

RISK RETENTION LETTER

Federal National Mortgage Association
1100 15th Street N.W.
Washington, DC, 20005

April 17, 2019

Wells Fargo Bank, N.A.
Corporate Trust Operations
MAC N9300-070
600 South Fourth Street, 7th Floor
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services — CONN-AVE 2019-R03

Re: FANNIE MAE CONNECTICUT AVENUE SECURITIES, SERIES 2019-R03, US \$204,126,000 Class 1M-1 Notes, US \$500,109,000 Class 1M-2 Notes, US \$166,703,000 Class 1M-2A Notes, US \$166,703,000 Class 1A-I1 Notes, US \$166,703,000 Class 1A-I2 Notes, US \$166,703,000 Class 1A-I3 Notes, US \$166,703,000 Class 1A-I4 Notes, US \$166,703,000 Class 1E-A1 Notes, US \$166,703,000 Class 1E-A2 Notes, US \$166,703,000 Class 1E-A3 Notes, US \$166,703,000 Class 1E-A4 Notes, US \$166,703,000 Class 1M-2B Notes, US \$166,703,000 Class 1B-I1 Notes, US \$166,703,000 Class 1B-I2 Notes, US \$166,703,000 Class 1B-I3 Notes, US \$166,703,000 Class 1B-I4 Notes, US \$166,703,000 Class 1E-B1 Notes, US \$166,703,000 Class 1E-B2 Notes, US \$166,703,000 Class 1E-B3 Notes, US \$166,703,000 Class 1E-B4 Notes, US \$166,703,000 Class 1M-2C Notes, US \$166,703,000 Class 1C-I1 Notes, US \$166,703,000 Class 1C-I2 Notes, US \$166,703,000 Class 1C-I3 Notes, US \$166,703,000 Class 1C-I4 Notes, US \$166,703,000 Class 1E-C1 Notes, US \$166,703,000 Class 1E-C2 Notes, US \$166,703,000 Class 1E-C3 Notes, US \$166,703,000 Class 1E-C4 Notes, US \$333,406,000 Class 1E-D1 Notes, US \$333,406,000 Class 1E-D2 Notes, US \$333,406,000 Class 1E-D3 Notes, US \$333,406,000 Class 1E-D4 Notes, US \$333,406,000 Class 1E-D5 Notes, US \$333,406,000 Class 1E-F1 Notes, US \$333,406,000 Class 1E-F2 Notes, US \$333,406,000 Class 1E-F3 Notes, US \$333,406,000 Class 1E-F4 Notes, US \$333,406,000 Class 1E-F5 Notes, US \$166,703,000 Class 1-J1 Notes, US \$166,703,000 Class 1-J2 Notes, US \$166,703,000 Class 1-J3 Notes, US \$166,703,000 Class 1-J4 Notes, US \$333,406,000 Class 1-K1 Notes, US \$333,406,000 Class 1-K2 Notes, US \$333,406,000 Class 1-K3 Notes, US \$333,406,000 Class 1-K4 Notes, US \$333,406,000 Class 1-X1 Notes, US \$333,406,000 Class 1-X2 Notes, US \$333,406,000 Class 1-X3 Notes, US \$333,406,000 Class 1-X4 Notes, US \$333,406,000 Class 1-Y1 Notes, US \$333,406,000 Class 1-Y2 Notes, US \$333,406,000 Class 1-Y3 Notes, US \$333,406,000 Class 1-Y4 Notes, US \$153,095,000 Class 1B-1 Notes, US \$500,109,000 Class 1M-2Y Notes, US \$500,109,000 Class 1M-2X Notes, US \$153,095,000 Class 1B-1Y Notes and US \$153,095,000 Class 1B-1X Notes (collectively, the "Notes").

This Risk Retention Letter is being delivered to the addressee on behalf of each Affected Investor (as defined below) hereof in connection with the issuance by Connecticut Avenue Securities Trust 2019-R03 (the "**Issuer**") of the Notes pursuant to an indenture dated as of the Closing Date (the "**Indenture**") among the Issuer, Wells Fargo Bank, N.A. as indenture trustee (in such capacity, the "**Indenture Trustee**"), as exchange administrator (in such capacity, the

"**Exchange Administrator**") and as custodian (in such capacity, the "**Custodian**"), and Federal National Mortgage Association, or "**Fannie Mae**," as administrator (the "**Administrator**").

1 DEFINITIONS

All capitalized terms used but not defined herein shall have the meaning given to such terms in the Indenture. The following capitalized term shall have the following meaning:

"**EU Institutional Investor**" means an 'institutional investor' as defined in the EU Securitization Regulation and includes (a) insurance undertakings and reinsurance undertakings as defined in Directive 2009/138/EC; (b) institutions for occupational retirement provision falling within the scope of Directive (EU) 2016/2341 (subject to certain exceptions), and certain investment managers and authorized entities appointed by such institutions; (c) alternative investment fund managers as defined in Directive 2011/61/EU which manage and/or market alternative investment funds in the EU; (d) certain internally-managed investment companies authorized in accordance with Directive 2009/65/EC, and management companies as defined in that Directive; (e) credit institutions as defined in Regulation (EU) No 575/2013 ("**CRR**") (and certain consolidated affiliates thereof); and (f) investment firms as defined in CRR (and certain consolidated affiliates thereof); and

"**EU Securitization Regulation**" means Regulation (EU) 2017/2402.

2 REPRESENTATIONS

Fannie Mae represents and warrants to the addressee hereof:

- (a) it is a government-sponsored enterprise chartered by an Act of Congress in 1938 pursuant to the Federal National Mortgage Association Charter Act (the "**Charter Act**"), has full power and authority to own its assets and the securities proposed to be owned by it including the Retained Interest (as defined below) and to transact the business in which it is presently engaged;
- (b) it has full power and authority to execute and deliver this Risk Retention Letter and perform all of its obligations required hereunder and has taken all necessary action to authorize this Risk Retention Letter on the terms and conditions hereof and the execution, delivery and performance of this Risk Retention Letter and the performance of all obligations imposed upon it hereunder. No consent of any other person and no license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority, other than those that have been or shall be obtained in connection with this Risk Retention Letter, is required by Fannie Mae in connection with this Risk Retention Letter or the execution, delivery, performance, validity or enforceability of this Risk Retention Letter or the obligations imposed upon it hereunder; and
- (c) this Risk Retention Letter constitutes the legally valid and binding obligations of Fannie Mae enforceable against Fannie Mae in accordance with its terms, subject, as to enforcement, to (i) the effect of bankruptcy, examination, insolvency or similar laws affecting generally the enforcement of creditors' rights, as such laws

would apply in the event of any bankruptcy, examination, receivership, insolvency or similar event applicable to Fannie Mae and (ii) general equitable principles (whether enforceability of such principles is considered in a proceeding at law or in equity).

3 COVENANTS

Fannie Mae hereby agrees, and irrevocably and unconditionally undertakes to the Indenture Trustee, for the benefit of each holder or prospective holder of a beneficial interest in any Notes that is an EU Institutional Investor (an "**Affected Investor**") that, in connection with the EU Securitization Regulation, together with regulatory and implementing technical standards applicable thereto and guidelines and other materials published by the European Banking Authority, the European Securities and Markets Authority and the European Commission in relation thereto (the "**European Securitization Rules**"), as at the origination and on an ongoing basis, so long as any Notes remain outstanding:

- (a) Fannie Mae will, as originator (for the purposes of the European Securitization Rules), retain a material net economic interest (the "**Retained Interest**") in the exposure related to the Notes issuance transaction (the "**Transaction**") of not less than 5% in the form specified in Article 6(3)(a) of the EU Securitization Regulation (i.e. the retention of not less than 5% of the nominal value of each of the tranches sold or transferred to investors);
- (b) accordingly, neither Fannie Mae nor its affiliates will hedge or otherwise mitigate its credit risk under or associated with the Retained Interest or the Reference Obligations or sell, transfer or otherwise surrender all or part of the rights, benefits or obligations arising from the Retained Interest, except to the extent permitted in accordance with the European Securitization Rules; accordingly, neither Fannie Mae nor its affiliates will, through the Transaction or any subsequent transactions, enter into agreements that transfer or hedge more than a 95% pro rata share of the credit risk on any of (i) the Class 1A-H Reference Tranche, (ii) the Class 1M-1 and Class 1M-1H Reference Tranches (in the aggregate), (iii) the Class 1M-2 and Class 1M-2H Reference Tranches (in the aggregate), (iv) the Class 1M-2A and Class 1M-AH Reference Tranches (in the aggregate), (v) the Class 1M-2B and Class 1M-BH Reference Tranches (in the aggregate), (vi) the Class 1M-2C and Class 1M-CH Reference Tranches (in the aggregate), (vii) the Class 1B-1 and Class 1B-1H Reference Tranches (in the aggregate) or (viii) the Class 1B-2H Reference Tranche.
- (c) it will, upon written request and further subject to any applicable duty of confidentiality or data protection restrictions, provide such information in its possession as may reasonably be required by the Indenture Trustee, for the benefit of each Affected Investor, for the purposes of the EU Due Diligence Requirements applicable to such investor as of the Closing Date and at any time prior to maturity of the Notes (but none of Fannie Mae, the Issuer or any other transaction party agrees or undertakes to provide all of the information specified

for the purposes of or to provide any such information in the form specified in Article 7 of the EU Securitization Regulation);

- (d) it will confirm to the Indenture Trustee in writing for reporting to Holders of the Notes its continued compliance with the undertakings set forth in paragraphs (a) and (b) above (which confirmation may be by email):
 - (i) on a monthly basis;
 - (ii) following its determination that the performance of the Notes or the risk characteristics of the Notes or the Reference Obligations has materially changed; or
 - (iii) following a breach of the obligations included in the Indenture; and
- (e) it will promptly notify the Indenture Trustee in writing if for any reason:
 - (i) it ceases to hold the Retained Interest in accordance with paragraph (a) above, or
 - (ii) it or any of its affiliates fails to comply with the covenants set out in paragraphs (b) and (c) above in any way.

4 MISCELLANEOUS

4.1 Governing Law

This Risk Retention Letter shall be construed in accordance with and governed by the laws of the United States. Insofar as there may be no applicable precedent, and insofar as to do so would not frustrate the purposes of the Charter Act or any provision of this Risk Retention Letter or the transactions governed thereby, the laws of the State of New York shall be deemed reflective of the laws of the United States.

4.2 Jurisdiction

Fannie Mae irrevocably submits to the non-exclusive jurisdiction of the United States federal court located in the Borough of Manhattan in the City of New York in any action or proceeding arising out of or relating to this Risk Retention Letter, and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such federal court.

4.3 Notices

Any notice or demand to be given, made or served for any purposes under this Risk Retention Letter shall be given, made or served by sending the same by pre-paid post (first class if inland, first class airmail if overseas), facsimile transmission or e-mail or by delivering it by hand as follows:

To Fannie Mae:

Fannie Mae
1100 15th Street N.W.
Washington, DC, 20005
Attention: Vice-President, Credit Risk Transfer, Capital Markets
Telephone: 1-888-266-3457
Email: cas_crt@fanniemae.com

with copies to:

Fannie Mae
1100 15th Street N.W.
Washington, DC, 20005
Attention: Vice President, Deputy General Counsel, Securitization

Very truly yours,

**FEDERAL NATIONAL MORTGAGE
ASSOCIATION**