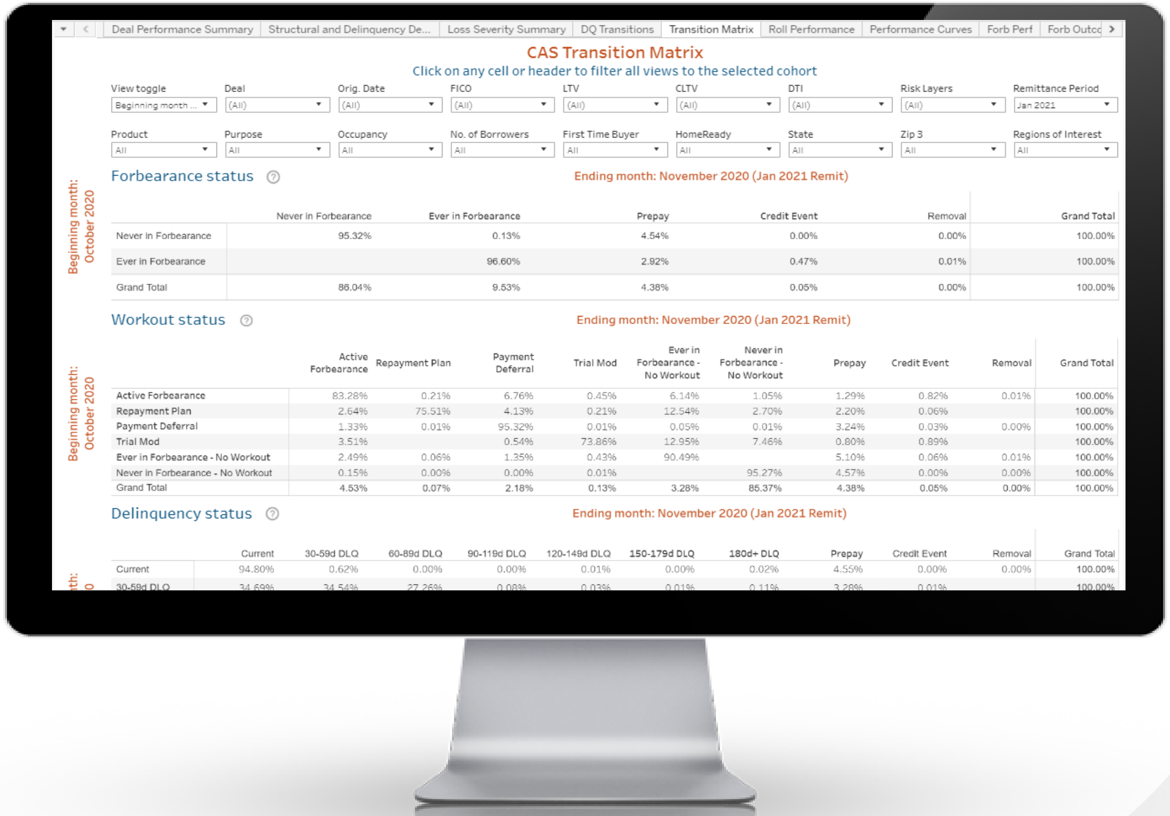
Data Dynamics®

Our free platform allows investors to gain insights into historical loan performance trends, issuance profiles, and monthly performance – exclusively for Fannie Mae's CAS and CIRT programs.

The tool is continuously enhanced based on investor feedback and new disclosures.

Enhancements include:

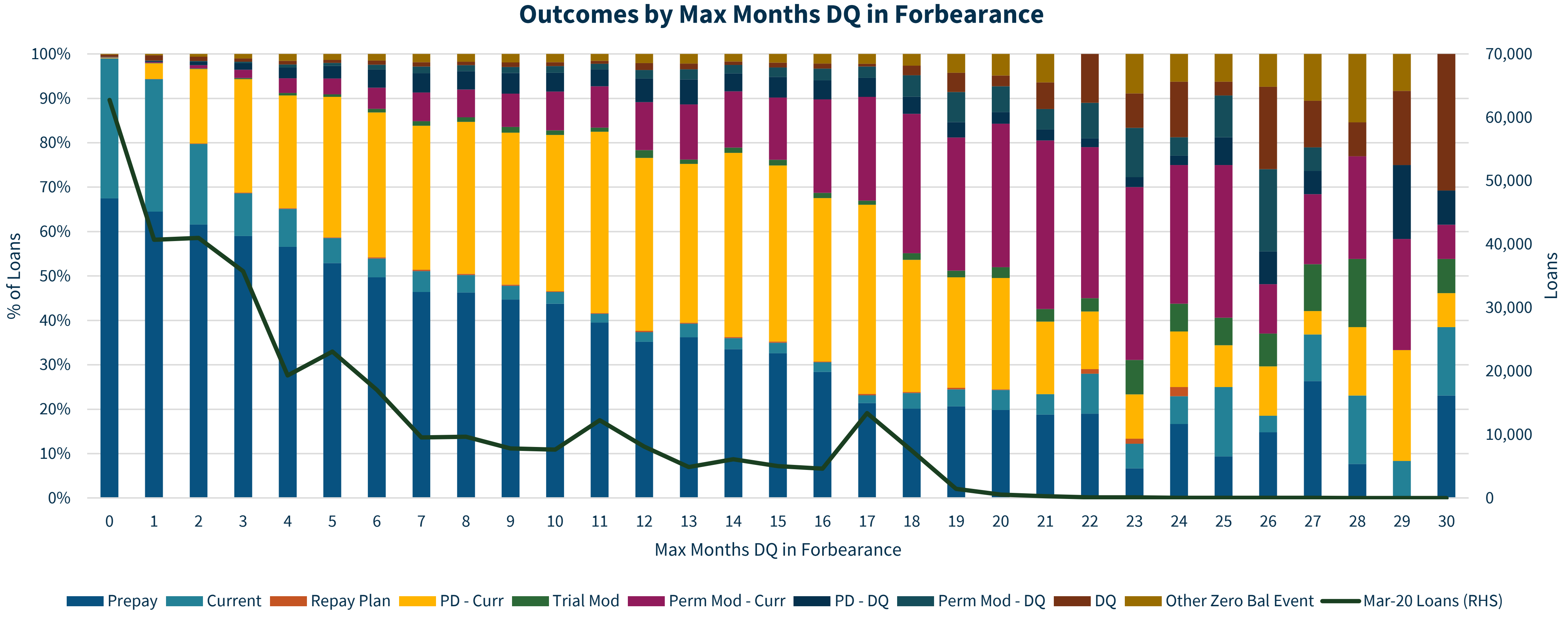
- **CRT Transition Matrix**: Access three matrices to analyze month-over-month transitions in Forbearance, Workout, and Delinquency status for loans that are referenced in our CAS transactions.
- **Payment Forbearance Dashboard**: View performance on the active population of loans in forbearance and analyze historical loan cohorts that were ever in forbearance for CAS.
- **CAS Structural and Delinquency Test Monitor**: View the monthly status of CAS deal-level credit enhancement and delinquency tests.



Access today at [**https://datadynamics.fanniemae.com**](https://datadynamics.fanniemae.com)

Outcomes Vary by Length of Delinquency

For borrowers who have exited forbearance, outcomes are correlated to the number of missed payments



Source: Fannie Mae. Shows CAS and CIRT combined performance through January 31, 2024. Shows outcomes for loans that were active on Feb 29, 2020, entered forbearance since Mar 1, 2020, and have exited forbearance by January 31, 2024. Excludes cancelled CIRT deals, fixed severity CAS deals, and HARP/lender recourse deals. Percentages calculated using loan count

Historical Loan-level Performance Data

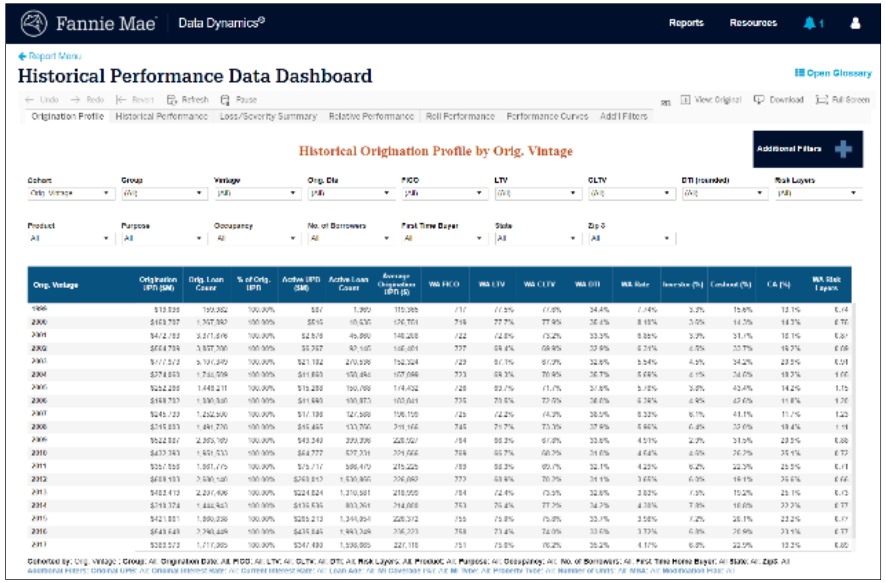
Gain insights into historical performance trends and relationships to credit performance via our dataset.

Access our historical monthly loan performance data on a portion of our single-family mortgage loans

- Includes a subset of our 30-year and less, fully amortizing, full documentation, conventional fixed-rate mortgage acquisitions since January 2000
- Updated on a quarterly basis to include a new quarter of acquisitions and performance
- Inclusive of loans modified through HARP®, supporting market analysis of high loan-to-value refinance assistance programs

Key features:

- Utilize Data Dynamics® to see aggregated loan-level data
- Download the entire dataset with one-click, capturing over 50 data elements per loan
- Self-serve with abundant investor resources including file layout & glossary, FAQs, web tutorials, and statistical summaries to support download of dataset
- Loan performance data is also available through Application Programming Interfaces (APIs). Instructions for accessing the APIs are available in Data Dynamics under the Resources section in the Historical Performance tile
- Multifamily Loan Performance Data added in August 2019



Learn more at **www.fanniemae.com/loanperformance**

CRT Loan-level Data Disclosure

- Fannie Mae makes over 100 loan-level disclosure fields available to support CRT analysis
- Fields include key loan risk factors, loan term characteristics, collateral characteristics, servicing data, and disposition data, such as (not limited to):

Loan and Borrower Characteristics	Property Type	HomeReady Program Indicator, and First Time Home Buyer Indicator	High Loan-to-Value Refinance Indicator
	Number of Borrowers	Original Debt to Income Ratio	Borrower FICO and Co-Borrower FICO scores (at origination, deal issuance, and ongoing)
Collateral Characteristics	Number of Units	Original Loan to Value Ratio (LTV) and Combined LTV Ratio (CLTV)	Three-digit zip code
	Occupancy Type	Metropolitan Statistical Area	Property Inspection Waiver Flag(1)
Servicing Data	Servicer Name	Loan Payment History	Reason and Date as to why a loan balance went to zero
	Mortgage Insurance Cancellation Indicator	Modification Flag	Current Loan Delinquency Status
Loan Term Characteristics	Original and Current Interest Rate	Original Loan Term	Loan Age
	Original and Current UPB	Origination Date	Maturity Date
Disposition Data	Last Paid Installment Date	Foreclosure Date	Detailed Proceed Fields
	Original and Current List Price and Date	Disposition Date	Detailed Expense Fields

1. Available beginning with CAS 2017-C07 and CIRT 2017-7. All prior deals will reflect null values.

CAS Resources for EU & UK investors

Fannie Mae's webpage is designed to help European Union and United Kingdom institutional investors and those managing funds subject to EU/UK regulations.

- Information and resources that Fannie Mae already makes publicly available for all investors is organized in an easy-to-navigate format according to applicable sections of EU Regulation 2017/2402
- **New!** In response to European Union (EU) additional guidance published in October 2022, beginning on May 25, 2023, Fannie Mae started providing monthly loan-level and deal-level data in ESMA Annex 2 and Annex 12 template formats directly in Data Dynamics®
  - The data will be provided on a go-forward basis for all benchmark CAS deals beginning with CAS 2019-R01*

Visit **www.fanniemae.com/eu-resources** and **www.fanniemae.com/uk-resources** for more information

*For CAS 2019-HRP1, one data element on Annex 2, Original Obligor Identifier, has not been provided due to borrower privacy concerns.

Appendix

DU Model Updates: 2017-2020

July 2017: DU 10.1

- Enabled loans with DTI ratios above 45% (up to 50%) to rely on DU's comprehensive risk assessment. Removed DU model overlays with set maximum LTV ratio and minimum reserves requirements for those loans.
- *May result in additional loans receiving Approve/Eligible in DU.*

March 2018: DU 10.2

- Revised DU's risk assessment to limit risk layering.
- *May yield a reduction in Approve/Eligible recommendation on loans that have multiple higher-risk characteristics.*

December 2018: DU 10.3

- Enhanced DU's management of multiple risk layers. Six months of reserves for cash-out refinances with DTI over 45% to address increase in high DTI acquisitions.
- *May yield a reduction in loan case files most notably for loans with multiple risk factors.*

July 2019: DU 10.3

- *Certain new loan casefiles submitted to DU will receive an Ineligible recommendation when multiple high-risk factors are present.*
- Updated the DU eligibility assessment to better align the mix of business delivered to us with the composition of business in the overall market.

April 2020: DU 10.3

- In response to changing market conditions and economic uncertainty surrounding COVID 19 Pandemic and support sustainable homeownership we revised DU's risk and eligibility assessments to result in *modest reduction of loan casefiles with high-risk factors receiving an Approve/Eligible recommendation.*

Learn more: **singlefamily.fanniemae.com/applications-technology/desktop-underwriter-desktop-originator**

CAS REMIC: Commodity Futures Trading Commission (CFTC) Considerations

CAS REMIC structure allows transaction to be created in a manner that does not involve swaps

- Transaction documents are traditional commercial transactions
- None of the transaction documents will utilize an International Swaps and Derivatives Association (ISDA) or similar agreement
- The substance of all transaction documents will be commercial (securities and capital contribution) agreements
- Outside counsel to Fannie Mae and the Issuer will deliver an opinion letter that the transaction does not involve any swaps
- Since the transaction does not involve any swaps, the Issuer is not considered a commodity pool and, therefore, does not need to register with the CFTC

CAS: Summary of Key Tax, Legal and Regulatory Considerations

Topic	CAS Direct Debt	CAS REMIC
Issuer	Fannie Mae	CAS REMIC Trust, a wholly-owned, non-consolidated subsidiary of Fannie Mae. Fannie Mae is sponsor and depositor.
Registration	Exempt under Fannie Mae Charter Act.	Exempt under Rule 144A.
Offering Restrictions	Within the U.S.: Notes offered only to “Qualified Institutional Buyers” as defined in Rule 144A under the Securities Act.	Within the U.S.: Notes offered only to “Qualified Institutional Buyers” as defined in Rule 144A under the Securities Act.
Regulation S	Outside the U.S.: Notes offered only to non-U.S. persons pursuant to Regulation S of the Securities Act.	Outside the U.S.: Notes offered only to non-U.S. persons pursuant to Regulation S of the Securities Act.
Sales to REITs	CAS are deemed to be government securities for purposes of the REIT tax tests, so are qualifying assets for REITs, but generally are less attractive because they do not produce qualifying real property income for REITs.	A REMIC security will be a qualified REIT asset and will produce qualified income for REITs.
Tax Treatment	M1 and M2 are debt for tax. B1 is a contingent notional principal contract for tax.	All tranches are treated as debt for tax.

CAS: Summary of Key Tax, Legal and Regulatory Considerations (cont.)

Topic	CAS Direct Debt	CAS REMIC
Sale of B Piece	B piece is generally subject to 30% withholding tax if sold to non-U.S. investors.	B piece is treated as debt-for-tax and therefore NOT subject to withholding tax if sold to overseas investors.
CFTC/Commodity Pool Operator (CPO)	Registration as a CPO is not required.	Registration as a CPO is not required.
Investment Company Act of 1940	Fannie Mae, as an instrumentality or 'government entity' of the United States, is exempt from registration pursuant to Section 2(b) of the Act.	As an entity wholly owned by Fannie Mae, the SPV is exempt from registration pursuant to Section 2(b) of the Act.
Volcker Rule	Exempt from the 1940 Act since Fannie Mae is the issuer. Securities are exempt from Volcker Rule since they are not issued in reliance upon an exemption under Section 3(c)(1) or 3(c)(7) of the 1940 Act.	The SPV will be exempt from the Act pursuant to Section 2(b). CAS REMIC notes therefore will not constitute interests in a "covered fund" for purposes of the Volcker Rule since the Volcker Rule applies only to securities issued in reliance on Sections 3(c)(1) or 3(c)(7) of the Act.
ERISA Eligibility	Non-rated and below investment grade rated notes are ERISA eligible because they represent either (i) debt for tax or (ii) equity in an operating company (Fannie Mae).	The M1 and M2 notes will be ERISA-eligible because they are both able to meet certain criteria to be characterized as debt-for-tax independent of the REMIC election. In 2023 issuances, the B1 bond is not expected to be ERISA-eligible.

How MI Works: Typical Loan

- MI Coverage acquired by Lender
- Fannie Mae's requirement for MI Coverage Percent determined by Original LTV

Servicer Informs MI of 60-day DQ

Fannie Mae files claim within 60 days of Foreclosure

MI Benefit
Settled with the "Percentage Option"

= (Default UPB + DQ Interest + Allowable Expenses) x MI Coverage %

Loan Origination

Last Paid Installment

Foreclosure Date

Claim Paid

Property Disposition Date

Potential MI Cancellation due to:
- Loan balance amortizes to 78% of original property value (automatic)
- Loan balance reduced to ≤ 80% of original property value (borrower initiated)
- Loan balance reduced to ≤ 80% of current property value (borrower initiated)

Loan must be current and meet other requirements

Foreclosure Expenses Accrued
- DQ Interest*
- Foreclosure Costs**
- Asset Recovery Costs**
- Associated Taxes**
- Misc.**

Disposition Expenses Accrued
- Property Preservation
- Associated Taxes
- Misc.

Residual loss (net of MI Benefit) applied to CIRT structure 90 days after property disposition

The claim must be "perfected" (received all required documentation) within 120 days of claim filing, and settled within 180 days of the "perfect date."

* The covered loss may be curtailed based upon eligibility under MI policy
** The covered loss may be estimated under MI factor

How MI Works

Disaster event / Physical Damage

Under MI Master policies, an MI claim can be denied if there is material physical damage to the property that was the principal cause of default. The damage could be the result of natural disaster (e.g., flood, earthquake, hurricane, etc.) or otherwise (e.g., defects in construction, fire, environmental impairment).

Physical damage means any injury, physical damage or impairment to a property that the MI reasonably estimates to be in excess of the greater of $5,000 or 2% of the original property value, whether caused by accident, natural disaster or otherwise.

If physical damage is the principal cause of default and manifested itself after the MI issued its commitment, the MI can deny the claim.

Physical damage is deemed to be the principal cause of default if:

1) the property has not been restored; and

2) there was no hazard insurance or insufficient hazard insurance to restore the property; or

3) there was sufficient hazard insurance, but a claim was not filed, or a claim was filed but the proceeds have not been received, or the proceeds have been received but not applied to restore the property.

If the MI provides notification of its intent to deny the claim and we promptly notify the MI of our intent to restore the property and actually restore it within 180 days (or up to 1 year if certain requirements are met), the MI cannot deny the claim.

If physical damage is not the principal cause of default, the MI may curtail (but not deny) the claim in accordance with policy parameters that depend on whether the MI can reasonably estimate the cost of restoration.

MI Factor

Streamline calculation of MI claims, accelerate payment, and reduce uncertainty

- Investors in CAS and CIRT transactions can now expect timelier, more predictable settlement of MI claims with no expected material impact on aggregate proceeds received
- MI Factor is used to determine only the foreclosure/property preservation cost component of an MI claim, which typically represents **approximately 5%** of the claim but requires the most work for all parties involved
  - Current practice of using actual foreclosure/property preservation costs to determine a claim amount is replaced by a calculation that applies a numerical factor to the property value or default UPB (shown below)[1]
- Factor applied to a given loan determined by using a grid that allows consideration of relevant loan characteristics that impact foreclosure/property preservation costs
- Factor was developed by back-testing against 13 years of claim data covering a number of economic environments. We found costs can be predicted with great accuracy using four loan attributes: disposition types, geography clusters, statistically-derived home value buckets, and property type buckets
- To capture changing market dynamics, Fannie Mae will evaluate the selection of loan attributes and determination of factors annually

MI Factor Calculation of Foreclosure/Property Preservation Costs

$$\underbrace{\text{Property Value or Defaulted UPB} \times \text{Fixed Cost Factor}}_{\text{Fixed Foreclosure Costs}} + \underbrace{\text{Property Value or Defaulted UPB} \times \text{Min(Days between LPI Date and Foreclosure Date, Allowable Days)} \times \text{Variable Cost Factor}}_{\text{Variable Foreclosure Costs}}$$

[1] *Property value is used for Short Sales whereas default UPB is used for REO and Third-Party Sales claims.*

Comparing MI Options

Key Feature	BPMI	LPMI
Buyer of MI	Lender	Lender
MI Premium Paid By	Borrower	Lender
Can borrower lower mortgage payment through MI cancellation?	Yes	No
MI Cancellation Provision	▪ Must be automatically canceled, e.g., when LTV ratio scheduled to reach 78% ▪ May be canceled by borrower based upon paydown of loan or property appreciation	None – coverage exists for life of loan
Length / Term of Coverage	Terminates upon cancellation (see MI cancellation provisions above)	Life of Loan
Policy	Approved MI companies, selected by borrower/lender	Approved MI Companies, selected by lender
Origination Guidelines	Fannie Mae and MI guidelines	Fannie Mae and MI guidelines
Loan Quality Reviews	Fannie Mae and MI guidelines	Fannie Mae and MI guidelines
Claim Filing	Fannie Mae files claims	Fannie Mae files claims

Workout Hierarchy

Programs to help both servicers and borrowers manage delinquent mortgage loans and avoid foreclosure.

Retention Options	Forbearance	Agreement between the mortgage servicer and the homeowner to pause or reduce monthly mortgage payments for a certain period, allowing homeowners to resolve their short-term hardship.
	Reinstatement	Homeowner is able to resume making their regular monthly payments following a delinquency (or forbearance plan) and can repay the missed amounts all at once.
	Repayment Plan	Homeowners repay the missed amounts over a fixed period. They make their repayments along with their regular mortgage payment on a monthly basis.
	Payment Deferral	Designed to assist borrowers who have resolved a temporary hardship by deferring missed payments to the end of the loan term or earlier if the home is sold, property is transferred, or the loan is refinanced or otherwise paid off.*
	Fannie Mae Flex Modification	Designed to assist borrowers who are experiencing a permanent or long-term hardship, the Flex Modification offers payment relief through a combination of potential interest rate reduction, extension of the loan term, and possible principal forbearance. **Only interest rate reduction/principal forbearance resulting from a Flex Modification may entail modification losses.**
Liquidation Options	Credit Events	When retention is not a viable option, liquidation options include short sale, or Mortgage Release™ (Deed-in-Lieu of Foreclosure); or the loan is liquidated after the servicer refers the mortgage loan to foreclosure in accordance with applicable law.

*CAS: Payment deferrals are currently not treated as modification events in the structure.
*CIRT: Beginning with CIRT 2023-1 , Payment Deferral is a covered modification expense in the CIRT structure. Losses associated with payment deferrals are a covered modification loss in the CIRT structure.

Modification Losses

Fannie Mae Flex Modification Payment Reduction Levers

Modification	Borrower Impact	Loss to Investor
Interest Rate Reduction	Reduces monthly interest rate borrower pays on loan obligation	Losses passed through based on the difference between the modified and original note rate paid on the outstanding loan balance
Principal Forbearance	Deferral of a portion of the unpaid principal balance as part of a loan modification (**not as part of a Payment Deferral**) until the loan's maturity date or early payoff of the mortgage loan	Loss reflects foregone interest on non-interest bearing portion of UPB. Recognized in Non-interest Bearing UPB field in monthly reporting^
Term Extension	Loan term is extended to reduce borrower monthly payments	No loss to investor

Modification losses are passed through to noteholders on a monthly basis once a permanent modification takes effect.
No losses are incurred during a modification trial period (typically 3 months).

^Principal forborne as part of a Payment Deferral is recognized in Total Deferral Amount field in monthly reporting and does not constitute a modification loss

Fannie Mae Flex Modification Comparison

Current Flex Modification	Updated Flex Modification
Step 1 – Capitalize eligible arrearages.	**Step 1** – Capitalize eligible arrearages.

Step 2 – Set the modification interest rate to a fixed rate based on the following for:
• Fixed rate, (including an ARM or step-rate that has reached its final interest rate) with a post-modification MTMLTV <80%, set the modified interest rate to the borrower's contractual interest rate.
• Fixed rate, (including an ARM or step-rate that has reached its final interest rate) with a post-modification MTMLTV ≥80%, set the modified interest rate to the lesser of i) the Fannie Mae Modification Interest Rate, or ii) the borrower's contractual interest rate.
• ARM or step-rate that has not reached its final interest rate, set the interest rate to the lesser of i) the Fannie Mae Modification Interest Rate, ii) the final interest rate for the step-rate modification, or iii) the lifetime interest rate cap for the ARM.
	Step 2 – Set the interest rate (IR) to a fixed rate as follows:
	• Fixed rate mortgage loan (including an ARM or step-rate that has reached its final step) – set the interest rate to the contractual interest rate in effect for the periodic payment due in the month of the evaluation date.
	• ARM or step-rate that has not yet reached its final IR – set the interest rate to the greater of the current contractual IR, or the Fannie Mae Modification Interest Rate, where the interest rate set must not exceed:
	  • The final interest rate for the step-rate modification, or
	  • The lifetime interest rate cap for the ARM

Step 3 – Extend the term to 480 months from the mortgage loan modification effective date.	**Step 3** – If the post-mod MTMLTV ≥50% and the interest rate determined in Step 2 is greater than the Fannie Mae Modification interest rate, step the interest rate down in 0.125% increments until the earlier of i) achieving the 20% P&I payment reduction target, or ii) reaching the Fannie Mae Modification interest rate.
Step 4 – Forbear principal if the post-modification MTMLTV ratio is >100%, in an amount that is the lesser of i) an amount that would create a post-modification MTMLTV ratio of 100% using the interest-bearing UPB, or ii) 30% of the gross post-modification UPB of the mortgage loan.	**Step 4** –Extend the amortization term in monthly increments until the earlier of, i) payment reduction target is reached or, ii) 480 months from the modification effective date.
Step 5 – Provide or increase principal forbearance until a 20% P&I payment reduction is achieved; however, the servicer must not forbear more than • an amount that would create a post-modification MTMLTV ratio less than 80% using the interest-bearing principal balance, or • 30% of the gross post-modification UPB of the mortgage loan.	**Step 5** – Forbear principal if the post-modification MTMLTV ratio is >50%, in an amount that is the lesser of: • an amount that would achieve the 20% P&I payment reduction target, • an amount that would create a post-modification MTMLTV of 50% using the interest-bearing principal balance, or • 30% of the gross post-modification UPB of the mortgage loan
Step 6 – Continue to forbear principal if the mortgage loan is less than 90 days past due when the borrower submitted a complete BRP until a 40% Housing Expense-to-Income Ratio (HTI) is achieved; however, the servicer must not forbear more than: • an amount that would create a post-modification MTMLTV ratio less than 80% using the interest-bearing principal balance, or • 30% of the gross post-modification UPB of the mortgage loan.	

Payment Reduction Target

The Servicer must incrementally apply the Flex Modification waterfall steps until the 20% payment reduction target is achieved.

See Fannie Mae Lender Letter (LL-2024-02) for details.

Payment Deferral: A Comparison of Key Terms

	Old Payment Deferral	New Payment Deferral	COVID Payment Deferral	Disaster Payment Deferral
Mandatory Effective Date	**01/01/2021**	**As early as 07/01/2023 but no later than 10/01/2023**	**02/25/2021**	**10/01/2020**
Hardship	• The financial hardship must be resolved • The homeowner must be capable of continuing to make the full monthly contractual mortgage payment, and • The homeowner must be unable to reinstate the mortgage or afford a repayment plan to cure the delinquency.	• The financial hardship must be resolved, • The homeowner must be capable of making the full monthly contractual payment, including the amount required to repay any escrow shortage amount over a term of 60 months, and • The homeowner is unable to reinstate the mortgage loan or afford a repayment plan to cure the delinquency.	• The financial hardship must be resolved, • The homeowner must be able to continue making the full monthly contractual payment (including the amount required to repay any escrow shortage amount over a term of 60 months), and • The homeowner must be unable to reinstate the mortgage loan or afford a repayment plan to cure the delinquency. However, the homeowner must: • be on a COVID-19 related forbearance plan, or • have experienced a financial hardship resulting from COVID-19 (for example, unemployment, reduction in regular work hours, or illness of a homeowner/co-homeowner or dependent family member) that has impacted their ability to make their full monthly contractual payment.	• The financial hardship must be resolved, • The homeowner must be able to continue making the full monthly contractual payment, and • The homeowner must be unable to reinstate the mortgage loan or afford a repayment plan to cure the delinquency. However, the financial hardship must be related to a disaster event that results in either: • the property securing the mortgage loan experienced an insured loss, • the property securing the mortgage loan is located in a FEMA-Declared Disaster Area eligible for Individual Assistance, or • the homeowner's place of employment is located in a FEMA-Declared Disaster Area eligible for Individual Assistance.
Delinquency	As of the date of evaluation: • the mortgage must be 30- or 60-days delinquent; and • such delinquency status must have remained unchanged for at least three consecutive months, including the month of the evaluation (three-month rolling delinquency).	• Deferral of at least two and up to and including six months of past-due P&I payments (including advanced escrow and allowable servicing advances paid to third parties). • 12 months cumulative cap of past-due P&I payments deferred over the life of the mortgage loan. • No rolling DLQ or Trial Period Plan (TPP) requirements. **Note**: Deferred P&I payments from a previous disaster payment deferral or a COVID-19 payment deferral do not count against the cumulative cap.	The mortgage loan must: • have been current or less than two months delinquent as of Mar. 1, 2020, the date of the National Emergency declaration related to COVID-19; and • be equal to or greater than one month delinquent but less than or equal to 18 months delinquent as of the date of evaluation.	The mortgage loan must: • have been current or less than two months delinquent at the time the disaster occurred; and • be equal to or greater than one month delinquent but less than or equal to 12 months delinquent as of the date of evaluation.

Payment Deferral: A Comparison of Key Terms

	Old Payment Deferral	New Payment Deferral	COVID Payment Deferral	Disaster Payment Deferral
Origination Time Requirement	The mortgage must have been originated at least 12 months prior to the evaluation date of the payment deferral.	The mortgage loan must have been originated at least 12 months prior to the evaluation date for a payment deferral.	Does not apply.	Does not apply.
Time to Maturity	Does not apply.	The mortgage loan must not be within 36 months of its maturity or projected payoff date.	Does not apply.	36-month limitation will also apply to disaster payment deferral.
Previous Modifications	The number of prior modifications does not impact a homeowner's eligibility for the payment deferral. The mortgage must not have been modified with a non-disaster related modification within the previous 12 months of being evaluated for eligibility for a payment deferral.	The number of prior mortgage loan modifications does not impact a borrower's eligibility for the payment deferral. The mortgage must not have been modified with a non-disaster/non-COVID related modification within the previous 12 months of being evaluated for eligibility for a payment deferral.	The number of prior modifications does not impact a homeowner's eligibility for a COVID-19 payment deferral.	The number of prior modifications does not impact a homeowner's eligibility for a disaster payment deferral; however, the mortgage loan must not have previously received a disaster payment deferral as a result of the same disaster event.
Previous TPPs	The homeowner must not have failed a non-disaster related Trial Period Plan within 12 months of being evaluated for eligibility for the payment deferral. **Note**: Converting from a Trial Period Plan to a forbearance plan is not considered to be a failed Trial Period Plan.	The borrower must not have failed a non-disaster/non-COVID related mortgage loan modification Trial Period Plan within 12 months of being evaluated for eligibility for a payment deferral.	Does not apply.	Does not apply.
Previous Payment Deferrals	The mortgage must not have received a prior payment deferral.	The mortgage loan may have previously received a payment deferral; however, the mortgage loan must not have received a prior payment deferral (non-COVID, non-disaster) with an effective date within 12 months of the evaluation date.	The mortgage loan may receive more than one COVID-19 payment deferral, however, no more than 18 months of cumulative past-due P&I payments may be deferred. **Note**: This does not include past-due P&I payments deferred with a non-COVID-19 payment deferral.	The mortgage loan must not have previously received a disaster payment deferral as a result of the same disaster event. **Note**: The mortgage loan may have previously received a non-disaster payment deferral.

Payment Deferral: A Comparison of Key Terms

	Old Payment Deferral	New Payment Deferral	COVID Payment Deferral	Disaster Payment Deferral
Borrower Response Package (BRP)	The servicer is authorized to evaluate the homeowner for a payment deferral without receiving a complete BRP. When the servicer offers a payment deferral without receiving a complete BRP, the servicer is not required to send an Evaluation Notice, or equivalent. If the homeowner submitted a complete BRP, then the servicer must evaluate the homeowner in accordance with *Servicing Guide, D2-2-05: Receiving a Borrower Response Package*. The servicer is authorized to use an Evaluation Notice but must make the appropriate changes as necessary, including to the applicable Frequently Asked Questions, to reflect the terms of the payment deferral.	The servicer is authorized to evaluate the homeowner for a payment deferral without receiving a complete BRP. When the servicer offers a payment deferral without receiving a complete BRP, the servicer is not required to send an Evaluation Notice, or equivalent. If the homeowner submitted a complete BRP, then the servicer must evaluate the homeowner in accordance with *Servicing Guide, D2-2-05: Receiving a Borrower Response Package*. The servicer is authorized to use an Evaluation Notice but must make the appropriate changes as necessary, including to the applicable Frequently Asked Questions, to reflect the terms of the payment deferral.	The servicer must not require a complete Borrower Response Package (BRP) to evaluate the homeowner for a COVID-19 payment deferral if the eligibility criteria are satisfied.	The servicer must not require a complete BRP to evaluate the homeowner for a disaster payment deferral if the eligibility criteria are satisfied. **Note**: A disaster-related forbearance plan is not required for purposes of determining homeowner eligibility for a disaster payment deferral.
Escrow	The servicer is not required to perform an escrow analysis or revoke any escrow deposit account waiver.	The servicer must • confirm that the borrower is current on the payments of all escrow-related items for non-escrowed accounts, or • analyze an existing escrow account to estimate the periodic escrow deposit required to ensure adequate funds are available to pay future charges, and • spread repayment of the escrow shortage amount in equal monthly payments over a term of 60 months, unless the borrower decides to pay the shortage amount up-front or over a shorter period, not less than 12 months.	The servicer must • confirm that the borrower is current on the payments of all escrow-related items for non-escrowed accounts, or • analyze an existing escrow account to estimate the periodic escrow deposit required to ensure adequate funds are available to pay future charges, and • spread repayment of the escrow shortage amount in equal monthly payments over a term of 60 months, unless the borrower decides to pay the shortage amount up-front or over a shorter period, not less than 12 months.	If the servicer chooses to perform an escrow analysis, any escrow account shortage that is identified at the time of the disaster payment deferral must not be included in the non-interest-bearing balance, and the servicer is not required to fund any existing escrow account shortage. In addition, the servicer is not required to revoke any escrow deposit account waiver. In the event the servicer identifies an escrow shortage as the result of an escrow analysis in connection with a disaster payment deferral or as part of the next annual analysis, then the servicer must spread repayment of the escrow shortage amount in equal monthly payments over a term of up to 60 months, unless the borrower decides to pay the shortage up-front.

Temporary Interest Rate Buydowns

Mortgage loans acquired by Fannie Mae may be subject to a temporary interest rate buydown, which is used to reduce a borrower's monthly payment through a temporary reduction in the interest rate. They can be classified as "Moderate" or "Significant".

- **Moderate (SFC 9) – A Moderate buydown is less than or equal to 2% and for less than or equal to 24 months**
- **Significant (SFC 14) - A Significant buydown is greater than 2% and/or for greater than 24 months**

Temporary Interest Rate Buydown Loans are underwritten without consideration of the bought-down rate, and the DTI reported in our disclosures reflects such rate.

CRT disclosures will include a one-time loan level file posted on Data Dynamics with a buydown indicator flag denoting SFC 9 / 14 or not applicable.

Example from CAS 2024-R02 G1 Offering Memorandum:

Category	Loan Count	Unpaid Principal Balance ($) (3)	Unpaid Principal Balance (%) (3)	W.A. Mortgage Rate (%)	W.A. Original Credit Score	W.A. Original LTV Ratio (%)	W.A. Debt-to-Income Ratio (%)	W.A. First Time Homebuyer Ratio (%)	Debt-to-Income Ratio > 45% (%)
Moderate - Less than or equal to 1% (1)	518	195,018,263	1.05	6.44	760	76.5	37.2	34.3	23.5
Moderate - Less than or equal to 2% (2)	884	392,498,745	2.11	6.44	762	76.5	38.9	37.2	28.6
Significant	126	57,718,378	0.31	6.33	761	75.7	38.0	37.9	27.4
Subtotal or Weighted Average	**1,528**	**645,235,386**	**3.47**	**6.43**	**761**	**76.4**	**38.3**	**36.4**	**27.0**
No Rate Buydown	54,157	17,962,890,790	96.53	6.42	760	75.5	37.1	31.8	21.7
Reference Pool Total or Weighted Average	**55,685**	**18,608,126,176**	**100.00**	**6.42**	**760**	**75.6**	**37.1**	**31.9**	**21.9**

(1) An interest rate buydown in which the interest rate is bought down by 1% or less and for a period of 12 months or less.
(2) An interest rate buydown in which the interest rate is bought down by greater than 1% and less than or equal to 2% and for a period of greater than 12 months and less than or equal to 24 months.
(3) Amounts may not add up to the totals shown due to rounding.

See Temporary Interest Rate Buydowns in the **Selling Guide** for additional details.

The Modern Valuation Spectrum

Value acceptance
Data, model, and technology driven

Value determination
Appraisal driven

Value acceptance (appraisal waiver)

Uses data and a modeling framework to confirm the validity of the value/sale price. For purchases and refinances; especially well-suited for low-risk refinances when the subject and market data is abundant.

Value acceptance + property data

NEW: Used when modeling framework confirms the validity of the value/sale price, but a prior observation of the property is lacking. Property data is collected by a trained and vetted third party (real estate agent, insurance inspector, appraiser, etc.) to provide a current observation of the property. Lender reviews data and warrants property eligibility.
Implemented April 15, 2023

Hybrid

Property data collected by a trained and vetted third party (real estate agent, insurance inspector, appraiser, etc.) is passed to an appraiser to perform an enhanced version of a desktop appraisal. For loans that do not qualify for value acceptance or do not have reliable prior observations of the subject property.

Desktop

Appraiser completes the appraisal without physically inspecting the property, using data from various sources (agents, homeowners, MLS, tax records, etc.). Best suited for purchase transactions.

Traditional

Appraiser collects the property data and completes the market analysis required for the appraisal. For complex property types or situations where data is sparse.

Automatic value certainty with rep and warrant relief

Value certainty with rep and warrant relief from a CU® score of 2.5 or lower

Visit **https://singlefamily.fanniemae.com/valuation-modernization** for more information

Value Acceptance (Appraisal Waiver)

As part of Fannie Mae's commitment to **simplify** the complexity of mortgage origination by creating **efficiencies** and delivering **innovations** that improve the loan manufacturing process, we updated our value acceptance (appraisal waiver) offering, formerly known as Property Inspection Waiver, by integrating Desktop Underwriter (DU) and Collateral Underwriter (CU).

By using Fannie Mae's industry-leading analytics, which includes both CU and AVM (automated valuation model), we can offer value acceptance for certain lower-risk eligible loans.

Step One	Step Two	Step Three	Step Four
DU File Submission	DU Eligibility Exclusion Checks	CU Eligibility Exclusion Checks	Value Acceptance (Appraisal Waiver) Offered

- Subject property generally has a prior appraisal that was analyzed by CU or UAD elements, which are evaluated in conjunction with the AVM.

CU	UAD Elements
CU will evaluate the prior appraisal for overvaluation or property eligibility issues. If any of these issues exist, value acceptance (appraisal waiver) will not be granted.	Fannie Mae will use property data sourced from UAD if any eligibility issues. If any of these issues exist, value acceptance (appraisal waiver) will not be granted.
CU will use the prior appraised value along with Fannie Mae's Home Price Index to assess the reasonableness of the estimated property value provided by the lender in DU.	Fannie Mae will use internally sourced AVM to assess the reasonableness of the estimated property value provided by the lender in DU.
If estimated property value is reasonably supported, the loan may be eligible for value acceptance (appraisal waiver), subject to additional eligibility requirements.	If estimated property value is reasonably supported, the loan may be eligible for value acceptance (appraisal waiver), subject to additional eligibility requirements.

- We currently anticipate that the majority of transactions will continue to require an appraisal.
- Fannie Mae has offered value acceptance (appraisal waivers) for many years, and we have observed no material differences in performance for loans with the waiver versus comparable risk loans that obtained an appraisal.
- In September 2020, Fannie Mae enhanced its CRT disclosures from " Property Inspection Waiver" to a new attribute, "Property Valuation Method," which indicates the method by which the value of the subject mortgaged property was obtained, including appraisal waivers

CAS/CIRT deal files include a loan-level waiver identifier

Value Acceptance (Appraisal Waiver) Eligibility

Transactions considered for a value acceptance offer:*

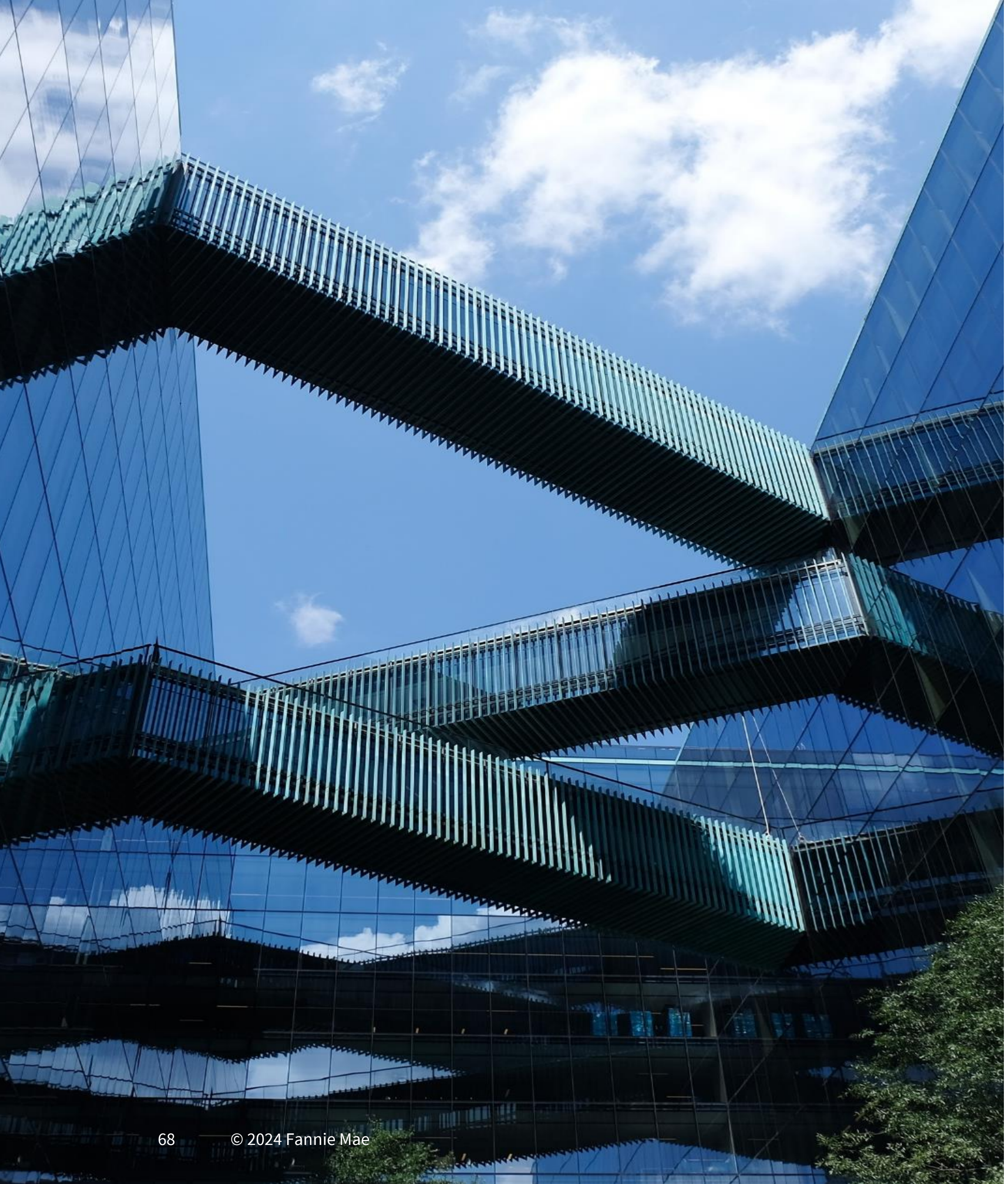
- Loan casefiles that receive an Approve/Eligible recommendation
- One-unit properties, including condominiums
- **Limited cash-out refinance transactions:** principal residences and second homes up to 90% LTV/CLTV. Investment properties up to 75% LTV/CLTV
- **Cash-out refinance transactions:** principal residences up to 70% LTV/CLTV. Second homes and investment properties up to 60% LTV/CLTV
- **Purchase transactions:** principal residences and second homes up to 80% LTV/CLTV
- Properties in high-needs rural locations, as identified by FHFA

*The majority of transactions will not receive a value acceptance offer; they will require use of one of the value determination methods involving a qualified residential appraiser as described earlier.

The following are *not eligible* for a value acceptance offer:

- Texas 50(a)6 loans
- When the lender has any reason to believe an appraisal is warranted
- Construction and construction-to-permanent loans
- Two-to four-unit properties, cooperative units, and manufactured homes
- Loan casefiles in which the value of the subject property provided to DU is $1,000,000 or greater
- HomeStyle® mortgage products (Renovation and Energy)
- Leasehold properties
- Community land trust homes or other properties with resale restrictions
- DU loan casefiles that receive an ineligible recommendation
- Loans for which the mortgage insurance provider requires an appraisal
- Loans for which rental income from the subject property is used to qualify

Visit **singlefamily.fanniemae.com/originating-underwriting/appraisal-waivers** for more information



Contact Us

Information is available for investors and potential investors about Fannie Mae's products, the company's financial performance, and disciplined management of credit risk and interest rate risk.

www.fanniemae.com/AskCM

www.fanniemae.com/CMSignUp

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Fannie Mae is headquartered in Washington DC and operates regional offices throughout the country.

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