

EU/UK RISK RETENTION LETTER

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

April 22, 2025

Citibank, N.A.
388 Greenwich Street
New York, New York 10013
Attention: Citibank Agency & Trust – CAS 2025-R03

Re: FANNIE MAE CONNECTICUT AVENUE SECURITIES, SERIES 2025-R03, US \$253,942,000 Class 2A-1 Notes, US \$253,942,000 Class 2M-1 Notes, US \$111,570,000 Class 2M-2 Notes, US \$37,190,000 Class 2M-2A Notes, US \$37,190,000 Class 2A-I1 Notes, US \$37,190,000 Class 2A-I2 Notes, US \$37,190,000 Class 2A-I3 Notes, US \$37,190,000 Class 2A-I4 Notes, US \$37,190,000 Class 2E-A1 Notes, US \$37,190,000 Class 2E-A2 Notes, US \$37,190,000 Class 2E-A3 Notes, US \$37,190,000 Class 2E-A4 Notes, US \$37,190,000 Class 2M-2B Notes, US \$37,190,000 Class 2B-I1 Notes, US \$37,190,000 Class 2B-I2 Notes, US \$37,190,000 Class 2B-I3 Notes, US \$37,190,000 Class 2B-I4 Notes, US \$37,190,000 Class 2E-B1 Notes, US \$37,190,000 Class 2E-B2 Notes, US \$37,190,000 Class 2E-B3 Notes, US \$37,190,000 Class 2E-B4 Notes, US \$37,190,000 Class 2M-2C Notes, US \$37,190,000 Class 2C-I1 Notes, US \$37,190,000 Class 2C-I2 Notes, US \$37,190,000 Class 2C-I3 Notes, US \$37,190,000 Class 2C-I4 Notes, US \$37,190,000 Class 2E-C1 Notes, US \$37,190,000 Class 2E-C2 Notes, US \$37,190,000 Class 2E-C3 Notes, US \$37,190,000 Class 2E-C4 Notes, US \$74,380,000 Class 2E-D1 Notes, US \$74,380,000 Class 2E-D2 Notes, US \$74,380,000 Class 2E-D3 Notes, US \$74,380,000 Class 2E-D4 Notes, US \$74,380,000 Class 2E-D5 Notes, US \$74,380,000 Class 2E-F1 Notes, US \$74,380,000 Class 2E-F2 Notes, US \$74,380,000 Class 2E-F3 Notes, US \$74,380,000 Class 2E-F4 Notes, US \$74,380,000 Class 2E-F5 Notes, US \$37,190,000 Class 2-J1 Notes, US \$37,190,000 Class 2-J2 Notes, US \$37,190,000 Class 2-J3 Notes, US \$37,190,000 Class 2-J4 Notes, US \$74,380,000 Class 2-K1 Notes, US \$74,380,000 Class 2-K2 Notes, US \$74,380,000 Class 2-K3 Notes, US \$74,380,000 Class 2-K4 Notes, US \$74,380,000 Class 2-X1 Notes, US \$74,380,000 Class 2-X2 Notes, US \$74,380,000 Class 2-X3 Notes, US \$74,380,000 Class 2-X4 Notes, US \$74,380,000 Class 2-Y1 Notes, US \$74,380,000 Class 2-Y2 Notes, US \$74,380,000 Class 2-Y3 Notes, US \$74,380,000 Class 2-Y4 Notes, US \$111,570,000 Class 2M-2Y Notes and US \$111,570,000 Class 2M-2X Notes (collectively, the "Notes").

This EU/UK 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 2025-R03 (the "**Issuer**") of the Notes pursuant to an indenture dated as of the Closing Date (the "**Indenture**") among the Issuer, Citibank, 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 (a) an "institutional investor" as defined in the EU Securitization Regulation and includes (i) insurance undertakings and reinsurance undertakings as defined in Directive 2009/138/EC; (ii) 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; (iii) alternative investment fund managers as defined in Directive 2011/61/EU which manage and/or market alternative investment funds in the EU; (iv) undertakings for collective investment in transferable securities ("UCITS") management companies as defined in Directive 2009/65/EC and certain internally managed UCITS; (v) credit institutions as defined in Regulation (EU) No 575/2013 (as amended, the "EU CRR"); and (vi) investment firms as defined in the EU CRR and (b) certain consolidated affiliates, wherever established or located, of entities that are subject to the EU CRR;

"EU Securitization Regulation" means Regulation (EU) 2017/2402, as amended;

"EU Securitization Rules" means the EU Securitization Regulation together with all relevant regulatory and implementing technical standards applicable thereto and official guidance published by the European Banking Authority, the European Securities and Markets Authority, the European Insurance and Occupation Pensions Authority (or, in each case, any predecessor or replacement authority) and the European Commission in relation thereto (in each case as amended, supplemented or replaced from time to time);

"EUWA" means the European Union (Withdrawal) Act 2018, as amended;

"FSMA" means the UK Financial Services and Markets Act 2000, as amended;

"UK Institutional Investor" means (a) an "institutional investor" as defined in the UK Securitization Rules and includes (i) insurance undertakings and reinsurance undertakings as defined in section 417(1) of the FSMA; (ii) the trustees and managers of occupational pension schemes as defined in section 1(1) of the Pension Schemes Act 1993 that have their main administration in the UK and fund managers of such schemes appointed under section 34(2) of the Pensions Act 1995 that, in respect of activity undertaken pursuant to such appointment, are authorized for the purposes of section 31 of FSMA; (iii) AIFMs as defined in regulation 4 of the Alternative Investment Fund Managers Regulation 2013 (as amended, the "AIFM Regulations") that have permission under the FSMA for managing AIFs (as defined in regulation 3 of the AIFM Regulations) and that market or manage AIFs in the UK, and small registered UK AIFMs (as defined in the AIFM Regulations); (iv) management companies as defined in section 237(2) of FSMA; (v) UCITS as defined in section 236A of FSMA which are authorized open ended investment companies as defined in section 237(3) of FSMA; (vi) CRR firms as defined in Article 4(1)(2A) of Regulation (EU) No 575/2013, as it forms part of UK domestic law by virtue of the EUWA (as amended, the "UK CRR"); and (vii) FCA investment firms as defined in Article 4(1)(2AB) of the UK CRR and (b) certain consolidated affiliates, wherever established or located, of entities that are subject to the UK CRR Firms;

"UK Securitization Framework" means (a) the UK Securitisation Regulations 2024 (as amended, the **"SR 2024"**); (b) the Securitisation Sourcebook in the UK Financial Conduct Authority's handbook of rules and guidance (the **"FCA Rules"**); (c) the Securitisation Part of the UK Prudential Regulation Authority's rulebook of published policy (the **"PRA Rules"**); and (d) the relevant provisions of the FSMA related to the foregoing; in each case, as further amended, supplemented or replaced; and

"UK Securitization Rules" means the UK Securitization Framework together with all relevant guidance, policy statements and directions relating to the application of the UK Securitization Framework published by the UK Financial Conduct Authority, the UK Prudential Regulation Authority and/or the UK Pensions Regulator (or their successors), any guidelines relating to the application of the EU Securitization Regulation which are applicable in the UK, and any other applicable laws, acts, statutory instruments, rules, guidance or policy statements published or enacted relating to the UK Securitization Framework, in each case as amended, supplemented or replaced from time to time.

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 EU/UK Risk Retention Letter and perform all of its obligations required hereunder and has taken all necessary action to authorize this EU/UK Risk Retention Letter on the terms and conditions hereof and the execution, delivery and performance of this EU/UK 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 EU/UK Risk Retention Letter, is required by Fannie Mae in connection with this EU/UK Risk Retention Letter or the execution, delivery, performance, validity or enforceability of this EU/UK Risk Retention Letter or the obligations imposed upon it hereunder; and
- (c) this EU/UK 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 or a UK Institutional Investor (each, an "Affected Investor") that, with reference to the EU Securitization Rules and the UK Securitization Rules as in effect on the Closing Date, as at the origination, continually and on an ongoing basis, so long as any Notes remain outstanding:

- (a) Fannie Mae will, as originator (for the purposes of the EU Securitization Rules and the UK Securitization Rules as in effect on the Closing Date), 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, Article 6(3)(a) of Chapter 2 of the PRA Rules, and SECN 5.28R(1)(a) of the FCA Rules (in each case as in effect on the Closing Date) (i.e. the retention of not less than 5% of the nominal value of each of the tranches sold or transferred to investors) by (pursuant to its Guaranty Obligations) holding not less than a 5% pro rata share of the credit risk corresponding to each of (i) the Class 2A-H Reference Tranche, (ii) the Class 2A-1 and Class 2A-1H Reference Tranches (in the aggregate), (iii) the Class 2M-1 and Class 2M-1H Reference Tranches (in the aggregate), (iv) the Class 2M-2A and Class 2M-AH Reference Tranches (in the aggregate), (v) the Class 2M-2B and Class 2M-BH Reference Tranches (in the aggregate) and (vi) the Class 2M-2C and Class 2M-CH Reference Tranches (in the aggregate);
- (b) 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 both the EU Securitization Rules and the UK Securitization Rules; accordingly, and without prejudice to the generality of the foregoing, 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 corresponding to any of (i) the Class 2A-H Reference Tranche, (ii) the Class 2A-1 and Class 2A-1H Reference Tranches (in the aggregate), (iii) the Class 2M-1 and Class 2M-1H Reference Tranches (in the aggregate), (iv) the Class 2M-2A and Class 2M-AH Reference Tranches (in the aggregate), (v) the Class 2M-2B and Class 2M-BH Reference Tranches (in the aggregate) or (vi) the Class 2M-2C and Class 2M-CH Reference Tranches (in the aggregate) and will not enter into any such agreements with respect to any of the credit risk corresponding to the Class 2B-1H, Class 2B-2H or Class 2B-3H 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 requirements of Article 5 of the EU Securitization Regulation or Article 5 of the UK Securitization Regulation, as

applicable to such Affected Investor, as of the Closing Date and at any time prior to maturity of the Notes (but none of Fannie Mae, the Issuer, the other transaction parties, nor any of their respective affiliates, will undertake or otherwise be required to take any action to make available any document or information prescribed by, or in the form specified in, Article 7 of the EU Securitization Regulation, Article 7 of Chapter 2, Chapter 5 or Chapter 6 of the PRA Rules or SECN 6, SECN 11 and SECN 12 of the FCA Rules);

- (d) it will not change the retention option or method of calculation of its net economic interest in the securitization constituted by the issuance of the Notes, except to the extent permitted under both the EU Securitization Rules and the UK Securitization Rules;
- (e) 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), (b) and (d) above (which confirmation may be by e-mail):
 - (i) on a monthly basis;
 - (ii) following its determination that there has been a material change in either (1) the structural features that can materially impact the performance of the Notes or (2) the risk characteristics of the Notes or the Reference Obligations; or
 - (iii) following knowledge of a breach of the obligations included in the Transaction Documents; and
- (f) 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 (d) above in any way.

4 MISCELLANEOUS

4.1 Governing Law

This EU/UK 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 EU/UK 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 EU/UK 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 EU/UK 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 to the address set forth below or at any other address furnished in writing to the Indenture Trustee:

To Fannie Mae:
Fannie Mae
1100 15th Street N.W.
Washington, DC 20005
Attention: Director Credit Risk Transfer
Telephone: 1-888-266-3457
E-mail: 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**