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Program Overview
Who We Are

We create opportunities for people 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 estimate that approximately 1 in 3 single-family homes in the U.S. were financed by Fannie Mae in 2020.

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.

Lender
Originates loans

Fannie Mae
Creates guaranteed MBS & non-guaranteed credit risk securities

Securitizes loans
Guarantees principal & interest on MBS in exchange for guaranty fee

Interest Rate Investor
Purchases MBS & assumes interest rate risk

Credit Investor
Purchases credit risk securities & assumes portion of credit risk

Credit Risk Securities

Proceeds from sale of MBS flow back to lender to fund new loans

Delivers loans
Services loans
Pays guaranty fee
The U.S. mortgage market is dominated by the 30-year Fixed-Rate Mortgage (FRM).

- Fannie Mae provided approximately $774 billion in single family mortgage liquidity across the country in the first half of 2021.
- As of March 2021, U.S. Single Family 1st Lien mortgage debt outstanding totaled $11.4 trillion. Fannie Mae’s share stood at approximately $3.3 trillion, making up 29% of the market. *
- 1 in 3 single-family homes is financed by Fannie Mae.

Fannie Mae was the largest issuer of single-family mortgage securities in the second quarter of 2021. **

*Source: Federal Reserve’s Flow of Funds
** Mortgage-Related Securities Issuances Market Share
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 $72 billion in single-family credit risk to private market participants since 2013, transferring a portion of the credit risk on close to $2.4 Trillion of UPB at Issuance*

Fannie Mae’s suite of risk sharing programs

- **Connecticut Avenue Securities™ (CAS)**
  - The benchmark for U.S. mortgage credit
  - $49.2 billion issued since program inception*
  - Covering $1.6 Trillion in UPB at issuance*

- **Credit Insurance Risk Transfer™ (CIRT™)**
  - Attracts diversified insurers/reinsurers
  - $14.7 billion of coverage committed since program inception*
  - Covering over $542 billion in UPB at issuance*

- **Lender risk sharing Vehicles**
  - Customized lender risk sharing transactions
  - $8.6 billion issued since program inception*
  - Covering over $249 billion in UPB at issuance*

* Issuance amount (not outstanding UPB) through December 1, 2021.

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CIRT Program Benefits and Volumes

- 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®

Fannie Mae expects to be active issuer of CRT in 2022.
Our Goal: Reducing Credit Losses Through a Fully Digital and Secured Mortgage Process

Improve quality and drive efficiency by using data and eliminating manual processes throughout the entire lifecycle.

- EarlyCheck™
- Single Source Validation (pilot)
- Desktop Underwriter®, Desktop Originator®, & Desktop Underwriter Validation Service
- Application Program Interfaces
- Collateral Underwriter®

- Pricing & Execution – Whole Loan®/MBS®
- Servicing Execution Tool™
- Servicing Marketplace®
- Loan Delivery

- Fannie Mae Connect™
- Loan Quality Connect™

- Servicing Management Default Underwriter™
- Default Management Reporting System

PAST
- Lots of paper
- Complex and manual
- Time consuming and costly

FUTURE
- Reduced paper by connecting to source data
- Easier and more efficient
- Streamlined and automated
## Our Credit Risk Management Approach

<table>
<thead>
<tr>
<th>Lender quality</th>
<th>Loan quality</th>
<th>Servicing quality</th>
<th>Property management</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Lenders undergo a rigorous approval process prior to doing business with Fannie Mae and must meet ongoing net worth and business operational requirements.</td>
<td>- Loans must be underwritten in accordance with Fannie Mae guidelines.</td>
<td>- Fannie Mae sets loan servicing standards, acts as Master Servicer, and provides oversight of loan servicers.</td>
<td>- We manage all property management and disposition in house, managing one of the industry’s largest real-estate owned portfolios – disposing of over 1.8 million homes since 2009.</td>
</tr>
<tr>
<td>- Lenders are subject to ongoing oversight through comprehensive operational reviews to assess the effectiveness of their quality control procedures.</td>
<td>- 90%(^{(1)}) of loans that we acquire are evaluated through Desktop Underwriter(^{®}) (DU(^{®})), the industry’s most widely used automated underwriting system.</td>
<td>- We set standards for loss mitigation and borrower workout options. Our proprietary servicing tool, Servicing Management Default Underwriter(^{TM}) (SMDU(^{TM})), automates our servicing policies.</td>
<td>- 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.</td>
</tr>
<tr>
<td>- 100% of Fannie Mae’s single family and condominium appraisals are assessed through Collateral Underwriter(^{®}) (CU(^{®})), our proprietary appraisal risk assessment tool.</td>
<td>- 90%(^{(1)}) of loans that we acquire are evaluated through Desktop Underwriter(^{®}) (DU(^{®})), the industry’s most widely used automated underwriting system.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^{(1)}\) Approximate
Credit Risk Management Highlights

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

**Desktop Underwriter**

- **1,900**(1) Lenders/Agents
- **+90%** Loan deliveries in 2020 through DU®(1)
- In Q2 2021, $369.59 BN in UPB delivered to Fannie Mae had one or more **Day 1 Certainty®** components
- Approximately 1,200 lenders actively deliver loans to Fannie Mae through DU on an annual basis. Approximately 700 additional lenders are approved for DU access.

**Collateral Underwriter**

- **53 Million+** Appraisals collected to date
- **8.6 Million+** Appraisals viewed by lenders since launch
- **100%** of single-family and condominium appraisals go through CU as part of our QC process

**Servicing Management Default Underwriter™**

- **~95% of** Delinquencies covered through SMDU
- Over **1,000 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
- **100% of REO sales** managed in-house: resulting in lower costs, higher sales prices, and reduced severities

(1) Approximately 1,200 lenders actively deliver loans to Fannie Mae through DU on an annual basis. Approximately 700 additional lenders are approved for DU access.
Reinsurance Opportunity
CIRT Reference Pool Selection Process
Example: 30 year, >60-80 LTV

Selection of Acquisitions

Fully amortizing, generally 25-year and 30-year fixed-rate\(^{(1)}\), 1-4 unit, first lien, conventional

Not Refi Plus\(^{TM}\) / Not HARP\(^{(2)}\)

60% < Loan-to-Value < 80%

0 x 30 payment history since acquisition

Based upon recent acquisition period (random division)

Current UPB covered in Credit Insurance Risk Transfer Transaction

Other exclusions may apply

---

\(^{(1)}\) 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\(^{TM}\) initiative, which provides expanded refinance opportunities for eligible Fannie Mae borrowers.
Reinsurance Deal Structure

Fannie Mae has Co-Beneficial Interest in Trust

Lender 1
Lender 2
Lender 3
Lender 4
Lender X

Fannie Mae
Loans owned or guaranteed

Aggregate XOL Insurance Policy

Premium Paid
Loss Recoveries

Protected Cell

Premium Ceded
Reinsurer A
Reinsurer B
Reinsurer C
Reinsurer X

Interests & Liabilities Agreement
Quota Share Reinsurance Contract
Trust Agreement

“Cut Through” Endorsement to Quota Share (“QS”) Reinsurance Agreement

Loans delivered to FNMA under Mortgage Selling and Servicing Contract
Insurance Policy Structural Overview

**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
# Comparison of Typical CIRT Bulk Deals and Front-End Deals

<table>
<thead>
<tr>
<th></th>
<th>Bulk Deal</th>
<th>Front-End Deal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loan Acquisitions Period</strong></td>
<td>2-9 months prior to inclusion in pool</td>
<td>Future acquisition months (can also include loans acquired within the last 12 months)</td>
</tr>
<tr>
<td><strong>Fill-up Period</strong></td>
<td>N/A</td>
<td>12-15 months</td>
</tr>
<tr>
<td><strong>Covered Loans</strong></td>
<td>15-30 YR FRM</td>
<td>30 YR FRM</td>
</tr>
<tr>
<td><strong>Limit of Liability Determination</strong></td>
<td>At the time of policy execution</td>
<td>Limit % determined at the time of policy execution; limit $ determined at the end of the fill-up period</td>
</tr>
<tr>
<td><strong>Limit of Liability Step Down</strong></td>
<td>May begin 12 months following effective date and monthly thereafter</td>
<td>May begin 18 months following effective date and monthly thereafter</td>
</tr>
<tr>
<td><strong>Monthly Premium</strong></td>
<td>Based on competitive bids; locked in at time of execution</td>
<td>Based on competitive bids for a sample pool of loans, with pricing true-up at end of fill-up period</td>
</tr>
<tr>
<td><strong>Loan Profile Restrictions</strong></td>
<td>Follows standard eligibility; covered loans are disclosed prior to pricing</td>
<td>Follows standard eligibility; pricing based upon an indicative reference pool; may include restrictions on final risk attributes of the pool</td>
</tr>
<tr>
<td><strong>Reinsurer Collateral</strong></td>
<td>Collateral amount due at time of execution</td>
<td>Collateral posted as covered loan pool is delivered</td>
</tr>
</tbody>
</table>
Historical Comparative Analysis
### Acquisition Profile

#### > 60-97 LTV Historical FRM30 Loan Acquisition Profile

<table>
<thead>
<tr>
<th>Orig Year</th>
<th>Original UPB</th>
<th>WA Note Rate</th>
<th>WA FICO</th>
<th>WA DTI</th>
<th>WA OLTv</th>
<th>WA OCLTV</th>
<th>% Purchase</th>
<th>% CA</th>
<th>WA Risk Layers¹</th>
<th>% Investor</th>
<th>% FICO &lt; 680</th>
<th>% Cash-out</th>
<th>% DTI 46-50²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-2004</td>
<td>$1,289.3B</td>
<td>6.50%</td>
<td>712</td>
<td>34.8</td>
<td>79.0</td>
<td>79.6</td>
<td>42%</td>
<td>17%</td>
<td>0.81</td>
<td>4.2%</td>
<td>28.1%</td>
<td>25.8%</td>
<td>22.7%</td>
</tr>
<tr>
<td>2005-2008</td>
<td>$694.7B</td>
<td>6.17%</td>
<td>723</td>
<td>39.2</td>
<td>78.4</td>
<td>80.2</td>
<td>48%</td>
<td>12%</td>
<td>0.94</td>
<td>5.9%</td>
<td>23.4%</td>
<td>32.3%</td>
<td>32.8%</td>
</tr>
<tr>
<td>2009-2013</td>
<td>$1,321.2B</td>
<td>4.41%</td>
<td>760</td>
<td>33.3</td>
<td>78.1</td>
<td>79.0</td>
<td>45%</td>
<td>24%</td>
<td>0.33</td>
<td>6.0%</td>
<td>3.7%</td>
<td>16.2%</td>
<td>7.6%</td>
</tr>
<tr>
<td>2014-2017</td>
<td>$1,191.1B</td>
<td>4.18%</td>
<td>746</td>
<td>34.9</td>
<td>81.8</td>
<td>82.3</td>
<td>65%</td>
<td>20%</td>
<td>0.36</td>
<td>6.4%</td>
<td>9.2%</td>
<td>15.0%</td>
<td>5.7%</td>
</tr>
<tr>
<td>2018-2020</td>
<td>$1,569.3B</td>
<td>3.82%</td>
<td>751</td>
<td>35.8</td>
<td>81.4</td>
<td>81.7</td>
<td>54%</td>
<td>18%</td>
<td>0.42</td>
<td>4.6%</td>
<td>6.1%</td>
<td>14.8%</td>
<td>16.1%</td>
</tr>
<tr>
<td>2021H1</td>
<td>$363.1B</td>
<td>3.01%</td>
<td>753</td>
<td>34.9</td>
<td>79.9</td>
<td>80.1</td>
<td>47%</td>
<td>19%</td>
<td>0.40</td>
<td>4.0%</td>
<td>5.8%</td>
<td>17.3%</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

Source: Fannie Mae October 2021 data release

### CAS/CIRT Eligible Loan Acquisition Profile

<table>
<thead>
<tr>
<th>Orig Quarter</th>
<th>Original UPB</th>
<th>WA Note Rate</th>
<th>WA FICO</th>
<th>WA DTI</th>
<th>WA OLTv</th>
<th>WA OCLTV</th>
<th>% Purchase</th>
<th>% CA</th>
<th>WA Risk Layers¹</th>
<th>% Investor</th>
<th>% FICO &lt; 680</th>
<th>% Cash-out</th>
<th>% DTI 46-50²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q2019</td>
<td>$54.5B</td>
<td>4.81%</td>
<td>742</td>
<td>37.8</td>
<td>83.6</td>
<td>83.8</td>
<td>72%</td>
<td>17%</td>
<td>0.51</td>
<td>5.5%</td>
<td>9.1%</td>
<td>15.3%</td>
<td>21.5%</td>
</tr>
<tr>
<td>2Q2019</td>
<td>$97.9B</td>
<td>4.43%</td>
<td>747</td>
<td>36.9</td>
<td>83.8</td>
<td>84.0</td>
<td>71%</td>
<td>16%</td>
<td>0.43</td>
<td>4.4%</td>
<td>7.3%</td>
<td>12.4%</td>
<td>18.6%</td>
</tr>
<tr>
<td>3Q2019</td>
<td>$127.0B</td>
<td>4.02%</td>
<td>751</td>
<td>36.0</td>
<td>82.3</td>
<td>82.6</td>
<td>56%</td>
<td>18%</td>
<td>0.39</td>
<td>3.6%</td>
<td>5.6%</td>
<td>13.6%</td>
<td>16.2%</td>
</tr>
<tr>
<td>4Q2019</td>
<td>$106.0B</td>
<td>3.94%</td>
<td>751</td>
<td>36.0</td>
<td>81.1</td>
<td>81.4</td>
<td>49%</td>
<td>20%</td>
<td>0.42</td>
<td>4.1%</td>
<td>5.0%</td>
<td>17.3%</td>
<td>15.8%</td>
</tr>
<tr>
<td>1Q2020</td>
<td>$129.0B</td>
<td>3.76%</td>
<td>753</td>
<td>35.5</td>
<td>80.9</td>
<td>81.1</td>
<td>44%</td>
<td>20%</td>
<td>0.41</td>
<td>4.4%</td>
<td>4.6%</td>
<td>17.2%</td>
<td>14.4%</td>
</tr>
<tr>
<td>2Q2020</td>
<td>$209.0B</td>
<td>3.40%</td>
<td>756</td>
<td>34.3</td>
<td>80.4</td>
<td>80.7</td>
<td>38%</td>
<td>18%</td>
<td>0.34</td>
<td>3.2%</td>
<td>3.8%</td>
<td>14.8%</td>
<td>11.8%</td>
</tr>
<tr>
<td>3Q2020</td>
<td>$228.7B</td>
<td>3.10%</td>
<td>757</td>
<td>34.4</td>
<td>80.5</td>
<td>80.7</td>
<td>48%</td>
<td>19%</td>
<td>0.32</td>
<td>3.9%</td>
<td>4.2%</td>
<td>12.5%</td>
<td>11.7%</td>
</tr>
<tr>
<td>4Q2020</td>
<td>$321.1B</td>
<td>3.00%</td>
<td>755</td>
<td>34.5</td>
<td>79.8</td>
<td>80.1</td>
<td>44%</td>
<td>19%</td>
<td>0.37</td>
<td>4.9%</td>
<td>4.7%</td>
<td>15.3%</td>
<td>12.1%</td>
</tr>
<tr>
<td>1Q2021</td>
<td>$204.0B</td>
<td>2.90%</td>
<td>755</td>
<td>34.5</td>
<td>79.2</td>
<td>79.4</td>
<td>40%</td>
<td>19%</td>
<td>0.39</td>
<td>4.9%</td>
<td>5.1%</td>
<td>16.8%</td>
<td>12.3%</td>
</tr>
<tr>
<td>2Q2021</td>
<td>$195.0B</td>
<td>3.20%</td>
<td>749</td>
<td>35.5</td>
<td>81.1</td>
<td>81.3</td>
<td>58%</td>
<td>18%</td>
<td>0.42</td>
<td>2.7%</td>
<td>7.0%</td>
<td>17.7%</td>
<td>14.9%</td>
</tr>
<tr>
<td>3Q2021</td>
<td>$164.1B</td>
<td>3.10%</td>
<td>746</td>
<td>36.0</td>
<td>80.6</td>
<td>80.8</td>
<td>56%</td>
<td>17%</td>
<td>0.49</td>
<td>2.2%</td>
<td>8.4%</td>
<td>21.2%</td>
<td>16.9%</td>
</tr>
</tbody>
</table>

Source: Fannie Mae internal data through October 2021

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
## Acquisition Profile

### 60.01-80.00 LTV CAS Eligible Loan Acquisition Profile

<table>
<thead>
<tr>
<th>Orig Date</th>
<th>Aug-20</th>
<th>Sep-20</th>
<th>Oct-20</th>
<th>Nov-20</th>
<th>Dec-20</th>
<th>Jan-21</th>
<th>Feb-21</th>
<th>Mar-21</th>
<th>Apr-21</th>
<th>May-21</th>
<th>Jun-21</th>
<th>Jul-21</th>
<th>Aug-21</th>
<th>Sep-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original UPB ($M)</td>
<td>$45,969</td>
<td>$41,556</td>
<td>$49,292</td>
<td>$55,532</td>
<td>$44,398</td>
<td>$46,280</td>
<td>$46,184</td>
<td>$54,085</td>
<td>$49,165</td>
<td>$44,002</td>
<td>$39,208</td>
<td>$31,327</td>
<td>$39,849</td>
<td>$36,397</td>
</tr>
<tr>
<td>WA Note Rate</td>
<td>3.2%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>2.9%</td>
<td>2.9%</td>
<td>3.0%</td>
<td>3.2%</td>
<td>3.2%</td>
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<td>33.9%</td>
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<tr>
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<tr>
<td>% FICO &lt; 680</td>
<td>3.8%</td>
<td>3.6%</td>
<td>3.8%</td>
<td>4.1%</td>
<td>4.5%</td>
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<tr>
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<tr>
<td>%DTI 46-50</td>
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<td>11.2%</td>
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### 80.01-97.00 LTV CAS Eligible Loan Acquisition Profile

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<th>Aug-20</th>
<th>Sep-20</th>
<th>Oct-20</th>
<th>Nov-20</th>
<th>Dec-20</th>
<th>Jan-21</th>
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<th>May-21</th>
<th>Jun-21</th>
<th>Jul-21</th>
<th>Aug-21</th>
<th>Sep-21</th>
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<tr>
<td>Original UPB ($M)</td>
<td>$27,028</td>
<td>$23,244</td>
<td>$25,825</td>
<td>$26,775</td>
<td>$24,129</td>
<td>$24,129</td>
<td>$22,536</td>
<td>$18,365</td>
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<td>2.9%</td>
<td>3.0%</td>
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<td>3.2%</td>
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<tr>
<td>WA FICO</td>
<td>750</td>
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<td>35.9%</td>
<td>35.9%</td>
<td>36.1%</td>
<td>36.1%</td>
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<td>36.3%</td>
<td>36.3%</td>
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<td>36.8%</td>
<td>37.2%</td>
</tr>
<tr>
<td>WA OLTV</td>
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<td>91.8%</td>
<td>91.6%</td>
<td>91.4%</td>
<td>91.7%</td>
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<td>92.5%</td>
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</tr>
<tr>
<td>WA CLTV</td>
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<td>91.6%</td>
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<td>91.7%</td>
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</tr>
<tr>
<td>% Purchase</td>
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<tr>
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<td>0.2%</td>
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<td>0.2%</td>
<td>0.2%</td>
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<td>0.1%</td>
<td>0.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td>% FICO &lt; 680</td>
<td>4.3%</td>
<td>4.4%</td>
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<td>5.2%</td>
<td>5.9%</td>
<td>6.7%</td>
<td>7.3%</td>
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<tr>
<td>% Cashout</td>
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<td>0.0%</td>
<td>0.0%</td>
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<td>15.1%</td>
<td>16.9%</td>
<td>18.9%</td>
<td>19.9%</td>
</tr>
</tbody>
</table>


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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
DU Model Updates

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.

March 2018: DU 10.2
- Revised DU’s risk assessment to limit risk layering. Fewer DU Approve recommendations 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.

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
- Revised DU’s risk and eligibility assessments to result in modest reduction of loan casefiles with high-risk factors receiving an Approve/Eligible recommendation.

September 2021: DU 11.0
- Positive rent payment history added to DU risk assessment.
- 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.
Historical Loss Performance

Comped Loss of CIRT 2020-1 (>60-80 LTV) Across Vintage Years

- Bars reflect historical cumulative loss performance re-weighted to the CIRT 2020-1 profile across FICO/CLTV/Risk Layer distribution.
- Pipeline loss rate is equal to 25% of the pipeline loss re-weighted across the FICO/CLTV/Risk Layer distribution. Pipeline loss is defined as the sum of defaulted UPB on foreclosed loans that have not been disposed and the last UPB for loans that were in D180+ delinquency as of the last activity period.
- Terminal DLQ Loss Rate is the historical cumulative loss performance for loans in the origination vintage that were reported as delinquent in the 150th month since origination (note: loss performance excludes loans that cured after month 150, but still resulted in a credit event).

Historical Loss Performance

>60-80 LTV Total Loss Re-Weighted to 2006 Performance
Dots reflect historical total loss performance re-weighted to all CIRT profiles across FICO/CLTV/Risk Layer distribution

Note: Total Loss Rate is the aggregate loss rate or the loss rate estimated over the term of the CIRT deal.
Source: Fannie Mae Data Dynamics. www.fanniemae.com/DataDynamics
Borrower Outcomes from Forbearance

Majority of CIRT loans that entered forbearance have either prepaid or cured on their own or via payment deferral.

Outcomes for Never FRB DQ by FRB Entry Month

Outcomes for Ever FRB DQ by FRB Entry Month

Note: Never FRB DQ refers to loans that were never reported delinquent while being reported as being in forbearance. Ever FRB DQ refers to loans that were reported as being delinquent while being reported as being in forbearance.
Investor Resources
COVID-19 Investor Resources

Fannie Mae remains committed to helping market participants easily access the investor resources and communications related COVID-19.

Investor Resources
Webpage focused on COVID-19 Investor resources including FAQs, announcements, and Lender Letters.
Visit the site

Commentary and News
Searchable repository of all news and announcements impacting CRT investors.
Read more

Presentations
View updates on enhanced analytical capabilities as well as insights into forbearance, delinquency and resolution patterns.
Access the presentation

Data Dynamics Enhancements
New dashboards to view performance of loans in temporary payment forbearance or modification and analyze historical outcomes for those loans.
View user guide

Sign up to receive the latest news and insights via email
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
- Multifamily Loan Performance Data has been added in August 2019

Learn more at www.fanniemae.com/loanperformance
Fannie Mae makes over 100 loan-level disclosure fields available to support CIRT analysis. Fields include key loan risk factors, loan term characteristics, collateral characteristics, servicing data, and disposition data, such as (not limited to):

<table>
<thead>
<tr>
<th>Loan and Borrower Characteristics</th>
<th>Collateral Characteristics</th>
<th>Servicing Data</th>
<th>Loan Term Characteristics</th>
<th>Disposition Data</th>
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<tbody>
<tr>
<td>Property Type</td>
<td>Number of Units</td>
<td>Servicer Name</td>
<td>Original and Current Interest Rate</td>
<td>Last Paid Installment Date</td>
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<tr>
<td>HomeReady Program Indicator, and First Time Home Buyer Indicator</td>
<td>Original Debt to Income Ratio</td>
<td>Loan Payment History</td>
<td>Original Loan Term</td>
<td>Foreclosure Date</td>
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<td>High Loan-to-Value Refinance Indicator</td>
<td>Home Loan to Value Ratio (LTV) and Combined LTV Ratio (CLTV)</td>
<td>Modification Flag</td>
<td>Original Loan Term</td>
<td>Detailed Proceed Fields</td>
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<td>Borrower FICO and Co-Borrower FICO scores</td>
<td>Metropolitan Statistical Area</td>
<td>Reason and Date as to why a loan balance went to zero</td>
<td>Origination Date</td>
<td>Detailed Expense Fields</td>
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<td>(at origination, deal issuance, and ongoing)</td>
<td>Property Inspection Waiver Flag(1)</td>
<td>Current Loan Delinquency Status</td>
<td>Maturity Date</td>
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<td>(1) Available beginning with CIRT 2017-7 and forward</td>
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</table>
Fannie Mae’s free platform that 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.

Enhanced resources 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 CIRT 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 CIRT.

Access today at https://datadynamics.fanniemae.com
# Summary of Key Recent CIRT Deal Terms

<table>
<thead>
<tr>
<th>Deal</th>
<th>Total Initial Principal Balance</th>
<th>Aggregate Retention</th>
<th>Limit of Liability</th>
<th>Retention %</th>
<th>Limit %</th>
<th>Annual Premium (bps)</th>
<th>Effective Date</th>
<th>Term (years)</th>
<th>Time-based Cancellation Option (beginning month)</th>
<th>Product</th>
<th>LTV</th>
<th>Acq. Period</th>
<th>Initial Step Down (months)</th>
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<td>60</td>
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<td>&gt;60-80</td>
<td>1/2017-2/2017</td>
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<td>$7,982,335,990</td>
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<td>3.25%</td>
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<td>66</td>
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<td>4/1/2018</td>
<td>10</td>
<td>66</td>
<td>21-30 year FRM</td>
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<td>6/1/2018</td>
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<td>6/1/2018</td>
<td>10</td>
<td>66</td>
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<td>&gt;80-97</td>
<td>10/2017-3/2018</td>
<td>12</td>
</tr>
<tr>
<td>2019-1</td>
<td>$11,764,400,689</td>
<td>$70,586,404</td>
<td>$382,343,022</td>
<td>0.60%</td>
<td>3.25%</td>
<td>14.52</td>
<td>2/1/2019</td>
<td>10</td>
<td>60</td>
<td>21-30 year FRM</td>
<td>&gt;80-97</td>
<td>7/2018-11/2018</td>
<td>12</td>
</tr>
<tr>
<td>2019 FE -1*</td>
<td>$7,999,597,192</td>
<td>$39,997,986</td>
<td>$259,986,909</td>
<td>0.50%</td>
<td>3.00%</td>
<td>12.00</td>
<td>5/1/2019</td>
<td>10</td>
<td>60</td>
<td>21-30 year FRM</td>
<td>&gt;80-97</td>
<td>5/2019-4/2020</td>
<td>18</td>
</tr>
<tr>
<td>2019-3</td>
<td>$14,758,880,982</td>
<td>$59,035,524</td>
<td>$479,663,632</td>
<td>0.40%</td>
<td>3.25%</td>
<td>16.68</td>
<td>8/1/2019</td>
<td>12.5</td>
<td>60</td>
<td>21-30 year FRM</td>
<td>&gt;80-97</td>
<td>12/2018-6/2019</td>
<td>12</td>
</tr>
<tr>
<td>2019-5</td>
<td>$18,541,320,511</td>
<td>$72,111,981</td>
<td>$341,037,167</td>
<td>0.40%</td>
<td>3.00%</td>
<td>8.88</td>
<td>10/1/2019</td>
<td>9</td>
<td>48</td>
<td>15-20 year FRM</td>
<td>&gt;70-97</td>
<td>6/2018-6/2019</td>
<td>12</td>
</tr>
<tr>
<td>2020-1</td>
<td>$18,454,052,550</td>
<td>$64,589,184</td>
<td>$553,621,577</td>
<td>0.35%</td>
<td>3.00%</td>
<td>13.56</td>
<td>11/1/2020</td>
<td>12.5</td>
<td>60</td>
<td>21-30 year FRM</td>
<td>&gt;60-80</td>
<td>7/2019-10/2019</td>
<td>12</td>
</tr>
<tr>
<td>2020-2</td>
<td>$22,125,127,867</td>
<td>$83,820,511</td>
<td>$427,179,475</td>
<td>0.35%</td>
<td>3.00%</td>
<td>15.72</td>
<td>11/1/2020</td>
<td>12.5</td>
<td>60</td>
<td>21-30 year FRM</td>
<td>&gt;80-97</td>
<td>7/2019-10/2019</td>
<td>12</td>
</tr>
<tr>
<td>FE 2020-1*</td>
<td>$23,147,366,615</td>
<td>$81,015,783</td>
<td>$729,142,048</td>
<td>0.35%</td>
<td>3.15%</td>
<td>13.08</td>
<td>2/1/2021</td>
<td>13</td>
<td>66</td>
<td>21-30 year FRM</td>
<td>&gt;80-97</td>
<td>11/2019-12/2021</td>
<td>18</td>
</tr>
<tr>
<td>FE 2020-2*</td>
<td>$16,440,233,581</td>
<td>$66,068,526</td>
<td>$598,421,876</td>
<td>0.40%</td>
<td>3.15%</td>
<td>7.80</td>
<td>9/1/2021</td>
<td>12.5</td>
<td>60</td>
<td>21-30 year FRM</td>
<td>&gt;80-97</td>
<td>11/2019-12/2021</td>
<td>18</td>
</tr>
<tr>
<td>2021-1</td>
<td>$31,695,932,579</td>
<td>$199,289,115</td>
<td>$1,180,404,765</td>
<td>0.65%</td>
<td>3.85%</td>
<td>8.04</td>
<td>10/1/2021</td>
<td>12.5</td>
<td>60</td>
<td>21-30 year FRM</td>
<td>&gt;80-97</td>
<td>4/2021-6/2021</td>
<td>12</td>
</tr>
</tbody>
</table>

*Total Initial Principal Balance, Aggregate Retention, Limit of Liability and Annual Premium reflect completion of fill up period.

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/media/document/xlsx/cirt-deal-pricing-information.xlsx](https://capitalmarkets.fanniemae.com/media/document/xlsx/cirt-deal-pricing-information.xlsx)

Definitive deal terms are included in the published deal documents for each CIRT transaction.
## Insurance Policy Key Terms – Sample

### (CIRT 2021-1)

<table>
<thead>
<tr>
<th><strong>Insurance Structure:</strong></th>
<th>Aggregate excess of loss credit insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Covered Loans:</strong></td>
<td>Portfolio of 21 to 30-year fixed-rate residential mortgage loans acquired between January 1, 2021 and March 31, 2021</td>
</tr>
<tr>
<td><strong>Initial Principal Balance:</strong></td>
<td>$31.7 Billion</td>
</tr>
<tr>
<td><strong>Limit of Liability:</strong></td>
<td>3.15% of the total Initial Principal Balance ($998.4M)</td>
</tr>
<tr>
<td><strong>Retention / First Loss Risk:</strong></td>
<td>0.60% of the total Initial Principal Balance ($190.2M)</td>
</tr>
<tr>
<td><strong>Monthly Premium Rate:</strong></td>
<td>0.0065% of remaining UPB</td>
</tr>
<tr>
<td><strong>Step-Down of Limit Liability:</strong></td>
<td>At 12 month following effective date, and each month thereafter, limit of liability shall be reduced to the lesser of:</td>
</tr>
<tr>
<td></td>
<td>a) the Remaining Limit of Liability at such date, or</td>
</tr>
<tr>
<td></td>
<td>b) the greater of:</td>
</tr>
<tr>
<td></td>
<td>i. At initial step down, total current UPB x 115% of limit of liability %; thereafter, total current UPB x limit of liability %, or</td>
</tr>
<tr>
<td></td>
<td>ii. 650% of (SDQ+REO) UPB at year 1 or</td>
</tr>
<tr>
<td></td>
<td>iii. 425% of (SDQ+REO) UPB at year 2, or</td>
</tr>
<tr>
<td></td>
<td>iv. 300% of (SDQ+REO) UPB at years 3 and 4, or</td>
</tr>
<tr>
<td></td>
<td>v. 200% of (SDQ+REO) UPB at year 5 – Term</td>
</tr>
<tr>
<td><strong>Cancellation:</strong></td>
<td>12.5-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.</td>
</tr>
</tbody>
</table>
Example of Loan Level Overview of Covered Loss

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)

- Delinquent Accrued Interest\(^{(2)}\)
- Maintenance & Preservation\(^{(2),(3)}\)
- Legal Costs\(^{(2),(3)}\)
- Real Estate Taxes/Fees\(^{(2),(3)}\)

$95k Equity

- $108k Sale Proceeds + MI Recovery

$15k Interest and expenses

- $75k Sale Proceeds

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

- $2k Net Loss

\(^{(1)}\) 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
How MI Works: Typical Loan

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 %

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

Loan Origination

Last Paid Installment

Foreclosure Date

Claim Paid

Property Disposition Date

Potential MI Cancellation due to:
- Loan amortizes to 78% of original home value (automatic)
- Property balance reduced to 80% of original value (borrower-initiated)
- Current property valuation (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
Under MI Master policies, an MI claim can be denied if there is material physical damage to the property caused by disaster (flood, earthquake, and any event declared so by the Federal Emergency Management Agency (FEMA))
The determination as to whether a disaster event was the principal cause of default is made by:
- Direct evidence
- If certain additional criteria are met in totality, some of which may include, but not limited to:
  - The property has not been restored to its condition on the commitment date, reasonable (wear and tear excepted),
  - The property is uninhabitable,
  - The default occurred on or after the date that the physical damage occurred.

Other physical damage
Claim can be denied in full or result in a reduced benefit if:
- As of the claim submission date, the property has not been restored to its condition that existed on the commitment date, reasonable wear and tear excepted.
- The mortgage insurance company reasonably determined that the estimated cost to restore the property to it condition on the commitment date exceeds $5,000.
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).

- 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**

1. **Property Value or Defaulted UPB**
   - Multiply **Fixed Cost Factor**
   - Multiply **Property Value or Defaulted UPB**
   - Multiply **Min(Days between LPI Date and Foreclosure Date, Allowable Days)**

2. **Fixed Foreclosure Costs**

3. **Variable Foreclosure Costs**

4. **Variable Cost Factor**

---

*Property value is used for Short Sales whereas default UPB is used for REO and Third-Party Sales claims.*
# Comparing MI Options

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

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

<table>
<thead>
<tr>
<th>Retention Options</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forbearance</td>
<td>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.</td>
</tr>
<tr>
<td>Reinstatement</td>
<td>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.</td>
</tr>
<tr>
<td>Repayment Plan</td>
<td>Homeowners repay the missed amounts over a fixed period. They make their repayments along with their regular mortgage payment on a monthly basis.</td>
</tr>
<tr>
<td>Payment Deferral</td>
<td>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. The missed amount is deferred into a non-interest-bearing balance, due and payable at maturity of the loan or earlier payoff. All other terms of the mortgage remain unchanged.</td>
</tr>
<tr>
<td>Fannie Mae Flex Modification</td>
<td>Designed to assist borrowers who are experiencing a permanent or long-term hardship, the Flex Modification offers payment relief by extending the loan term and targeting a 20% payment reduction, which may require an interest rate reduction. Only interest rate reduction/principal forbearance resulting from a Flex Modification may entail modification losses.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liquidation Options</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Events</td>
<td>When retention is not a viable option, liquidation options include a short sale, or a Mortgage Release™ (Deed-in-Lieu of Foreclosure); or the servicer refers the mortgage loan to foreclosure in accordance with applicable law.</td>
</tr>
</tbody>
</table>

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# Modification Losses

<table>
<thead>
<tr>
<th>Modification</th>
<th>Borrower Impact</th>
<th>Loss to Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate Reduction</td>
<td>Reduces monthly interest rate borrower pays on loan obligation</td>
<td>Losses passed through based on the difference between the modified and original note rate paid on the outstanding loan balance</td>
</tr>
<tr>
<td>Principal Forbearance</td>
<td>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</td>
<td>Loss reflects foregone interest on non-interest bearing portion of UPB. Recognized in Non-interest Bearing UPB field in monthly reporting.¹</td>
</tr>
<tr>
<td>Term Extension</td>
<td>Loan term is extended to reduce borrower monthly payments</td>
<td>No loss to investor</td>
</tr>
</tbody>
</table>
| Principal Forgiveness* | Outstanding principal loan balance is subject to a one-time principal reduction based on established eligibility criteria | ▪ At time of principal forgiveness, no modification losses will be passed through to noteholders  
▪ The forgiven UPB amount will be treated as unscheduled principal at the time of the modification  
▪ If the modified loan subsequently experiences a credit event, the amount of the principal forgiveness will be included in the credit event net loss (realized loss calculation) |

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

¹Principal forborne as part of a Payment Deferral is recognized in Total Deferral Amount field in monthly reporting and does not constitute a modification loss.

²Fannie Mae does not anticipate that any loans referenced in CIRT deals will be eligible for Principal Forgiveness

³Principal Forgiveness Eligibility Criteria: [http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-PRM-Program-and-Further-Enhancements-to-NPL-Sales-Reqts.aspx](http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-PRM-Program-and-Further-Enhancements-to-NPL-Sales-Reqts.aspx)
HomeReady

Fannie Mae’s flagship affordable lending product

- Designed to serve creditworthy borrowers and to help fulfill our affordable housing mission and regulatory housing goals while maintaining strong, sustainable credit standards

HomeReady helps to improve housing affordability by reducing borrower costs:

- Reduced MI requirements for LTV>90 result in lower monthly payment
- Lower loan-level price adjustments (LLPAs) help to reduce the rate and/or fees charged to the borrower

Borrower Eligibility Changes – July 2019

Fannie Mae announced changes to the income limits for eligible HomeReady borrowers, beginning with new casefiles submitted to Desktop Underwriter on or after July 20, 2019:

<table>
<thead>
<tr>
<th>Borrower income limit requirements</th>
<th>Prior to July 20, 2019</th>
<th>New applications on or after July 20, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowers’ total annual qualifying income may not exceed 100% of the area median income (AMI) for the property’s location</td>
<td>Borrowers’ total annual qualifying income may not exceed 80% of the area median income (AMI) for the property’s location</td>
<td></td>
</tr>
<tr>
<td>Properties in low-income census tracts</td>
<td>No limitation on borrower income if subject property is located in a low-income census tract</td>
<td>Borrowers’ total annual qualifying income may not exceed 80% of the area median income (AMI) for the property’s location</td>
</tr>
</tbody>
</table>
## Standard Products vs HomeReady

<table>
<thead>
<tr>
<th>Category</th>
<th>Standard Products</th>
<th>HomeReady</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td>Purchase, Limited cash-out refinance (LCOR), and cash-out refi; all occupancy types (second home and investment properties are DU only)</td>
<td>Purchase and LCOR only; principal residence only</td>
</tr>
<tr>
<td><strong>Maximum LTV</strong></td>
<td>- 95% LTV for 1-unit properties, principal residence&lt;br&gt;- Transactions with LTV &gt; 95%-97% must be underwritten through Desktop Underwriter® (DU®), and:&lt;br&gt;  - For purchase transactions, at least one borrower must be a first-time homebuyer (FTHB)&lt;br&gt;  - For LCOR transactions, the existing loan must be owned or securitized by Fannie Mae</td>
<td>Same as standard, with the following exception:&lt;br&gt;  - No FTHB requirement</td>
</tr>
<tr>
<td><strong>Product</strong></td>
<td>Up to 30-year fixed-rate mortgage (FRM)&lt;br&gt; 3/6 mos, 5/6 mos, 7/6 mos, and 10/6 mos Adjustable-Rate Mortgages (ARMs)</td>
<td>Same as standard on FRM&lt;br&gt; 5/6 mos, 7/6 mos, and 10/6 mos ARMs</td>
</tr>
<tr>
<td><strong>Borrower Income Limits</strong></td>
<td>No income limits</td>
<td>80% of Area Median Income (AMI)*</td>
</tr>
<tr>
<td><strong>Maximum DTI</strong></td>
<td>50% for loans underwritten through DU; 45% for manually underwritten loans</td>
<td>Same as standard</td>
</tr>
<tr>
<td><strong>Rental income from subject property and boarder income</strong></td>
<td>Documented rental income from subject property is allowed for 2–4-unit properties and investment properties&lt;br&gt;  Boarder income generally not permitted</td>
<td>Rental income is acceptable for 1-unit principal residence with an accessory unit and two-to-four-unit principal residence properties&lt;br&gt;  Documented boarder income (e.g., rent paid by roommate) may be permitted if it meets guidelines</td>
</tr>
<tr>
<td><strong>Non-occupant co-borrower (such as a parent)</strong></td>
<td>Permitted, with criteria for amount of down payment and DTI (max 43%) required from occupant borrower</td>
<td>Same as standard</td>
</tr>
<tr>
<td><strong>Mortgage Insurance</strong></td>
<td>- Required for LTV &gt; 80%&lt;br&gt;  - Reduced Mortgage Insurance (MI) coverage allowed with pricing adjustment</td>
<td>Same as standard, except MI coverage percentage reduced for loans with LTV &gt; 90%</td>
</tr>
</tbody>
</table>

* Fannie Mae announced changes to the income limits for eligible HomeReady borrowers, beginning with new casefiles submitted to Desktop Underwriter on or after July 20, 2019. Prior to this change, a borrower’s total annual qualifying income could not exceed 100% of the AMI for the property’s location and there was no limitation on borrower income if the subject property was located in a low-income census tract.
# Standard Products vs HomeReady

<table>
<thead>
<tr>
<th>Category</th>
<th>Standard Products</th>
<th>HomeReady</th>
</tr>
</thead>
</table>
| Gifts, grants, Community Seconds, cash-on-hand and sweat equity as a source of funds for down payment and closing costs | - Gifts, grants, and Community Seconds are allowed as sources of down payment and closing costs for certain transactions with appropriate documentation  
- Cash-on-hand and sweat equity generally not allowed | Same as standard, plus:  
- Cash-on-hand may be allowed with appropriate documentation  
- Sweat equity may be allowed under qualifying programs – if so, max LTV is 95% and borrower must contribute at least 3% from own funds for down payment |
| Minimum borrower contribution required from borrower's own funds (applicable when gifts, grants etc., are also present) | - LTV <=80%: None  
- LTV >80%:  
  - 1-unit property principal residence: None  
  - 2-4-unit principal residence: 5%  
  - Second homes (applicable only for gift funds): 5% | Same as standard for LTV <=80%: None  
- LTV >80%:  
  - 1-unit principal residence property: None  
  - 2-4-unit principal residence: 3% |
| Non-traditional credit                                                  | Allowed with appropriate documentation                                                               | Same as standard, plus:  
- Flexibility provided for manually underwritten loans where the borrower does not meet the minimum credit score requirement due to insufficient tradelines |
| Manufactured Housing (MH)                                               | - DU-only, max 95% LTV, or 97% for MH Advantage® (see Eligibility Matrix)  
- Fully amortizing fixed rate and 7/1 and 10/1 ARMs only  
- No temporary buydowns  
- 1-unit principal residence and second home transactions only | 1-unit principal residence in accordance with standard requirements.  
HomeReady loans are eligible in combination with manufactured housing, but the more restrictive eligibility requirements of each of those transactions apply |
| Renovation                                                              | - Special lender approval, up to max 97% LTV for certain transactions (see Eligibility Matrix)  
- Principal residence, second home and investment properties transactions | HomeStyle® Renovation in accordance with standard HomeStyle Renovation guidelines; HomeReady loans are eligible in combination with HomeStyle Renovation; however, the more restrictive requirements of HomeReady or HomeStyle Renovation apply when these two products are combined on a loan |
| Pricing                                                                 | - Lender base guaranty fee  
- Standard risk-based loan-level price adjustments (LLPAs) | - Lender base guaranty fee  
- Standard risk-based LLPAs:  
  - waived with an LTV above 80% and a representative credit score equal to or greater than 680;  
  - for loans outside of these parameters, standard LLPAs apply (per the LLPA matrix) with a cap of 1.50%  
- The Minimum MI Coverage Option LLPA is not waived or considered toward the cap if that option is used |
HomeReady Impact on MI Coverage

- The key attribute of the HomeReady® program is the lower-than-standard MI levels required for loans with LTV greater than 90%

<table>
<thead>
<tr>
<th>LTV Range (%)</th>
<th>Standard MI Coverage (%)*</th>
<th>Home Ready MI Coverage (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>95.01 – 97.00%</td>
<td>35.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>90.01 – 95.00%</td>
<td>30.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>85.01 – 90.00%</td>
<td>25.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>80.01 – 85.00%</td>
<td>12.0%</td>
<td>12.0%</td>
</tr>
</tbody>
</table>

*Coverage percentages are for 30-year-fixed rate mortgage loans.
Note: Most loans have “standard” coverage; however, levels may differ on some loans – this is disclosed on the loan-level deal file.

- Although chart above shows MI levels that are considered “standard”, we have historically acquired loans with varying levels of MI coverage.

- The chart on the right shows the monthly HomeReady (HR) loan volume since its inception in 2016, as well as the HR share of >80 LTV acquisitions.
The high LTV refinance offering provides limited cash-out refinance opportunities to borrowers with existing Fannie Mae mortgages who are making their mortgage payments on time, but whose LTV ratio for a new mortgage exceeds 97% for a one-unit principal residence. Without the high LTV refinance offering, borrowers generally may not otherwise have the ability to refinance.

The offering applies to mortgage loans acquired by Fannie Mae that were originated on or after October 1, 2017. For the loan to be eligible for the offering, at least 15 months must have passed from the note date of the loan being refinanced to the note date of the new loan.

Any loan in a CIRT deal is eligible for a high LTV refinance offering. Covered loans that subsequently obtain high LTV refinancing remain covered in the deal.

The refinance must provide one or more of these borrower benefits:

- Reduced monthly payment
- Shorter amortization term
- Lower interest rate
- More stable mortgage product, such as moving from an adjustable-rate mortgage to a fixed-rate mortgage

(1) As of January 2022, the High Loan-to-Value Refinance Offering continues to be temporarily paused.
(2) or exceeds the maximum allowable LTV ratio for a limited cash-out refinance for other segments as listed in Fannie Mae’s Eligibility Matrix.
Fannie Mae’s appraisal waiver leverages DU and CU in an integrated fashion to offer appraisal waivers for certain lower-risk eligible loans.

- The subject property generally has a prior appraisal that was analyzed by CU.
  - CU will evaluate the prior appraisal for overvaluation or property eligibility issues. If any of these issues exist, an 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.
  - If estimated property value is reasonably supported, the loan may be eligible for a waiver, subject to additional eligibility requirements.
- The majority of transactions will continue to require an appraisal.
- Advanced data collection techniques along with CU drive future collateral innovation.

Part of Fannie Mae’s commitment to simplifying the complexity of mortgage origination by creating efficiencies and delivering innovations, leveraging data.
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.

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