



AMERICA'S
Housing Partner



2017 PROGRESS REPORT



“

Leadership means
never standing still.

”



A Message from Our CEO

Today, buying, renting, and financing homes is starting to feel far different than it did just a few years ago. Slow, paper-based processes are giving way to simpler, more efficient digital processes. More and more, closing on a home loan entails less time and expense, and more speed and convenience.

In short, technology is starting to transform housing finance in important and positive ways.

At Fannie Mae, we want to help our customers accelerate these changes so they can pass the benefits on to America’s homeowners and renters. We are doing this by delivering innovations to our customers that are squeezing time, cost, and inefficiency out of the mortgage process. These solutions help make complicated financing processes easier and simpler for both lenders and buyers. It will also make mortgage lending more transparent and mitigate risk for lenders and taxpayers.

We are working with customers, investors, and other partners across the nation to bring the power of innovation and data to bear on America’s most important housing challenges. We believe it is possible to expand access to mortgage

credit for more people and to bring financing to new places in ways that are safe and sustainable. We believe in empowering our multifamily partners so that affordable and workforce rental housing is available in communities across the country. We believe in making sure lenders can provide flexible, next-generation solutions to meet the needs of Millennials, Gen Xers, and Baby Boomers alike.

Most of all, the people of Fannie Mae believe in the transforming power of home. Since our creation 80 years ago, our purpose has been to provide a steady, reliable source of mortgage financing through all market conditions. How we fulfill this purpose continuously evolves, as we try new ideas and listen closely to the changing needs of our customers.

These pages describe how we are moving with urgency to create housing opportunities for future generations of American homeowners and renters. I invite you to learn more and to let us know how we are doing.

A handwritten signature in black ink, reading "Timothy J. Mayopoulos". The signature is fluid and cursive, written over a white background.

TIMOTHY J. MAYOPOULOS



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01

CHAPTER 1

A Strong Business

At Fannie Mae, we're proud of the work we do to support the housing market. We are America's housing partner, and the strength of our business today reflects much more than 80 years of opening doors. It also reflects the relationships we've built with our customers, the innovative solutions we continue to bring to the market, and the hard work of a talented and inclusive workforce.



Fannie Mae is at
the very heart of the
housing industry.

We purchase qualifying mortgages from lenders, which we bundle into bonds 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. As the leading provider of mortgage-related securities, Fannie Mae makes it all possible.





1 in 3

homes are
financed by us.

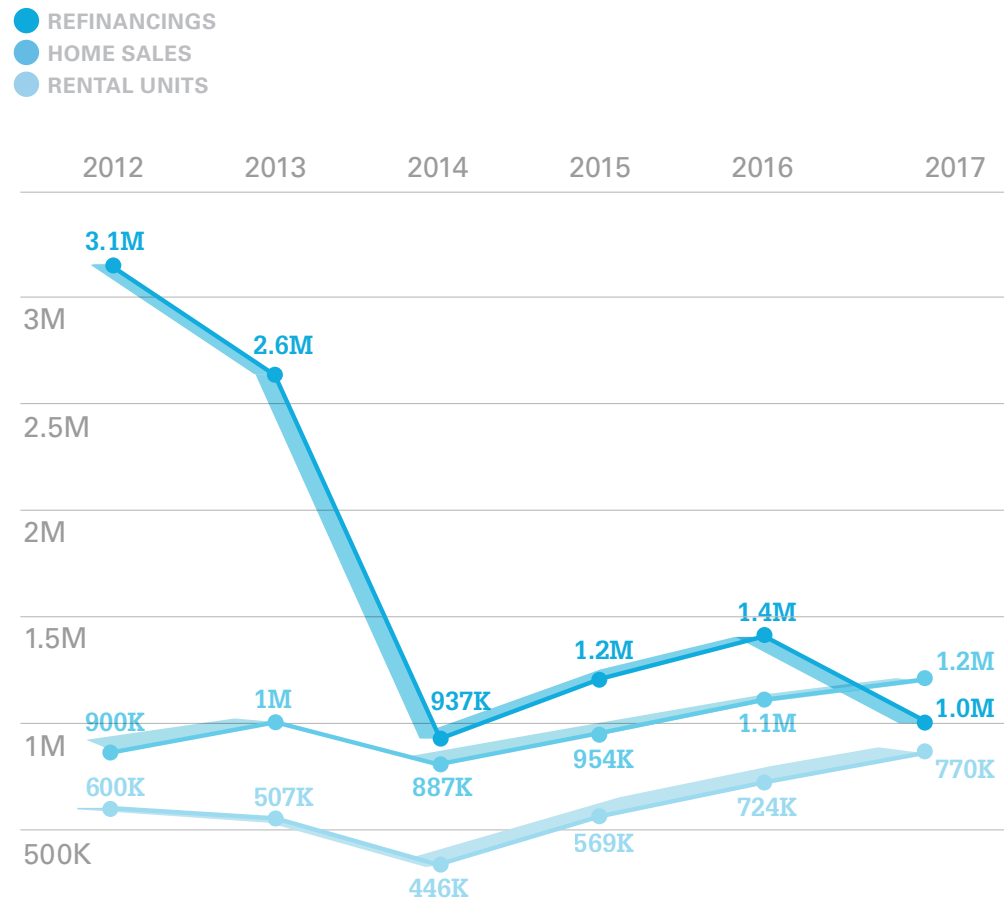


We are the liquidity provider of choice.

We partner with lenders to create home purchase and rental opportunities for millions of Americans across the country.

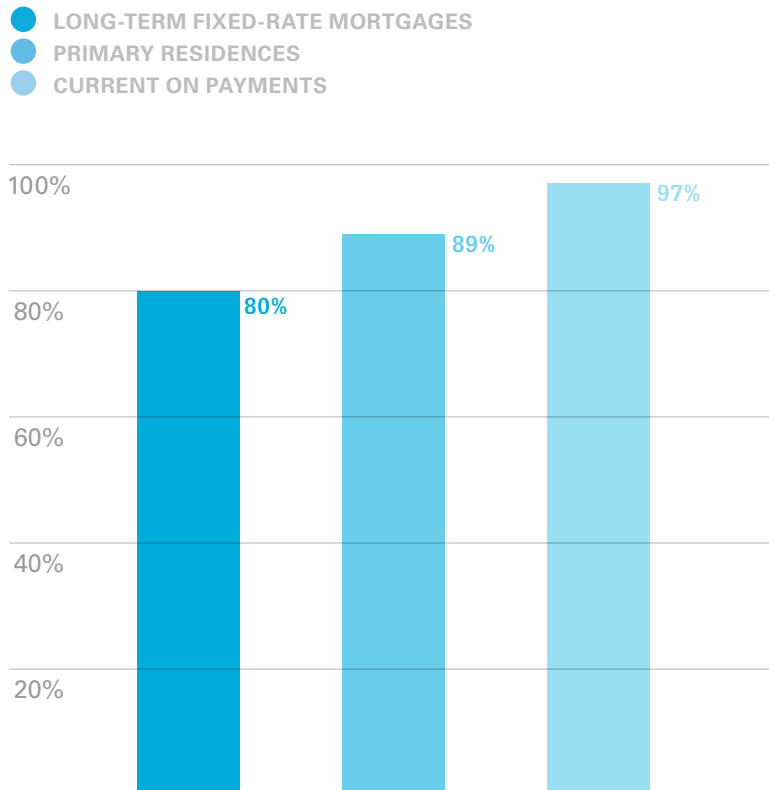
Funding the housing market

In 2017, we provided \$570 billion in mortgage financing that enabled 1.2 million home purchases, 1 million mortgage refinancings, and 770,000 units of multifamily housing.



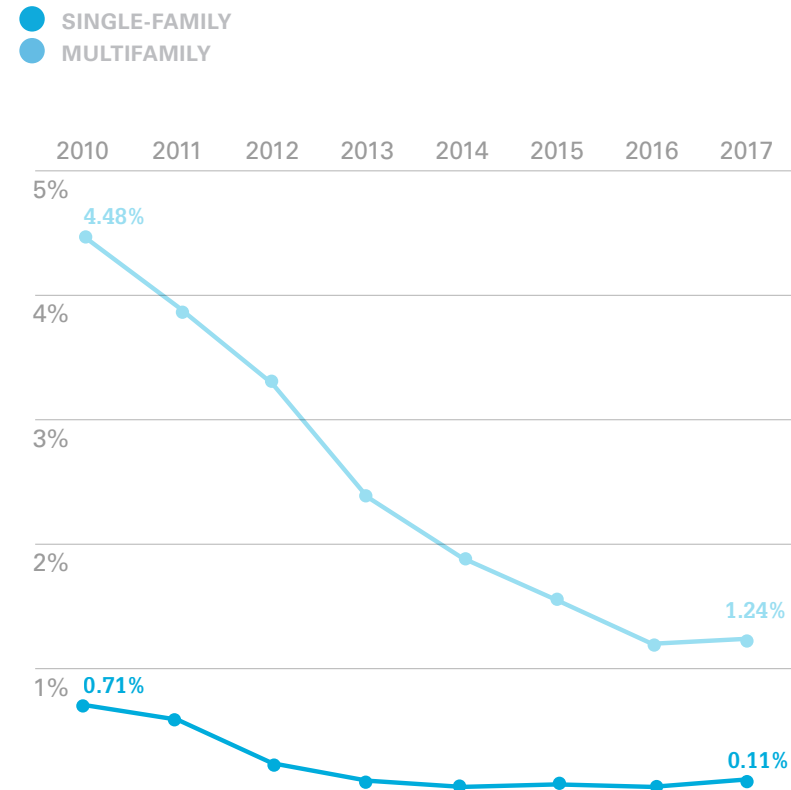
Our business is stronger than ever.

Backed by vast amounts of data, we're collaborating with lenders and industry innovators to expand access to credit for millions of Americans – without sacrificing intelligent, responsible lending practices that have strengthened the housing market.



Characteristics of our single-family book of business

The majority of our single-family loans are long-term fixed-rate mortgages and current on payments.



Multifamily and single-family serious delinquency rates

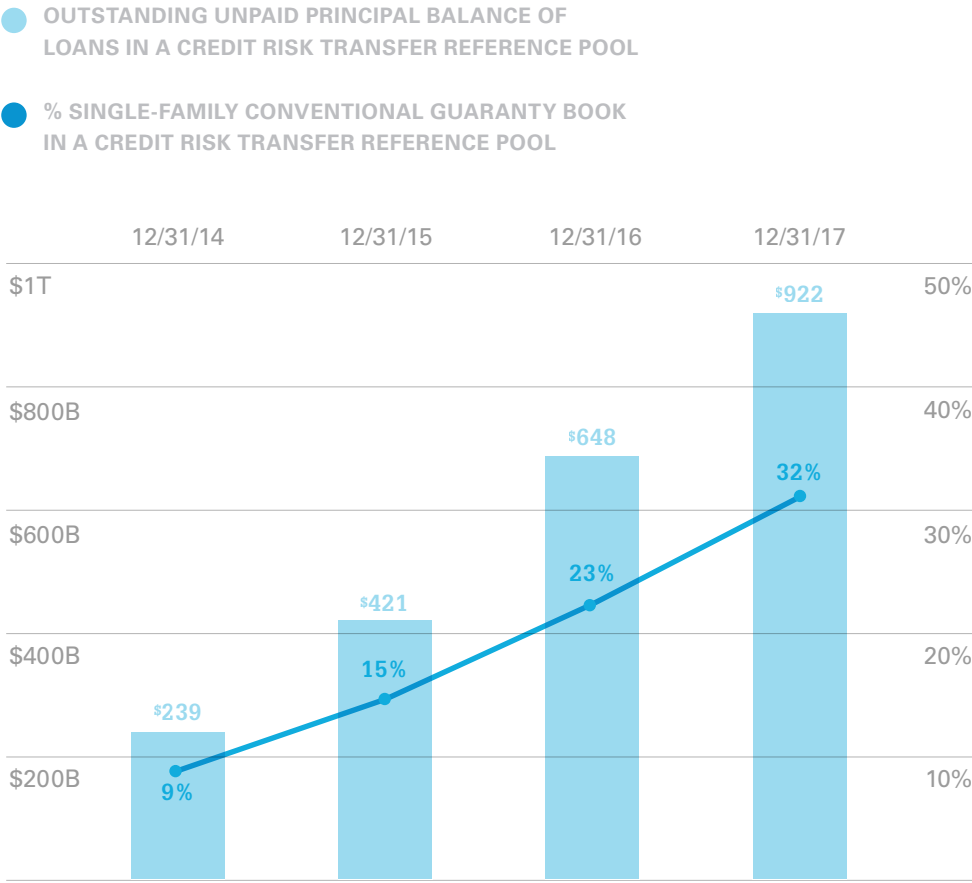
The share of our single-family and multifamily loans that are seriously delinquent remains below private market levels. Our serious delinquency rate increased in the latter part of 2017 as many homeowners in hurricane-affected regions became delinquent on their loans.



We're partnering with the private sector in new ways.

Through our proactive approach to credit risk management, we have created a safer and more efficient way of doing business, not only for our company but for the entire housing system. We've built attractive new markets that move risk away from Fannie Mae and safeguard American taxpayers. Through innovative credit risk sharing transactions, including our flagship Connecticut Avenue Securities™ (CAS) program and Credit Insurance Risk Transfer™ (CIRT™) program, we've transferred to the private market a portion of the credit risk on roughly one-third of our single-family loans – and we've done it with the well-being of communities in mind. Despite a rapidly evolving business environment, our core business, like the larger industry, is now more transparent and easier to understand.

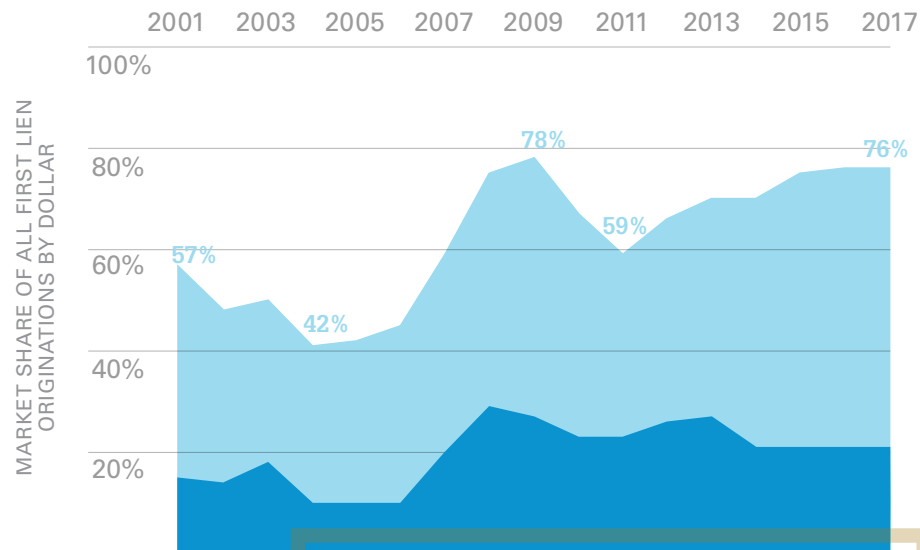
Investing side-by-side with Fannie Mae
 Since inception, we have transferred to private investors a portion of the credit risk on \$1.3 trillion of single-family loans measured by the original unpaid principal balance at the time of issuance. As of year-end 2017, \$922 billion in single-family mortgages, or approximately 32% of the loans in our single-family conventional guaranty book of business, measured by unpaid principal balance, were covered by a credit risk transfer transaction.



We support America's favorite mortgage.

The 30-year fixed-rate mortgage is the favorite among homebuyers – and Fannie Mae helps make it possible. With fixed, predictable, low monthly payments and the option to prepay, this uniquely American product offers affordability, stability, and reliability. It puts the dream of homeownership within reach for generations of homebuyers, just as it has since our founding during the Great Depression. As a leading source of liquidity, we ensure lenders can continue to offer this preferred mortgage.

- 30-YEAR FIXED-RATE
- 30-YEAR FIXED-RATE FINANCED BY FANNIE MAE



The mortgage of choice

In 2017, 76% of Americans seeking a conventional, first-lien mortgage chose the 30-year fixed-rate mortgage. As we've always done, Fannie Mae provided much of that financing.

DUS: The Loan We All Own™

Fannie Mae DUS lenders are empowered to underwrite, close, and deliver most loans without our pre-review, translating into greater efficiencies, liquidity, and cost savings.



Before we backed millions of rentals, we built a better model.

We launched our Delegated Underwriting and Servicing model 30 years ago, and it remains the premier financing platform in the multifamily market. DUS® is a unique system of collaboration. We authorize our lenders to underwrite, close, and deliver most loans without our pre-review, and in exchange they share the risk of loss on those loans. In turn, this offers the borrower certainty of execution, faster decisions, quicker closings, and better pricing. It is a complete partnership: We share the risk, and we share the reward. It's also why we describe it as "the loan we all own" – because it aligns and empowers each of us, every step of the way.



02

CHAPTER 2

Putting the Customer First

Our business can only be as strong as the partnerships it supports. At Fannie Mae, we put the customer first. We build personal relationships with our customers founded on communication, mutual respect, and trust – values that we’ve embedded not only into the way we work but how we organize ourselves *at work*. We listen to our customers to understand their pain points, and then we work alongside our customers to create new solutions and better efficiencies, together.



Our focus on
the customer
is working.

In 2017, lenders ranked the Fannie Mae customer experience in the top quartile of B2B companies, a significant increase over the prior two years. Our dedicated customer support model is a key driver of this evolution: Roughly 90 percent of individuals who engage with our account teams say they get very good or excellent customer support from their dedicated Fannie Mae contact.



Certainty that starts on Day 1.

Not long ago, we introduced Day 1 Certainty®, a customer-focused solution grounded in new technology. From the start, Day 1 Certainty was a game-changer, streamlining processes and substantially reducing lenders' repurchase risk. It introduced speed, simplicity, and certainty to the mortgage process. Since then, we've continued to build on that foundation by introducing new functionalities that make doing business with Fannie Mae even easier.

In turn, we're helping our customers better serve *their* customers. With Day 1 Certainty, our best-in-class lenders are seeing average savings of 10 days from asset validation, 15 days for property inspection waivers, and 15 days when both employment and income are validated.



A universe of reasons to choose Day 1 Certainty

"When I heard about Day 1 Certainty and the possibility for digital validation, I got really excited. I thought, 'Finally, we're at a place where we can start the mortgage process and provide clarity without our buyer having to give the same information over and over again!' It was definitely a win."

– Day 1 Certainty Customer

Building on Day 1 Certainty – other innovations

API Platform:

Application Programming Interfaces (APIs) make it possible for lenders of all sizes to plug into Fannie Mae. Our API platform is creating seamless integration opportunities for our customers, enabling them to access Fannie Mae data and technology and drive workflow efficiencies in their processes.

Servicing Marketplace:

We're connecting servicers and sellers who are interested in partnering with each other for servicing transfers when loans are sold to Fannie Mae – providing transparency to the system while removing costs and friction.



We reimagined the multifamily customer experience.

From start to finish, we're making it easier to do business. We've introduced new and seamless technology enhancements to further our partnerships with multifamily lenders and investors. The end result is simplicity, certainty, and transparency – and an empowered customer.



New efficiencies for multifamily partners

Lenders:

For our lender partners, we rolled out a series of enhancements to DUS Gateway® and released DUS DocWay™, our new repository for digitally submitting final underwriting documents. We also updated our Committing & Delivering (C&D™) platform with improved rent roll functionality, allowing lenders to submit data in the format received. And, we eliminated duplication of work through our ASAP+ Early Funding efficiency.

Investors:

For our investor partners, we debuted DUS Disclose™, our industry-leading multifamily MBS reporting platform designed in close cooperation and consultation with the investing community. The user-friendly interface provides comprehensive data, enhanced disclosures, and the ability to download expanded security-, loan-, and property-level information, to ensure our investors have all the data they need to make informed decisions.



Information powers today's business decisions.

For Fannie Mae and our partners, data and access to it are paramount. That's why we share our award-winning market research with everyone, including the public. Our economists, analysts, and thought leaders scrutinize the industry's most impactful topics – from the role of student debt on Millennial homeownership rates to consumer understanding of the digital mortgage process – so we can better inform the national dialogue.

For our investors, easy access to robust data and information is a must. Our industry-leading Data Dynamics® platform, for example, provides a transparent, unparalleled reporting experience that enables credit risk investors to quickly find the information they need in order to meet their objectives.



Economic and Strategic Research

Market Insights:

Our award-winning team of economists offers in-depth market research and forecasting based on the latest economic and housing trends. We work hard to see what's just around the bend, as well as what's over the horizon, and share our findings with everyone.

Surveys:

We provide two housing-centered benchmarks – the monthly Home Purchase Sentiment Index® (HPSI) and the quarterly Mortgage Lender Sentiment Survey® (MLSS) – to help the industry better navigate the ever-changing attitudes, perceptions, and behaviors that shape today's homebuying and mortgage lending decisions.

Perspectives:

We take a hard look at everything that influences the U.S. housing market. From generational homeownership trends to housing's intersection with the gig economy, our experts provide valuable and unconventional insight into a rapidly changing mortgage economy.

Data Dynamics

Historical Performance Data:

Delivers insights into historical loan performance trends and relationships to credit performance.

CAS Transaction Issuance and Performance:

Allows users to view the profile composition for outstanding deals, as well as ongoing monthly performance analysis.

Historical Comparative Analysis:

Provides insights into potential deal performance by comparing deals across various historical outcomes.



Digital collaboration enables transformation.

We're working with industry partners to create a new e-mortgage ecosystem where the process is simpler from start to finish. Digital transparency and safety are replacing paperwork-dependency and confusion, as we cut the number of steps in a loan's life cycle from hundreds to a handful. Borrowers get an improved homebuying experience and lenders get a simpler process – and everyone benefits from reductions in time and mortgage costs.



03

CHAPTER 3

Solving America's Housing Challenges

We are committed to addressing the country's most difficult housing challenges. And we believe that everyone deserves access to safe and affordable housing.



We're bringing
together the
right people.

Fannie Mae is leveraging its vast intellectual capital, experience, and unique industry position to help people in all communities. We're bringing together lenders, developers, investors, non-profits, and others to ask the right questions, identify the right problems, and advance the right solutions.



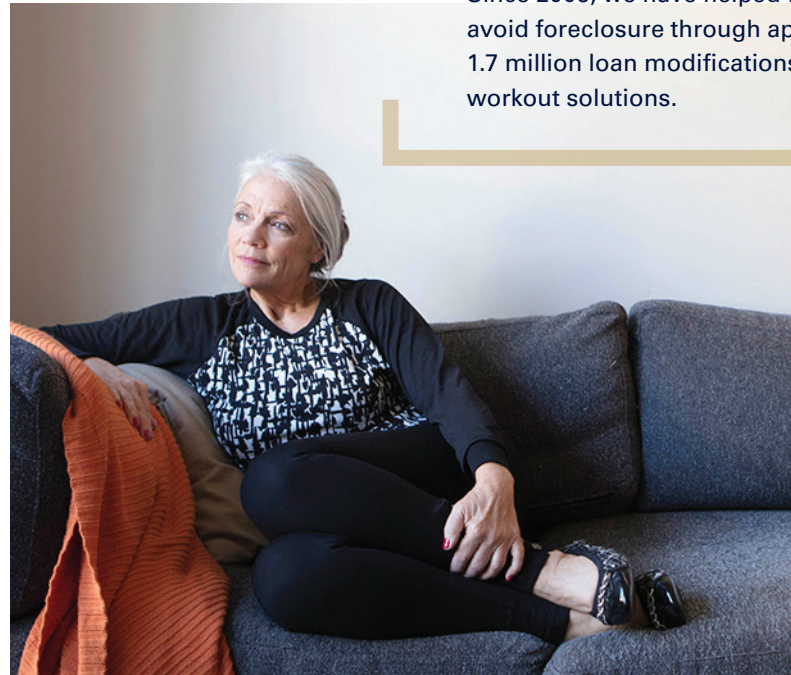
We're making it safer and easier to get a mortgage.

No product better exemplifies our dedication to innovation and our common sense approach to expanding access to credit than our flagship product, HomeReady®. With HomeReady, borrowers can put down as little as 3 percent, and cash for down-payment and closing costs can come from multiple sources (such as gifts and grants). HomeReady also allows for nontraditional sources of income to be used to help qualify for a mortgage, such as renter or boarder income, and allows co-borrowers who don't live in the property to be included on the mortgage. For many Americans who may have previously felt like they were on the outside looking in, getting a mortgage is now easier and safer.



Helping homeowners avoid foreclosure

Since 2009, we have helped families avoid foreclosure through approximately 1.7 million loan modifications and other workout solutions.



We're here to help.

For families facing hardship, we know a mortgage can be overwhelming. That's why homeowners with loans owned by Fannie Mae can contact our Mortgage Help Network for free, hands-on mortgage assistance at any time. Support is available nationwide, by phone and in person. Many borrowers can qualify for a loan refinance or modification, lowering the payment and making it more affordable. We also offer temporary and permanent solutions to help those who have missed mortgage payments, so they get their finances back on track and avoid foreclosure.



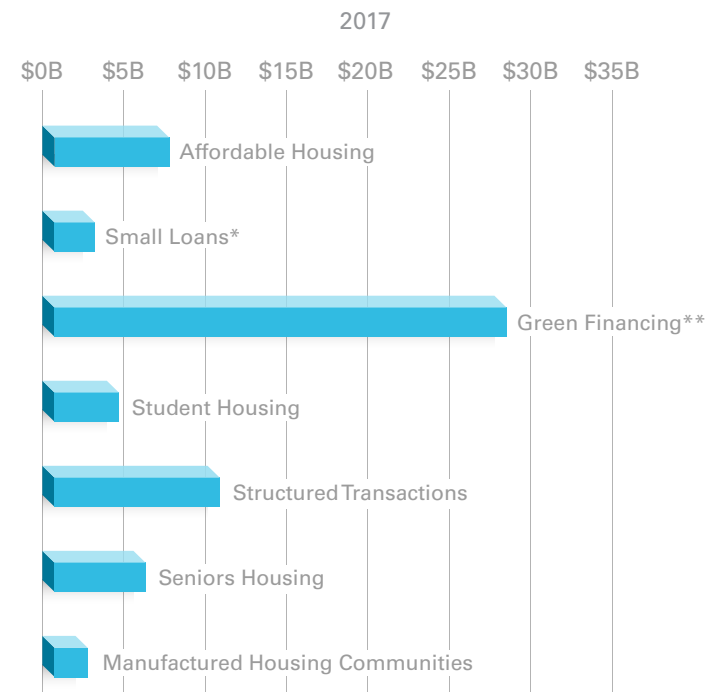
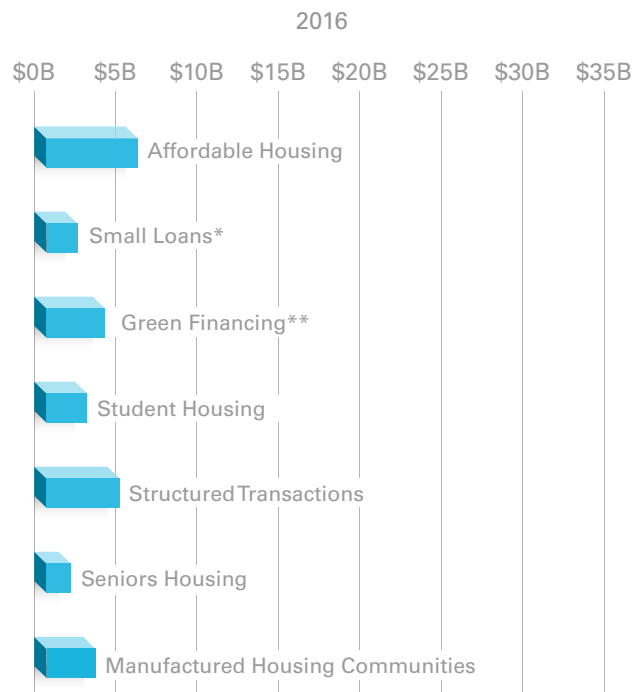
We have a duty to serve the underserved.

It's our mission to help make home more than an unlikely aspiration for everyday American families. By partnering with institutions that can offer scale and standardization to communities currently lacking it, we are bringing down costs and clearing a path for private capital to be put to work in a safe and responsible way.

We're also exploring new and innovative financing options for manufactured housing communities, as well as methods to improve and support the availability of financing in high-needs rural communities. In addition to supporting new supply, we're working hard to preserve existing affordable housing stock as a necessary and viable low-cost alternative in our urban areas.

Serving the spectrum of multifamily housing

As a reliable source of financing in the multifamily sector, Fannie Mae remains committed to serving the spectrum of America's rental housing needs.



04

CHAPTER 4

Creating New Opportunities in Housing

Fannie Mae is always looking to improve the homebuying experience and advance housing opportunities. This includes expanding access to mortgage credit in nontraditional and common sense ways for creditworthy borrowers. It also means advancing affordable rental housing options and creating sustainable communities, and serving the underserved across America.



We are looking
toward tomorrow.

From advancing socially responsible products to developing scalable solutions for tomorrow's greatest housing challenges, we're providing the tools the industry needs to serve future generations.



Where you live matters.

We at Fannie Mae are doing all we can do ensure that the rental properties we finance are built and managed with the tenants' health in mind.

Through our Healthy Housing Rewards™ program, we incentivize developers to incorporate healthy design features into newly constructed or rehabilitated properties where many of the renters are among the area's poorest. These features promote quality of life and can include a wide variety of healthy living enhancements, such as improved air quality, community gardens, and playgrounds.

We also continue to offer our Green Rewards loan program, with tangible, bottom-line benefits – including below-market interest rates, additional loan proceeds, and free energy and water audits – to borrowers who meet specific energy- or water-efficiency standards.

Projected impact of Fannie Mae Green Financing

Offering greener, affordable, innovative energy-efficient solutions results in measurable impact. The energy- and water-efficiency improvements financed through Fannie Mae are projected to generate significant savings while reducing the properties' environmental impact.

Average annual reduction in property costs per property

\$49_K

Average annual reduction in childcare and other meaningful expenses per family (over 248,000 units)

\$131^{Per Yr.}

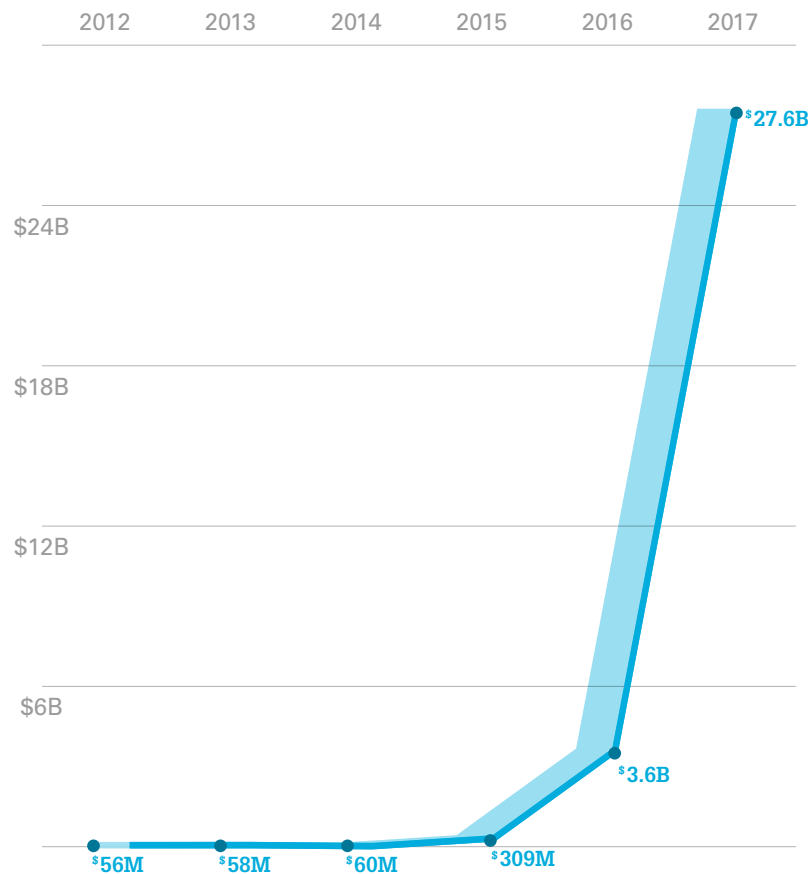
Number of cell phones that could be powered with the amount of electricity saved

80_M



We're doing well by doing good.

Although the green mortgage market is a relatively new market, we've made tremendous strides over the last few years. In fact, Fannie Mae issued \$27.6 billion in green mortgage-backed securities in 2017, making us the largest issuer of green securities globally. With that level of impact, we're making green financing into more than just a feel-good product: We're making it the new standard in multifamily lending.



Green finance production through 2017

Since launching our Green Financing program in 2012, we've continued to grow our green book of business each year, with total issuance of \$27.6 billion in 2017 – more than seven times the volume financed in 2016.



America's households are changing, and we are ready to meet their needs.

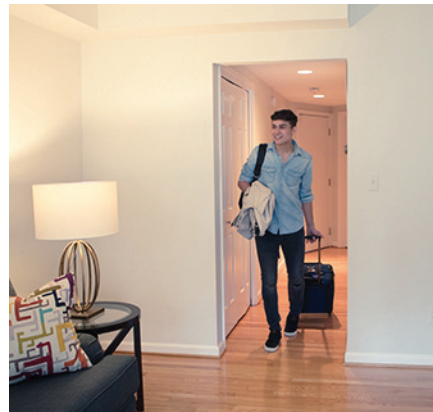
The lifestyles and preferences of today's borrowers demand a vastly different mortgage finance process – one that provides flexible financing options and prioritizes the digital experience. Fannie Mae is working with lenders and industry innovators to develop new solutions for new generations of homeowners. In fact, more than 100 lenders have volunteered for our customer panels to explore ideas and co-create products together.

With their input, we've launched a series of test-and-learn pilots that propose inventive, intelligent solutions to many of the modern barriers to sustainable homeownership. Our pilot programs recognize that today's households and those of tomorrow will differ from prior generations, both demographically and financially. By testing new technologies and methods in small scale, we are introducing safe new ways to tackle traditional problems.



Ownership conversion

Gives renters a flexible, safe, and affordable path to owning a home in neighborhoods where they want to live.



Home-sharing income

Allows borrowers to count Airbnb rental income history toward more favorable mortgage refinance terms.



Student debt

Allows qualifying homeowners the opportunity to refinance student debt at relatively lower, prevailing mortgage interest rates.



We believe that great ideas can come from anywhere.

That's why we launched a public competition to help solve one of the most complex housing challenges of our time: the significant shortage of sustainable, affordable housing. The Sustainable Communities Innovation Challenge is a two-year, \$10 million investment by Fannie Mae to generate ideas on how to provide residents with integrated access to affordable housing, opportunities for employment, health and wellness, and education.

Over the next two years, we will support the most innovative ideas through partnerships and funding for research, planning, and idea development. Together, we're exploring and supporting new ways to make a difference and positively impact America's housing.



05

CHAPTER 5

Powered By Our Diverse Workforce

At Fannie Mae, we leverage the rich diversity of our employees – and we are powered by this collaborative, inclusive, and committed workforce. Our business depends on it.



We serve the communities that serve America.

Our employees make a difference year-round, in and out of the office. In 2017, roughly half of Fannie Mae employees volunteered through our non-profit partners, donating more than 18,000 volunteer hours to serve the communities where we live and work. Additionally, through online charitable contributions and local fundraising events, our employees donated thousands of dollars to select non-profit organizations, including nearly \$90,000 to Help The Homeless™, Fannie Mae's charitable program that has supported homeless service providers for 30 years.

And when entire communities were devastated by the 2017 hurricanes and other natural disasters, our employees answered the call for help – through financial contributions and with boots on the ground – to help families get back on their feet.



Our efforts to ensure a fully inclusive work environment are constantly evolving.

We're listening and improving at every step – from how we acquire talent and engage with our employees to how we do business in the marketplace. Internally, we're always looking to strengthen and expand programs that attract and cultivate a diverse and inclusive employee base. We encourage a collaborative and supportive organizational culture that welcomes, empowers, and engages all of our employees. Externally, we proudly advance opportunities that will ensure the inclusion of minority-, women-, and disabled-owned firms who want to do business with us.



Even our workplace is transforming

To best serve an ever-changing industry, we have to be more than efficient – we have to stay nimble. We are exploring new and innovative ways to approach our work, and we're customizing our physical work spaces, to maximize our interactions with each other and our customers.



We lead the industry.

And we're being recognized for it. In 2017, various organizations highlighted the work we do and our people who do it.

Black Enterprise

Jeff Hayward & Kimberly Johnson

Most Powerful Executives in Corporate America 2017

Human Rights Campaign Foundation

100% Score on the Corporate Equality Index

Mortgage Professional America

Doug Duncan & Kimberly Johnson

Hot 100 List

EPA, ENERGY STAR®

2017 Partner of the Year – Sustained Excellence Award

Fatherly

50 Best Places to Work for New Dads

LATINA Style Magazine

Top 50 Companies for Latinas

Glassdoor

Tim Mayopoulos
Highest-Rated CEO honoree, 92% approval rating

MReport

Caroline Patane
Women in Housing Awards Power Player

Hispanic IT Executive Council

Michael Garcia
HITEC Top 100 list

F5/Hot Topics

Christopher Porter
Top 100 CISO (Chief Information Security Officers)

National Business Inclusion Consortium

Best of the Best Companies for Diversity and Inclusion

Compliance Week

Nancy Jardini
2017 Top Minds

Indeed

The Best Places to Work in 2017, ranked #16

Global Capital

Deal of the Year – awarded in four categories: Overall Best Issuer, Best RMBS Issuer, RMBS Deal of the Year, RMBS Data Provider

InformationWeek

IT Excellence Awards, DevOps, 1st Place

HousingWire

Nadine Bates & Laurel Davis
Women of Influence 2017



Join the conversation.

We're listening, and we want to hear from you. We encourage you to share feedback and suggestions on how we can continue to build a better housing finance system. Connect with Fannie Mae on social media to be a part of the conversation, and join us at the heart of housing.

Company News

Learn about our important work and keep up on our progress.



KnowYourOptions.com

Fannie Mae's [KnowYour Options website](#) is your one-stop resource for housing education and foreclosure-prevention support.

Media Inquiries

Contact our [External Communications team](#) for information about Fannie Mae's business and to connect with our experts.

Careers

If you're ready to make a difference, then we're ready for you.



HomePath.com

Visit our [HomePath website](#) to find Fannie Mae-owned properties for sale.



Contact us:

800-2FANNIE
(800-232-6643)

fanniemae.com/portal/about-fm/contact-us.html

Published May 11, 2018

For more information on our business, including information on our recent financial results and credit performance, the credit profile of our book of business, and significant risks relating to our business, see our annual report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission on February 14, 2018 ("2017 Form 10-K").

This report includes our expectations regarding the focus of our business and the impact of our actions on our business and the U.S. housing finance system. These expectations are forward-looking statements based on our current assumptions regarding numerous factors. Our actual results and future expectations may differ materially from our current expectations as a result of many factors, including those discussed in the "Risk Factors" and "Forward-Looking Statements" sections of and elsewhere in our 2017 Form 10-K. These forward-looking statements are representative only as of the date they are made, and we undertake no obligation to update any forward-looking statement as a result of new information, future events, or otherwise, except as required under the federal securities laws.

Data in this report as of or through December 31, 2017, unless otherwise indicated.