UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
Commission File No.: 0-50231

Federal National Mortgage Association

(Exact name of registrant as specified in its charter)

Fannie Mae

Federally chartered corporation	**52-0883107**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
3900 Wisconsin Avenue, NW Washington, DC	**20016**
(Address of principal executive offices)	***(zip code)***

Registrant's telephone number, including area code:
(202) 752-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, without par value
(Title of class)
8.25% Non-Cumulative Preferred Stock, Series T, stated value $25 per share
(Title of class)
8.75% Non-Cumulative Mandatory Convertible Preferred Stock, Series 2008-1, stated value $50 per share
(Title of class)
Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series S, stated value $25 per share
(Title of class)
7.625% Non-Cumulative Preferred Stock, Series R, stated value $25 per share
(Title of class)
6.75% Non-Cumulative Preferred Stock, Series Q, stated value $25 per share
(Title of class)
Variable Rate Non-Cumulative Preferred Stock, Series P, stated value $25 per share
(Title of class)
Variable Rate Non-Cumulative Preferred Stock, Series O, stated value $50 per share
(Title of class)
5.375% Non-Cumulative Convertible Series 2004-1 Preferred Stock, stated value $100,000 per share
(Title of class)
5.50% Non-Cumulative Preferred Stock, Series N, stated value $50 per share
(Title of class)
4.75% Non-Cumulative Preferred Stock, Series M, stated value $50 per share
(Title of class)
5.125% Non-Cumulative Preferred Stock, Series L, stated value $50 per share
(Title of class)
5.375% Non-Cumulative Preferred Stock, Series I, stated value $50 per share
(Title of class)
5.81% Non-Cumulative Preferred Stock, Series H, stated value $50 per share
(Title of class)
Variable Rate Non-Cumulative Preferred Stock, Series G, stated value $50 per share
(Title of class)
Variable Rate Non-Cumulative Preferred Stock, Series F, stated value $50 per share
(Title of class)
5.10% Non-Cumulative Preferred Stock, Series E, stated value $50 per share
(Title of class)
5.25% Non-Cumulative Preferred Stock, Series D, stated value $50 per share
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ *(Do not check if a smaller reporting company)*	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑
The aggregate market value of the common stock held by non-affiliates of the registrant computed by reference to the last reported sale price of the common stock quoted on the OTC Bulletin Board on June 30, 2015 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $2.7 billion.

As of January 31, 2016, there were 1,158,082,750 shares of common stock of the registrant outstanding.

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TABLE REFERENCE

PART I

We have been under conservatorship, with the Federal Housing Finance Agency ("FHFA") acting as conservator, since September 6, 2008. As conservator, FHFA succeeded to all rights, titles, powers and privileges of the company, and of any shareholder, officer or director of the company with respect to the company and its assets. The conservator has since delegated specified authorities to our Board of Directors and has delegated to management the authority to conduct our day-to-day operations. Our directors do not have any fiduciary duties to any person or entity except to the conservator and, accordingly, are not obligated to consider the interests of the company, the holders of our equity or debt securities or the holders of Fannie Mae MBS unless specifically directed to do so by the conservator. We describe the rights and powers of the conservator, key provisions of our agreements with the U.S. Department of the Treasury ("Treasury"), and their impact on shareholders in "Business—Conservatorship and Treasury Agreements."

This report contains forward-looking statements that are based on management's current expectations and are subject to significant uncertainties and changes in circumstances. Please review "Business—Forward-Looking Statements" for more information on the forward-looking statements in this report. Our actual results may differ materially from those reflected in our forward-looking statements due to a variety of factors including, but not limited to, those discussed in "Risk Factors" and elsewhere in this report.

You can find a "Glossary of Terms Used in This Report" in "Management's Discussion and Analysis of Financial Condition and Results of Operations ('MD&A')."

Item 1. Business

INTRODUCTION

Fannie Mae is a government-sponsored enterprise ("GSE") that was chartered by Congress in 1938. We serve an essential role in the functioning of the U.S. housing market and are investing in improvements to the U.S. housing finance system. Our public mission is to support liquidity and stability in the secondary mortgage market, where existing mortgage-related assets are purchased and sold, and to increase the supply of affordable housing. Our charter does not permit us to originate loans or lend money directly to consumers in the primary mortgage market.

Fannie Mae provides reliable, large-scale access to affordable mortgage credit and indirectly enables families to buy, refinance or rent homes. We securitize mortgage loans originated by lenders into Fannie Mae mortgage-backed securities that we guarantee, which we refer to as Fannie Mae MBS. One of our key functions is to evaluate, price and manage the credit risk on the loans and securities that we guarantee. We also purchase mortgage loans and mortgage-related securities, primarily for securitization and sale at a later date. We use the term "acquire" in this report to refer to both our securitizations and our purchases of mortgage-related assets. We obtain funds to support our business activities by issuing a variety of debt securities in the domestic and international capital markets, which attracts global capital to the United States housing market.

We remain in conservatorship and our conservatorship has no specified termination date. We do not know when or how the conservatorship will terminate, what further changes to our business will be made during or following conservatorship, what form we will have and what ownership interest, if any, our current common and preferred stockholders will hold in us after the conservatorship is terminated or whether we will continue to exist following conservatorship. In addition, as a result of our agreements with Treasury and directives from our conservator, we are not permitted to retain our net worth (other than a limited amount that will decrease to zero by 2018), rebuild our capital position or pay dividends or other distributions to stockholders other than Treasury. Our senior preferred stock purchase agreement with Treasury also includes covenants that significantly restrict our business activities. Congress and the Obama Administration continue to consider options for reform of the housing finance system, including the GSEs. We cannot predict the prospects for the enactment, timing or final content of housing finance reform legislation or actions the Administration or FHFA may take with respect to housing finance reform. The conservatorship, the uncertainty of our future, limitations on executive and employee compensation, and negative publicity concerning the GSEs have had and are likely to continue to have an adverse effect on our ability to retain and recruit well-qualified executives and other employees. We provide additional information on the conservatorship, the provisions of our agreements with Treasury, and their impact on our business under "Conservatorship and Treasury Agreements" and "Risk Factors." We discuss the uncertainty of our future in "Executive Summary—Outlook" and "Risk Factors." We discuss proposals for housing finance reform that could materially affect our business in "Housing Finance Reform."

Although Treasury owns our senior preferred stock and a warrant to purchase 79.9% of our common stock, and has made a commitment under a senior preferred stock purchase agreement to provide us with funds to maintain a positive net worth under specified conditions, the U.S. government does not guarantee our securities or other obligations.

Our common stock is traded in the over-the-counter market and quoted on the OTC Bulletin Board under the symbol "FNMA." Our debt securities are actively traded in the over-the-counter market.

EXECUTIVE SUMMARY

Please read this Executive Summary together with our MD&A and our consolidated financial statements as of December 31, 2015 and related notes to the consolidated financial statements.

Overview

We reported net income of $11.0 billion in 2015, compared with net income of $14.2 billion in 2014. See "Summary of Our Financial Performance" below for an overview of our 2015 financial performance. We expect to remain profitable on an annual basis for the foreseeable future; however, certain factors, such as changes in interest rates or home prices, could result in significant volatility in our financial results from quarter to quarter or year to year. For more information regarding our expectations for our future financial performance, see "Outlook—Financial Results" and "Outlook—Revenues" below.

With our expected March 2016 dividend payment to Treasury, we will have paid a total of $147.6 billion in dividends to Treasury on our senior preferred stock. The aggregate amount of draws we have received from Treasury to date under the senior preferred stock purchase agreement is $116.1 billion. Under the terms of the senior preferred stock purchase agreement, dividend payments do not offset prior Treasury draws. See "Treasury Draws and Dividend Payments" and "Outlook—Dividend Obligations to Treasury" below for more information regarding our dividend payments to Treasury.

Our Strategy and Business Objectives

Our vision is to be America's most valued housing partner and to provide liquidity, access to credit and affordability in all U.S. housing markets at all times, while effectively managing and reducing risk to our business, taxpayers and the housing finance system. In support of this vision, we are focused on:

- advancing a sustainable and reliable business model that reduces risk to the housing finance system and taxpayers;
- providing reliable, large-scale access to affordable mortgage credit for qualified borrowers and helping struggling homeowners; and
- serving customer needs and improving our business efficiency.

Advancing a sustainable and reliable business model that reduces risk to the housing finance system and taxpayers

We have significantly changed our business model since we entered conservatorship in 2008 and our business continues to evolve. We have strengthened our underwriting and eligibility standards, we are moving from a portfolio-focused business to a guaranty-focused business and we are transferring an increasing portion of the credit risk on our guaranty book of business. These changes are transforming our business model and reducing certain risks of our business as compared with our business prior to entering conservatorship.

Stronger Underwriting and Eligibility Standards. Beginning in 2008, we made changes to strengthen our underwriting and eligibility standards that have improved the credit quality of our single-family guaranty book of business and contributed to improvement in our credit performance. See "Single-Family Guaranty Book of Business" below for information on the credit performance of the mortgage loans in our single-family guaranty book of business and on our recent single-family acquisitions.

Moving from a portfolio-focused business to a guaranty-focused business. In recent years, an increasing portion of our net interest income has been derived from the guaranty fees we receive for managing the credit risk on loans underlying our Fannie Mae MBS, rather than from interest income on our retained mortgage portfolio assets. This shift has been driven by both the impact of guaranty fee increases implemented in 2012 and the reduction of our retained mortgage portfolio in accordance with the requirements of our senior preferred stock purchase agreement with Treasury and direction from FHFA. Our "retained mortgage portfolio" refers to the mortgage-related assets we own (which excludes the portion of assets held by consolidated MBS trusts that back mortgage-related securities owned by third parties). In 2015, approximately two-thirds of our net interest income was derived from our guaranty business. As described in more detail in "Outlook—Revenues" below, we expect that guaranty fees will continue to account for an increasing portion of our net interest income.

Transferring a portion of the mortgage credit risk on our single-family book of business. In late 2013, we began entering into credit risk transfer transactions with the goal of transferring, to the extent economically sensible, a portion of the mortgage credit risk on some of the recently-acquired loans in our single-family book of business in order to reduce the economic risk to us and to taxpayers of future borrower defaults. Through 2015, we had transferred a significant portion of the mortgage credit risk on over $500 billion in unpaid principal balance of mortgage loans pursuant to these transactions. We intend to continue to engage in credit risk transfer transactions on an ongoing basis, subject to market conditions. Over time, we expect that a larger portion of our single-family conventional guaranty book of business will be covered by credit risk transfer transactions. See "Helping to Build a Sustainable Housing Finance System" below for a discussion of our credit risk transfer transactions.

Our business also continues to evolve as a result of our many other efforts to build a safer and sustainable housing finance system and to pursue the strategic goals identified by our conservator. See "Helping to Build a Sustainable Housing Finance System" for a discussion of these efforts and FHFA's strategic goals for our conservatorship.

Providing reliable, large-scale access to affordable mortgage credit for qualified borrowers and helping struggling homeowners

We continued to provide reliable, large-scale access to affordable mortgage credit to the U.S. housing market in 2015. We were a leading source of liquidity in the single-family and multifamily markets in 2015. We also continued to help struggling homeowners. In 2015, we provided approximately 122,000 loan workouts to help homeowners stay in their homes or otherwise avoid foreclosure. We discuss our activities to support the housing and mortgage markets in "Contributions to the Housing and Mortgage Markets" below.

Serving customer needs and improving our business efficiency

We continued our initiatives to better serve our customers' needs and improve our business efficiency in 2015. These initiatives include continuing to revise and clarify our representation and warranty framework, implementing innovative new and enhanced tools that deliver greater value and certainty to lenders, simplifying our business processes, and updating our infrastructure. We discuss these initiatives in "Serving Customer Needs and Improving Our Business Efficiency" below.

Summary of Our Financial Performance

Comprehensive Income

We recognized comprehensive income of $10.6 billion in 2015, consisting of net income of $11.0 billion, partially offset by other comprehensive loss of $326 million. In comparison, we recognized comprehensive income of $14.7 billion in 2014, consisting of net income of $14.2 billion and other comprehensive income of $530 million. The decrease in 2015 comprehensive income was primarily driven by a shift from credit-related income in 2014 to credit-related expense in 2015 and a decrease in fee and other income, partially offset by lower fair value losses.

We recognized credit-related expense of $834 million in 2015 compared with credit-related income of $3.8 billion in 2014. This shift was primarily driven by a lower benefit for credit losses and higher foreclosed property expense in 2015. The reduction in our benefit for credit losses in 2015 as compared with 2014 was primarily driven by decreases in mortgage interest rates in 2014, which decreased the impairment on our individually impaired loans related to concessions provided on our modified loans and resulted in an increase in our benefit for credit losses in 2014. Changes in interest rates were not a primary driver of our 2015 benefit for credit losses. In addition, although home prices increased in both 2014 and 2015, home price increases had a smaller impact on our benefit for credit losses in 2015 compared with 2014, primarily due to the smaller number of nonperforming loans held for investment in our guaranty book of business in 2015 as compared with 2014. Also contributing to our lower benefit for credit losses in 2015 was our redesignation of certain nonperforming single-family loans from held for investment ("HFI") to held for sale ("HFS") in connection with our plans to sell these loans.

We recognized fee and other income of $1.3 billion in 2015 and $5.9 billion in 2014. Our fee and other income was lower in 2015 compared with 2014 primarily due to higher revenue recognized in 2014 as a result of settlement agreements resolving certain lawsuits relating to private-label mortgage-related securities ("PLS") sold to us.

Fair value losses of $1.8 billion in 2015 and $4.8 billion in 2014 were primarily driven by a decline in longer-term swap rates in 2015 and 2014.

We expect volatility from period to period in our financial results from a number of factors, particularly changes in market conditions that result in fluctuations in the estimated fair value of the financial instruments that we mark to market through our earnings. These instruments include derivatives and certain securities. The estimated fair value of our derivatives and securities may fluctuate substantially from period to period because of changes in interest rates, the yield curve, mortgage and credit spreads, and implied volatility, as well as activity related to these financial instruments. We use derivatives to manage the interest rate risk exposure of our net portfolio, which consists of our retained mortgage portfolio, cash and other investments portfolio, and our outstanding debt of Fannie Mae. Some of these financial instruments in our net portfolio are not recorded at fair value in our consolidated financial statements, and as a result we may experience accounting gains or losses due to changes in interest rates or other market conditions that may not be indicative of the economic interest rate risk exposure of our net portfolio. See "MD&A—Risk Management—Market Risk Management, Including Interest Rate Risk Management" for more information. In addition, our credit-related income or expense can vary substantially from period to period based on factors such as changes in actual and expected home prices, borrower payment behavior, the types and volumes of our loss mitigation activities, the volumes of foreclosures completed, redesignations of loans from HFI to HFS, and fluctuations in mortgage interest rates.

See "MD&A—Consolidated Results of Operations" for more information on our results.

Net Worth

Our net worth increased to $4.1 billion as of December 31, 2015 from $3.7 billion as of December 31, 2014 primarily due to our comprehensive income of $10.6 billion during 2015, partially offset by our payments to Treasury of $10.3 billion in senior preferred stock dividends.

The dividend amount payable to Treasury on the senior preferred stock for each dividend period from January 1, 2013 through and including December 31, 2017 is the amount, if any, by which our net worth as of the end of the immediately preceding fiscal quarter exceeds an applicable capital reserve amount. The capital reserve amount was $1.8 billion for dividend periods in 2015 and further decreased to $1.2 billion for dividend periods in 2016. Our expected dividend payment of $2.9 billion for the first quarter of 2016 is calculated based on our net worth of $4.1 billion as of December 31, 2015 less the applicable capital reserve amount of $1.2 billion.

Single-Family Guaranty Book of Business

Credit Performance

In 2015, we continued to acquire loans with strong credit profiles and to execute on our strategies for reducing credit losses, such as helping eligible Fannie Mae borrowers with high loan-to-value ("LTV") ratio loans refinance into more sustainable loans through the Administration's Home Affordable Refinance Program® ("HARP®"), offering borrowers loan modifications that can significantly reduce their monthly payments, pursuing foreclosure alternatives and managing our real estate owned ("REO") inventory to appropriately manage costs and maximize sales proceeds. As we work to reduce credit losses, we also seek to assist struggling homeowners, help stabilize communities and support the housing market.

Table 1 presents information about the credit performance of mortgage loans in our single-family guaranty book of business and our workouts. The term "workouts" refers to both home retention solutions (loan modifications and other solutions that enable a borrower to stay in his or her home) and foreclosure alternatives (short sales and deeds-in-lieu of foreclosure). The workout information in Table 1 does not reflect repayment plans and forbearances that have been initiated but not completed, nor does it reflect trial modifications that have not become permanent.

Table 1: Credit Statistics, Single-Family Guaranty Book of Business[(1)]

	2015	2014	2013
	(Dollars in millions)		
As of the end of each period:			
Serious delinquency rate[(2)]	1.55 %	1.89 %	2.38 %
Seriously delinquent loan count	267,174	329,590	418,837
Foreclosed property inventory:			
Number of properties[(3)]	57,253	87,063	103,229
Carrying value	$ 6,608	$ 9,745	$ 10,334
Combined loss reserves	$ 28,325	$ 36,383	$ 44,705
During the period:			
Credit-related income (expense)[(4)]	$ (1,035)	$ 3,625	$ 11,205
Credit losses[(5)]	$ 10,731	$ 5,978	$ 4,452
REO net sales prices to unpaid principal balance[(6)]	72 %	69 %	67 %
Short sales net sales price to unpaid principal balance[(7)]	73 %	72 %	67 %
Loan workout activity (number of loans):			
Home retention loan workouts[(8)]	100,208	130,132	172,029
Short sales and deeds-in-lieu of foreclosure	22,077	34,480	61,949
Total loan workouts	122,285	164,612	233,978
Loan workouts as a percentage of delinquent loans in our guaranty book of business[(9)]	19.95 %	23.20 %	29.20 %

(1) Our single-family guaranty book of business consists of (a) single-family mortgage loans of Fannie Mae, (b) single-family mortgage loans underlying Fannie Mae MBS, and (c) other credit enhancements that we provide on single-family mortgage assets, such as long-term standby commitments. It excludes non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio for which we do not provide a guaranty.

(2) Calculated based on the number of single-family conventional loans that are 90 days or more past due and loans that have been referred to foreclosure but not yet foreclosed upon, divided by the number of loans in our single-family conventional guaranty book of business.

(3) Includes acquisitions through deeds-in-lieu of foreclosure. Also includes held for use properties, which are reported in our consolidated balance sheets as a component of "Other assets."

(4) Consists of (a) the benefit (provision) for credit losses and (b) foreclosed property income (expense).

(5) Consists of (a) charge offs, net of recoveries and (b) foreclosed property expense (income), adjusted to exclude the impact of fair value losses resulting from credit impaired loans acquired from MBS trusts. As discussed in "Consolidated Results of Operations—Credit-Related Income (Expense)—Credit Loss Performance Metrics," our credit losses in 2015 included charge-offs of (1) $1.8 billion in loans held for investment and $724 million in preforeclosure property taxes and insurance receivable that we recognized on January 1, 2015 upon our adoption of FHFA's Advisory Bulletin AB 2012-02, "Framework for Adversely Classifying Loans, Other Real Estate Owned, and Other Assets and Listing Assets for Special Mention" (the "Advisory Bulletin") and (2) $1.1 billion in accrued interest receivable that we recognized on January 1, 2015 upon our adoption of a change in accounting policy related to loans placed on nonaccrual status. See "Note 1, Summary of Significant Accounting Policies" for additional information.

(6) Calculated as the amount of sale proceeds received on disposition of REO properties during the respective periods, excluding those subject to repurchase requests made to our sellers or servicers, divided by the aggregate unpaid principal balance of the related loans at the time of foreclosure. Net sales price represents the contract sales price less selling costs for the property and other charges paid by the seller at closing.

(7) Calculated as the amount of sale proceeds received on properties sold in short sale transactions during the respective periods divided by the aggregate unpaid principal balance of the related loans. Net sales price represents the contract sales price less the selling costs for the property and other charges paid by the seller at the closing, including borrower relocation incentive payments and subordinate lien (s) negotiated payoffs.

(8) Consists of (a) modifications which do not include trial modifications, loans to certain borrowers who have received bankruptcy relief that are classified as troubled debt restructurings ("TDRs"), or repayment plans or forbearances that have been initiated but not completed and (b) repayment plans and forbearances completed. See "Table 38: Statistics on Single-Family Loan Workouts" in "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Problem Loan Management—Loan Workout Metrics" for additional information on our various types of loan workouts.

(9) Calculated based on problem loan workouts during the period as a percentage of the average balance of delinquent loans in our single-family guaranty book of business.

Beginning in 2008, we took actions to significantly strengthen our underwriting and eligibility standards to promote sustainable homeownership and stability in the housing market. These actions have improved the credit quality of our book of business and contributed to improvement in our credit performance. For information on the credit risk profile of our single-family guaranty book of business, see "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management," including "Table 34: Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business."

Our single-family serious delinquency rate has decreased each quarter since the first quarter of 2010, and was 1.55% as of December 31, 2015, compared with 1.89% as of December 31, 2014. We continue to experience disproportionately higher serious delinquency rates and credit losses from single-family loans originated in 2005 through 2008 than from loans originated in other years. Single-family loans originated in 2005 through 2008 constituted 10% of our single-family book of business as of December 31, 2015, but constituted 57% of our seriously delinquent single-family loans as of December 31, 2015 and drove 78% of our 2015 single-family credit losses. For information on the credit performance of our single-family book of business based on loan vintage, see "Table 15: Credit Loss Concentration Analysis" in "MD&A—Consolidated Results of Operations—Credit-Related Income (Expense)—Credit Loss Performance Metrics" and "Table 37: Single-Family Conventional Seriously Delinquent Loan Concentration Analysis" in "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management." For information on certain credit characteristics of our single-family book of business based on the period in which we acquired the loans, see "Table 31: Selected Credit Characteristics of Single-Family Conventional Guaranty Book of Business, by Acquisition Period" in "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management."

We provide additional information on our credit-related expense or income and credit losses in "MD&A—Consolidated Results of Operations—Credit-Related Income (Expense)." We provide more information on the credit performance of mortgage loans in our single-family book of business and our efforts to reduce our credit losses in "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management." See also "Risk Factors," where we describe factors that may increase our credit-related expense and credit losses, as well as factors that may adversely affect the success of our efforts to reduce our credit losses.

Recently Acquired Single-Family Loans

Table 2 below displays information regarding our average charged guaranty fee on and select risk characteristics of the single-family loans we acquired in each of the last five years, including HARP acquisitions. Table 2 also displays the volume of our single-family Fannie Mae MBS issuances for these periods, which is indicative of the volume of single-family loans we acquired in these periods.

Table 2: Single-Family Acquisitions Statistics

	For the Year Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in millions)				
Single-family average charged guaranty fee on new acquisitions, net of TCCA fee (in basis points)(1)	50.5	52.9	47.4	32.4	28.8
Single-family Fannie Mae MBS issuances	$472,471	$375,676	$733,111	$827,749	$564,606
Select risk characteristics of single-family conventional acquisitions:(2)					
Weighted average FICO® credit score at origination	748	744	753	761	762
FICO credit score at origination less than 660	6 %	7 %	5 %	3 %	2 %
Weighted average original LTV ratio(3)	75 %	77 %	76 %	75 %	69 %
Original LTV ratio over 80%(3)(4)	28 %	32 %	29 %	25 %	18 %
Original LTV ratio over 95%(3)	3 %	4 %	10 %	11 %	4 %
Loan purpose:					
Purchase	45 %	52 %	30 %	21 %	24 %
Refinance	55 %	48 %	70 %	79 %	76 %

(1) Excludes the impact of a 10 basis point guaranty fee increase implemented in 2012 pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011 (the "TCCA"), the incremental revenue from which is remitted to Treasury and not retained by us. Average

charged guaranty fee is calculated based on the average contractual fee rate, net of TCCA fee, for our single-family guaranty arrangements entered into during the period plus the recognition of any upfront cash payments ratably over an estimated average life, expressed in basis points.

(2) Calculated based on unpaid principal balance of single-family loans for each category at time of acquisition.

(3) The original LTV ratio generally is based on the original unpaid principal balance of the loan divided by the appraised property value reported to us at the time of acquisition of the loan. Excludes loans for which this information is not readily available.

(4) We purchase loans with original LTV ratios above 80% as part of our mission to serve the primary mortgage market and provide liquidity to the housing finance system. Except as permitted under HARP, our charter generally requires primary mortgage insurance or other credit enhancement for loans that we acquire that have an LTV ratio over 80%.

As shown in Table 2, our single-family average charged guaranty fee on new acquisitions excluding TCCA fees has increased significantly since 2012. The primary driver of our higher single-family average charged guaranty fees on new acquisitions in 2013, 2014 and 2015, as compared with 2011 and 2012, was guaranty fee increases we implemented in 2012. The single-family average charged guaranty fee on new acquisitions shown in Table 2 excludes the impact of a 10 basis point fee increase we implemented in 2012 pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011 (the "TCCA"). This TCCA-related fee is unrelated to our pricing strategy, as the incremental revenue from this fee is remitted to Treasury and not retained by us.

Other factors that impact our average charged guaranty fee on newly-acquired single-family loans are our loan level price adjustments and changes we make to our contractual fee rates. Loan level price adjustments refer to one-time cash fees that we charge at the time we acquire a loan based on its credit characteristics. Loans with higher LTV ratios or lower FICO credit scores generally result in higher loan level price adjustments than loans with lower LTV ratios or higher FICO credit scores. Accordingly, our average charged guaranty fee on new acquisitions varies from period to period based in part on changes in the types of loans we acquire during the periods. For example, our average charged guaranty fee on newly-acquired single-family loans would typically be lower during a period in which we purchased a high volume of non-HARP refinance loans than during a period in which we purchased a high volume of home purchase loans, as non-HARP refinance loans typically have lower LTV ratios than home purchase loans. The contractual fee rates we charge vary to the extent we make changes in our pricing strategy in response to the market and competitive environment. The decrease in our average charged guaranty fee on newly-acquired single-family loans in 2015 as compared with 2014 was driven by a decrease in loan level price adjustments charged on our acquisitions in 2015 and by changes we made in our contractual fee rates.

The single-family loans we acquired in 2015 continued to have a strong credit profile, with a weighted average original LTV ratio of 75% and a weighted average FICO credit score of 748. For more information on the credit risk profile of our single-family conventional loan acquisitions in 2015, 2014 and 2013, see "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management," including "Table 34: Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business" in that section.

Whether the loans we acquire in the future will exhibit an overall credit profile and performance similar to our more recent acquisitions will depend on a number of factors, including: our future guaranty fee pricing and any impact of that pricing on the volume and mix of loans we acquire; our future eligibility standards and those of mortgage insurers, the Federal Housing Administration ("FHA") and the Department of Veterans Affairs ("VA"); the percentage of loan originations representing refinancings; changes in interest rates; our future objectives and activities in support of those objectives, including actions we may take to reach additional underserved creditworthy borrowers; government policy; market and competitive conditions; and the volume and characteristics of HARP loans we acquire in the future. In addition, if our lender customers retain more of the higher-quality loans they originate, it could negatively affect the credit risk profile of our new single-family acquisitions.

Beginning in September 2015, we implemented guaranty fee changes pursuant to a directive from FHFA. These fee changes included elimination of the 25 basis point adverse market delivery charge that had been assessed on all single-family mortgages purchased by us since 2008 and small, targeted increases in loan level price adjustments for loans with certain risk attributes. We do not expect these guaranty fee changes to result in material changes to our single-family guaranty fee revenue or loan volume.

Providing Access to Credit Opportunities for Creditworthy Borrowers

Pursuant to FHFA's conservatorship scorecards and our statutory mission, we are continuing to work to increase access to mortgage credit for creditworthy borrowers, consistent with the full extent of our applicable credit requirements and risk management practices. As part of this effort, in 2014 we worked with FHFA to revise our eligibility criteria to address a specific segment of creditworthy borrowers—those who can afford a mortgage but who lack resources for a substantial down payment—in a responsible manner by taking into account factors that would compensate for the high LTV ratios of their loans. Specifically, we changed our eligibility requirements to increase our maximum LTV ratio from 95% to 97% for loans meeting certain criteria. In addition, in August 2015 we announced an improved affordable lending product, HomeReady™, which is designed for creditworthy borrowers with lower and moderate incomes and provides expanded eligibility for financing homes in designated low-income, minority and disaster-impacted communities. Under our HomeReady guidelines, evidence of income from a non-borrower household member can be considered as a factor to allow a borrower to qualify with a higher debt-to-income ratio for the loan, helping multi-generational and extended households obtain homeownership. HomeReady also permits rental income, such as from a basement apartment, to augment the borrower's qualifying income. We began acquiring loans under our revised eligibility criteria in December 2014 and under HomeReady in December 2015.

Our eligibility requirements for loans acquired under our revised eligibility criteria and under HomeReady include compensating factors and risk mitigants, which reduce the incidence of loans with multiple higher-risk characteristics. Loans acquired under our revised eligibility criteria and under HomeReady with LTV ratios greater than 95% must be fixed-rate loans and must be underwritten through Desktop Underwriter®, our proprietary automated underwriting system. Desktop Underwriter provides a comprehensive credit risk assessment on loan applications submitted through the system, assessing risks and compensating factors, and identifying loan applications that do not meet our eligibility requirements. HomeReady borrowers are required to complete an online education course preparing them for the home buying process and providing post-purchase support for sustainable homeownership. In addition, we require mortgage insurance or other appropriate credit enhancement for all acquisitions of non-HARP single-family conventional loans with LTV ratios greater than 80%.

In 2015, pursuant to our revised eligibility criteria and HomeReady, we acquired approximately 24,000 single-family loans with 95.01% to 97% LTV ratios from approximately 700 lenders. These loans represented 1% of the single-family loans we acquired in 2015. While we expect the volume of loans we acquire with 95.01% to 97% LTV ratios under these criteria and HomeReady to increase, we expect they will continue to constitute only a small portion of our acquisitions.

Although a higher LTV ratio may indicate that a loan presents a higher credit risk than a loan with a lower LTV ratio, we expect our acquisition of these loans under our revised eligibility criteria and under HomeReady will not materially affect our overall credit risk because we expect that (1) the eligibility requirements these loans must meet will limit their effect on our credit risk and (2) these loans will constitute a small portion of our acquisitions. In addition, we have experience managing the credit risk associated with loans with LTV ratios in this range.

We continue to seek new ways to responsibly expand access to mortgage credit. FHFA's 2016 conservatorship scorecard specifies that in 2016 we should continue to assess impediments to credit access and develop recommendations to address these barriers.

To the extent we are able to encourage lenders to increase access to mortgage credit, we may acquire a greater number of single-family loans with higher risk characteristics than we acquired in recent periods; however, we expect our single-family acquisitions will continue to have a strong overall credit risk profile given our current underwriting and eligibility standards and product design. We actively monitor the credit risk profile and credit performance of our single-family loan acquisitions, in conjunction with housing market and economic conditions, to determine if our pricing, eligibility and underwriting criteria accurately reflect the risks associated with loans we acquire or guarantee.

Contributions to the Housing and Mortgage Markets

Liquidity and Support Activities

As a leading provider of residential mortgage credit in the United States, we indirectly enable families to buy, refinance or rent homes. During 2015, we continued to provide critical liquidity and support to the U.S. mortgage market in a number of important ways:

- We serve as a stable source of liquidity for purchases of homes and financing of multifamily rental housing, as well as for refinancing existing mortgages. We provided approximately $516 billion in liquidity to the mortgage market in 2015 through our purchases of loans and guarantees of loans and securities. This liquidity enabled borrowers to complete approximately 1,188,000 mortgage refinancings and approximately 954,000 home purchases, and provided financing for approximately 569,000 units of multifamily housing.

- Our role in the market enables qualified borrowers to have reliable access to affordable mortgage credit, including a variety of conforming mortgage products such as the prepayable 30-year fixed-rate mortgage that protects homeowners from fluctuations in interest rates.
- We provided approximately 122,000 loan workouts in 2015 to help homeowners stay in their homes or otherwise avoid foreclosure. Our loan workout efforts have helped to stabilize neighborhoods, home prices and the housing market.
- We helped borrowers refinance loans, including through our Refi Plus initiative, which offers additional refinancing flexibility to eligible borrowers who are current on their loans, whose loans are owned or guaranteed by us and who meet certain additional criteria. We acquired approximately 198,000 Refi Plus loans in 2015. Refinancings delivered to us through Refi Plus in the fourth quarter of 2015 reduced borrowers' monthly mortgage payments by an average of $191.
- We support affordability in the multifamily rental market. Over 90% of the multifamily units we financed in 2015 were affordable to families earning at or below 120% of the median income in their area, providing support for both workforce housing and affordable housing.
- In addition to purchasing and guaranteeing loans, we provide funds to the mortgage market through short-term financing and other activities. These activities are described in "Business Segments—Capital Markets."

2015 Market Share

We estimate that our single-family market share was 28% in both 2015 and 2014. These amounts represent our single-family mortgage acquisitions for each year, excluding delinquent loans we purchased from our MBS trusts, as a percentage of the single-family first-lien mortgages we currently estimate were originated in the United States that year. Our estimate of mortgage originations in prior periods is subject to change as additional data become available; therefore, these market share estimates may change in the future, perhaps materially.

We were one of the largest issuers of mortgage-related securities in the secondary market in 2015, with an estimated market share of new single-family mortgage-related securities issuances of 37%, compared with 40% for 2014. We estimate our market share of new single-family mortgage-related securities issuances was 36% in both the third quarter and fourth quarter of 2015, compared with 40% in the fourth quarter of 2014. Our market share for new single-family mortgage-related securities issuances decreased in 2015 compared with 2014 primarily as a result of competition from Ginnie Mae.

We remained a continuous source of liquidity in the multifamily market in 2015. We owned or guaranteed approximately 19% of the outstanding debt on multifamily properties as of September 30, 2015 (the latest date for which information is available).

Serving Customer Needs and Improving Our Business Efficiency

We are undertaking various initiatives to better serve our customers' needs and improve our business efficiency. We are committed to providing our lender partners with the products, services and tools they need to serve the market more effectively and efficiently. To further this commitment, we are focused on continuing to revise and clarify our representation and warranty framework, implementing innovative new and enhanced tools that deliver greater value and certainty to lenders, and making our customers' interactions with us simpler and more efficient.

We have taken several actions in recent years to improve our representation and warranty framework and help lenders reduce their repurchase risk relating to loans they deliver to us, including:

- Revising our representation and warranty framework in 2013 to limit our ability to require lenders to repurchase loans for breaches of certain selling representations and warranties, effective for loans delivered on or after January 1, 2013 that have had 36 timely payments (or 12 timely payments for Refi Plus loans) and meet other eligibility requirements. We further revised our representation and warranty framework in 2014 to relax the timely payment requirement effective for conventional loans delivered on or after July 1, 2014 to permit two instances of 30-day delinquency, and to allow loans to qualify for relief after satisfactory conclusion of a quality control review.
- Providing lenders with greater clarity on the circumstances that would result in a loan repurchase request. For example, in November 2014, we issued a lender announcement updating and clarifying aspects of our new representation and warranty framework, particularly relating to the "life of loan" representations and warranties that are not eligible for repurchase relief.
- Expediting our review of newly acquired performing loans to identify loan defects earlier.

- Offering lenders new or enhanced innovative tools to help them ensure the quality of the loans they deliver to us, such as our EarlyCheck™ loan verification tool, which enables early validation of loan delivery eligibility, allowing lenders to make corrections and avoid the delivery of ineligible loans.
- Providing lenders with training and feedback to help them resolve origination issues and reduce loan origination defects.
- Offering lenders alternatives to repurchasing loans in the event of underwriting defects, including the right to correct loan defects and to propose alternative remedies for our consideration. We also provided lenders specific guidance in October 2015 on what types of loan defects could lead to a repurchase request or an alternative remedy.
- Announcing in February 2016 a new independent dispute resolution process to resolve disagreements over repurchase requests in a timely fashion when needed. This independent dispute resolution process will be available for loans delivered on and after January 1, 2016.

These actions have significantly reduced uncertainty surrounding lenders' repurchase risk relating to loans they deliver to us, and our intention is that these actions will encourage lenders to safely expand their lending to a wider range of qualified borrowers. As of December 31, 2015, more than one million loans in our book of business had obtained relief from repurchases for breaches of certain representations and warranties. We continue to work on new ways to reduce or clarify lenders' repurchase risk. See "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management" for further discussion of changes to our representation and warranty framework and actions we have taken to reduce and clarify lenders' repurchase risk.

In 2015, we implemented a number of changes designed to help our customers originate mortgages with increased certainty, efficiency and lower costs, including the following:

- In January 2015, we made Collateral Underwriter® available to lenders at no cost, giving them access to the same appraisal review tool we use so that they can address potential appraisal issues prior to delivering a loan to us.
- In April 2015, we integrated Collateral Underwriter with our Desktop Underwriter underwriting system, which we believe will enhance our lenders' risk management and underwriting capabilities.
- In June 2015, we eliminated fees charged to customers for using Desktop Underwriter and Desktop Originator®, which we expect will allow more lenders to access these systems in their underwriting process.
- In October 2015, we enhanced our EarlyCheck loan verification tool with additional loan-level data integrity capabilities, to give lenders confidence that the loans they deliver to us have accurate, complete data and meet our requirements.
- In November 2015, we introduced Fannie Mae Connect™, a new self-service portal for lenders to access the data and analytics they need through a one stop source that replaced multiple legacy systems.
- In December 2015, we launched a new loan delivery platform for lenders that is designed to help lenders deliver loans more efficiently and with greater transparency and certainty.

We continue to focus on improving our business to provide value to customers. For example, we expect to implement additional enhancements to Desktop Underwriter in 2016 to further help our lender customers originate mortgages with increased efficiency and lower costs and to help increase access to credit for creditworthy borrowers, such as incorporating trended credit data and offering third-party validation of specified borrower data.

We are also working on a multi-year effort to improve our business efficiency and agility through simplification of our business processes and enhancements to our infrastructure. Many of these improvements are also designed to enhance our customers' experience when doing business with us, including making our customers' interactions with us simpler and more efficient. These efforts include replacing some of our systems with simpler, more automated infrastructure that will enable us to more efficiently process transactions and manage our book of business, as well as to better adapt to industry and regulatory changes in the future. We are also implementing infrastructure improvements to support the integration of our business with the common securitization platform and our ability to issue a single GSE security, which we describe below under "Helping to Build a Sustainable Housing Finance System."

Helping to Build a Sustainable Housing Finance System

We continue to invest significant resources towards helping to build a safer and sustainable housing finance system, primarily through pursuing the strategic goals identified by our conservator. FHFA's current strategic goals for our conservatorship are to:

- **Maintain**, in a safe and sound manner, credit availability and foreclosure prevention activities for new and refinanced mortgages to foster liquid, efficient, competitive and resilient national housing finance markets.
- **Reduce** taxpayer risk through increasing the role of private capital in the mortgage market.
- **Build** a new single-family infrastructure for use by Fannie Mae and Freddie Mac and adaptable for use by other participants in the secondary market in the future.

Since 2012, FHFA has released annual corporate performance objectives for Fannie Mae and Freddie Mac, referred to as the conservatorship scorecard, which detail specific priorities for implementing FHFA's strategic goals. FHFA released its 2015 conservatorship scorecard in January 2015, and its 2016 conservatorship scorecard in December 2015. Both FHFA's 2015 and 2016 conservatorship scorecards include objectives designed to further the goal of reforming the housing finance system. We describe below some of the actions we are taking pursuant to the mandates of the scorecards in order to build the policies and infrastructure for a sustainable housing finance system.

Credit Risk Transfer Transactions. FHFA's 2015 and 2016 conservatorship scorecards include objectives relating to credit risk transfer transactions. The goal of these transactions is, to the extent economically sensible, to transfer a portion of the existing mortgage credit risk on a portion of recently-acquired loans in our single-family guaranty book of business in order to reduce the economic risk to us and to taxpayers of future borrower defaults. Our primary method of achieving our scorecard objectives relating to credit risk transfer transactions has been through the issuance of our Connecticut Avenue Securities™ ("CAS") and our Credit Insurance Risk Transfer™ ("CIRT™") transactions. These transactions transfer a portion of the mortgage credit risk associated with losses on specified reference pools of single-family mortgage loans to investors in CAS in the case of CAS transactions or to panels of reinsurers or insurers in the case of CIRT transactions. As of December 31, 2015, we had completed a total of nine CAS transactions since the CAS program began in 2013 and seven CIRT transactions since the CIRT program began in 2014. Approximately 15% of the loans in our single-family conventional guaranty book of business as of December 31, 2015, measured by unpaid principal balance, were included in a reference pool for a CAS or CIRT transaction. We have also executed other types of risk sharing transactions in addition to our CAS and CIRT transactions, including structures that transfer first loss risk. In the aggregate, our credit risk transfer transactions completed through year-end 2015 transferred a significant portion of the mortgage credit risk on single-family mortgages with an unpaid principal balance of over $500 billion.

We have transferred a significant portion of the mortgage credit risk on over 95% of the single-family loans we acquired during the twelve months ended November 2014 that were in our targeted loan categories for our credit risk transfer transactions. Loan categories we have targeted for credit risk transfer transactions generally consist of fixed-rate 30-year single-family conventional loans that meet certain credit performance characteristics, are non-Refi Plus and have LTV ratios between 60% and 97%. Based on their characteristics at the time we acquired them, over 50% of the single-family loans we acquired during the twelve months ended November 2014 were included in loan categories we have targeted for credit risk transfer transactions. The portion of our single-family loan acquisitions we include in credit risk transfer transactions can vary from period to period based on market conditions and other factors.

We intend to continue to engage in regular CAS and CIRT transactions on an ongoing basis, subject to market conditions. See "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Transfer of Mortgage Credit Risk—Credit Risk-Sharing Transactions" for more information on these transactions.

Common Securitization Platform. FHFA's 2015 and 2016 conservatorship scorecards include objectives relating to the development of a common securitization platform that is intended to replace certain elements of Fannie Mae's and Freddie Mac's respective proprietary systems for securitizing mortgages and performing associated back office and administrative functions. In October 2013, at the direction of our conservator, Fannie Mae and Freddie Mac established Common Securitization Solutions, LLC ("CSS"), a jointly owned limited liability company formed to design, develop, build and ultimately operate the platform. We continue to work with FHFA, Freddie Mac and CSS on building and testing the common securitization platform, as well as on implementing required changes to our systems and operations to integrate with the common securitization platform. In September 2015, FHFA issued "An Update on the Common Securitization Platform," which provided details on the progress made in developing the platform. FHFA's 2016 conservatorship scorecard states that FHFA expects both Fannie Mae and Freddie Mac to implement the single security on the common securitization platform in 2018. See "Housing Finance Reform—Conservator Developments" for more information on the progress of the common securitization platform initiative.

Single Security. FHFA's 2015 and 2016 conservatorship scorecards include objectives relating to the development of a single mortgage-backed security for Fannie Mae and Freddie Mac. In May 2015, FHFA published its initial determinations regarding the key features of the single security structure. During 2015, we, FHFA and Freddie Mac developed a plan to implement the single security. We also worked on a variety of issues relating to the implementation of the single security, including accounting matters, communication planning, industry outreach, risk assessments, privacy matters, legal and contractual issues, and disclosures. See "Housing Finance Reform—Conservator Developments" for more information on the single security and "Risk Factors" for a discussion of the risks to our business associated with a single security for Fannie Mae and Freddie Mac.

Nonperforming Loan Sales. FHFA's 2015 and 2016 conservatorship scorecards include objectives relating to reducing the number of our severely aged delinquent loans, including through nonperforming loan sales. In March 2015, FHFA announced enhanced requirements for nonperforming loan sales by Fannie Mae and Freddie Mac. In the announcement, the Director of FHFA indicated FHFA's expectation that, with these enhanced requirements, nonperforming loan sales will result in more favorable outcomes for borrowers and local communities. We completed three nonperforming loan sales in 2015, selling more than 10,000 nonperforming loans with an aggregate unpaid principal balance of $2.1 billion. Our second nonperforming loan sale transaction included a community impact pool of nonperforming loans with an unpaid principal balance of approximately $5 million that was specifically structured to attract diverse participation by non-profits, small investors and minority- and women-owned businesses. We plan to complete additional nonperforming loan sales.

Neighborhood Stabilization Initiative. We are working with FHFA, Freddie Mac and the National Community Stabilization Trust on a neighborhood stabilization initiative that is focused on disposing of Fannie Mae and Freddie Mac REO properties in specified communities across the country where the number of REO properties remains elevated. This initiative began in two communities and was expanded to eighteen metropolitan areas in December 2015. In these areas, community organizations are given the opportunity to purchase foreclosed properties owned by Fannie Mae or Freddie Mac prior to the properties being made publicly available for purchase.

Mortgage Insurance. FHFA's 2015 conservatorship scorecard includes an objective that we implement final private mortgage insurer eligibility requirements for our counterparties. These reforms are intended to strengthen our mortgage insurer counterparties and reduce the risk to taxpayers of future defaults by mortgage insurers on their obligations to the GSEs. In April 2015, we published updated eligibility standards for approved private mortgage insurers, which were further revised in June 2015 and December 2015. The new standards include enhanced financial requirements and are designed to ensure that mortgage insurers have sufficient liquid assets to pay all claims under a hypothetical future stress scenario. The new standards also set forth enhanced operational performance expectations and define remedial actions that may be imposed should an approved mortgage insurer fail to comply with the revised requirements. See "MD&A—Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Credit Guarantors—Mortgage Insurers" for additional information on these new standards.

Eligibility Requirements for Seller-Servicers. FHFA's 2015 conservatorship scorecard includes an objective that we enhance servicer eligibility standards for our counterparties. In May 2015, we and Freddie Mac issued new operational and financial eligibility requirements for our single-family mortgage seller-servicer counterparties. The operational requirements became effective September 1, 2015 and the financial requirements became effective December 31, 2015. These updated eligibility requirements are designed to better address the risks associated with emerging servicer business models and include a new minimum liquidity requirement for non-depository servicers. See "MD&A—Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Mortgage Sellers and Servicers" for a description of these new eligibility requirements.

Mortgage Data Standardization Initiatives. FHFA's 2015 and 2016 conservatorship scorecards include objectives relating to support of mortgage data standardization initiatives. These initiatives are designed to improve the accuracy and quality of loan data through the mortgage lifecycle with the development and implementation of uniform data standards for single-family mortgages.

For more information on FHFA's 2015 conservatorship scorecard objectives and our performance against these objectives, see "Executive Compensation—Compensation Discussion and Analysis—Determination of 2015 Compensation—Assessment of Corporate Performance on 2015 Conservatorship Scorecard." For more information on FHFA's 2016 conservatorship scorecard objectives, see "Housing Finance Reform—Conservator Developments" and our Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on December 17, 2015.

Treasury Draws and Dividend Payments

From 2009 through the first quarter of 2012, we received a total of $116.1 billion from Treasury under the senior preferred stock purchase agreement. This funding provided us with the capital and liquidity needed to fulfill our mission of providing liquidity and support to the nation's housing finance markets and to avoid triggering mandatory receivership under the Federal Housing Finance Regulatory Reform Act of 2008 (the "2008 Reform Act"). In addition, a portion of the $116.1 billion we received from Treasury was drawn to pay dividends to Treasury because, prior to 2013, our dividend payments on the senior preferred stock accrued at an annual rate of 10%, and we were directed by our conservator to pay these dividends to Treasury each quarter even when we did not have sufficient income to pay the dividend. We have not received funds from Treasury under the agreement since the first quarter of 2012. As of the date of this filing, the maximum amount of remaining funding under the agreement is $117.6 billion.

From 2008 through 2015, we paid a total of $144.8 billion in dividends to Treasury on the senior preferred stock. Under the terms of the senior preferred stock purchase agreement, dividend payments do not offset prior Treasury draws, and we are not permitted to pay down draws we have made under the agreement except in limited circumstances. Accordingly, the current aggregate liquidation preference of the senior preferred stock is $117.1 billion, due to the initial $1.0 billion liquidation preference of the senior preferred stock (for which we did not receive cash proceeds) and the $116.1 billion we have drawn from Treasury.

The Director of FHFA directs us to make dividend payments on the senior preferred stock on a quarterly basis. We expect to pay Treasury a senior preferred stock dividend of $2.9 billion by March 31, 2016 for the first quarter of 2016.

Outlook

Uncertainty Regarding our Future Status. We expect continued significant uncertainty regarding the future of our company and the housing finance system, including how long the company will continue to exist in its current form, the extent of our role in the market, how long we will be in conservatorship, what form we will have and what ownership interest, if any, our current common and preferred stockholders will hold in us after the conservatorship is terminated, and whether we will continue to exist following conservatorship.

We cannot predict the prospects for the enactment, timing or final content of housing finance reform legislation. See "Housing Finance Reform" for a discussion of proposals for reform of the housing finance system, including the GSEs, that could materially affect our business, including proposals to wind down Fannie Mae and Freddie Mac. See "Risk Factors" for a discussion of the risks to our business relating to the uncertain future of our company.

Financial Results. Our financial results continued to be strong in 2015, with net income of $11.0 billion. We expect to remain profitable on an annual basis for the foreseeable future; however, certain factors, such as changes in interest rates or home prices, could result in significant volatility in our financial results from quarter to quarter or year to year. Our future financial results also will be affected by a number of other factors, including: our guaranty fee rates; the volume of single-family mortgage originations in the future; the size, composition and quality of our retained mortgage portfolio and guaranty book of business; and economic and housing market conditions. Our expectations for our future financial results do not take into account the impact on our business of potential future legislative or regulatory changes, which could have a material impact on our financial results, particularly the enactment of housing finance reform legislation as noted in "Uncertainty Regarding our Future Status" above.

Under the terms of the senior preferred stock, our capital reserve will decline by $600 million each year until it reaches zero in 2018. Although we expect to remain profitable on an annual basis for the foreseeable future, due to our declining capital reserve and the potential for significant volatility in our financial results, we could experience a net worth deficit in a future quarter, particularly as our capital reserve approaches or reaches zero. If that were to occur, we would be required to draw additional funds from Treasury under the senior preferred stock purchase agreement in order to avoid being placed into receivership. As of the date of this filing, the maximum amount of remaining funding under the agreement is $117.6 billion. If we were to draw additional funds from Treasury under the agreement in a future period, the amount of remaining funding under the agreement would be reduced by the amount of our draw. Dividend payments we make to Treasury do not restore or increase the amount of funding available to us under the agreement. See "Risk Factors" for a discussion of the risks associated with our declining capital reserves.

Revenues. We currently have two primary sources of revenues: (1) the guaranty fees we receive for managing the credit risk on loans underlying Fannie Mae MBS held by third parties; and (2) the difference between interest income earned on the assets in our retained mortgage portfolio and the interest expense associated with the debt that funds those assets. In recent years, an increasing portion of our net interest income has been derived from guaranty fees rather than from our retained mortgage portfolio assets, due to the impact of guaranty fee increases implemented in 2012 and the reduction of our retained mortgage portfolio. Approximately two-thirds of our 2015 net interest income was derived from the loans underlying our Fannie Mae MBS in consolidated trusts. The net interest income generated by loans underlying our Fannie Mae MBS in consolidated trusts primarily consists of guaranty fees. We expect that guaranty fees will continue to account for an increasing portion of our net interest income.

We expect continued decreases in the size of our retained mortgage portfolio, which will continue to negatively impact our net interest income and net revenues; however, we also expect increases in our guaranty fee revenues will partially offset the negative impact of the decline in our retained mortgage portfolio. We expect our guaranty fee revenues to increase over the next several years, as loans with lower guaranty fees liquidate from our book of business and are replaced with new loans with higher guaranty fees. The extent to which the positive impact of increased guaranty fee revenues will offset the negative impact of the decline in the size of our retained mortgage portfolio will depend on many factors, including: changes to guaranty fee pricing we may make in the future and their impact on our competitive environment and guaranty fee revenues; the size, composition and quality of our guaranty book of business; the life of the loans in our guaranty book of business; the size, composition and quality of our retained mortgage portfolio; economic and housing market conditions, including changes in interest rates; our market share; and legislative and regulatory changes.

Dividend Obligations to Treasury. We expect to retain only a limited amount of any future net worth because we are required by the dividend provisions of the senior preferred stock and quarterly directives from our conservator to pay Treasury each quarter the amount, if any, by which our net worth as of the end of the immediately preceding fiscal quarter exceeds an applicable capital reserve amount. This capital reserve amount is $1.2 billion for each quarter of 2016, will decrease to $600 million in 2017 and will decrease to zero in 2018.

As described in "Legal Proceedings" and "Note 18, Commitments and Contingencies," several lawsuits have been filed by preferred and common stockholders of Fannie Mae and Freddie Mac against the United States, Treasury and/or FHFA challenging actions taken by the defendants relating to the senior preferred stock purchase agreements and the conservatorships of Fannie Mae and Freddie Mac, including challenges to the net worth sweep dividend provisions of the senior preferred stock. We cannot predict the course or the outcome of these lawsuits, or the actions the U.S. government (including Treasury or FHFA) may take in response to any ruling or finding in any of these lawsuits.

Overall Market Conditions. While we expect the single-family serious delinquency rate for the overall mortgage market will continue to decline, we believe the rate of decline will be gradual. According to the Mortgage Bankers Association, 80% of single-family seriously delinquent loans as of September 30, 2015 were originated prior to 2009. We expect the national single-family serious delinquency rate will remain high compared with pre-housing crisis levels because it will take some time for the remaining delinquent loans originated prior to 2009 to work their way through the foreclosure process.

We forecast that total originations in the U.S. single-family mortgage market in 2016 will decrease from 2015 levels by approximately 11% from an estimated $1.69 trillion in 2015 to $1.51 trillion in 2016, and that the amount of originations in the U.S. single-family mortgage market that are refinancings will decrease from an estimated $795 billion in 2015 to $558 billion in 2016.

Home Prices. Based on our home price index, we estimate that home prices on a national basis increased by 5.1% in 2015. We expect the rate of home price appreciation in 2016 to be similar to the rate in 2015. Future home price changes may be very different from our expectations as a result of significant inherent uncertainty in the current market environment, including uncertainty about the effect of recent and future changes in mortgage rates; actions the federal government has taken and may take with respect to fiscal policies, mortgage finance programs and policies, and housing finance reform; the Federal Reserve's purchases and sales of mortgage-backed securities; the impact of those actions on and changes generally in unemployment and the general economic and interest rate environment; and the impact on the U.S. economy of global economic and political conditions. We also expect significant regional variation in the timing and rate of home price growth.

Credit Losses. Our credit losses, which include our charge-offs, net of recoveries, reflect our realization of losses on our loans. Our credit losses were $10.7 billion in 2015, up from $5.9 billion in 2014. Our credit losses increased in 2015 compared with 2014 primarily due to our approach to adopting the charge-off provisions of FHFA's Advisory Bulletin AB 2012-02, "Framework for Adversely Classifying Loans, Other Real Estate Owned, and Other Assets and Listing Assets for Special Mention" (the "Advisory Bulletin") on January 1, 2015, a change in our accounting policy for nonaccrual loans, the recognition of losses associated with the redesignation of certain nonperforming single-family loans from HFI to HFS and an increase in operating expenses on our single-family foreclosed properties. Our credit losses for 2015 reflect $2.5 billion in initial charge-offs associated with our approach to adopting the charge-off provisions of the Advisory Bulletin and $1.1 billion in charge-offs relating to the change in accounting policy for nonaccrual loans. We expect our credit losses to be lower in 2016 and future years than our 2015 credit losses, absent further significant redesignations or accounting policy changes. For further information about our implementation of the Advisory Bulletin and our change in accounting policy for nonaccrual loans, see "Note 1, Summary of Significant Accounting Policies." For further information about our 2015 credit losses as compared with our 2014 credit losses, see "MD&A—Consolidated Results of Operations—Credit-Related Income (Expense)—Credit Loss Performance Metrics."

Loss Reserves. Our combined loss reserves were $28.6 billion as of December 31, 2015, down from $36.8 billion as of December 31, 2014. Our loss reserves have declined substantially from their peak and are expected to decline further. For a discussion of the factors that contributed to the decline in our loss reserves in 2015, see “MD&A—Consolidated Results of Operations—Credit-Related Income (Expense)” and “MD&A—Consolidated Balance Sheet Analysis—Mortgage Loans.”

Factors that Could Cause Actual Results to be Materially Different from Our Estimates and Expectations. We present a number of estimates and expectations in this executive summary regarding our future performance, including estimates and expectations regarding our future financial results and profitability, the level and sources of our future revenues and net interest income, our future dividend payments to Treasury, the level and credit characteristics of, and the credit risk posed by, our future acquisitions, our future credit losses and our future loss reserves. We also present a number of estimates and expectations in this executive summary regarding future housing market conditions, including expectations regarding future single-family loan delinquency rates, future mortgage originations, future refinancings and future home prices. These estimates and expectations are forward-looking statements based on our current assumptions regarding numerous factors. Our future estimates of our performance and housing market conditions, as well as the actual results, may differ materially from our current estimates and expectations as a result of: the timing and level of, as well as regional variation in, home price changes; changes in interest rates, unemployment rates and other macroeconomic and housing market variables; our future guaranty fee pricing and the impact of that pricing on our guaranty fee revenues and competitive environment; our future serious delinquency rates; our future objectives and activities in support of those objectives, including actions we may take to reach additional underserved creditworthy borrowers; future legislative or regulatory requirements or changes that have a significant impact on our business, such as the enactment of housing finance reform legislation; actions we may be required to take by FHFA, in its role as our conservator or as our regulator, such as changes in the type of business we do, a requirement that we implement a principal forgiveness program or implementation of a single GSE security; limitations on our business imposed by FHFA, in its role as our conservator or as our regulator; future updates to our models relating to our loss reserves, including the assumptions used by these models; future changes to our accounting policies; significant changes in modification and foreclosure activity; the volume and pace of future nonperforming loan sales and their impact on our results and serious delinquency rates; changes in borrower behavior, such as an increasing number of underwater borrowers who strategically default on their mortgage loans; the effectiveness of our loss mitigation strategies, management of our REO inventory and pursuit of contractual remedies; whether our counterparties meet their obligations in full; resolution or settlement agreements we may enter into with our counterparties; changes in the fiscal and monetary policies of the Federal Reserve, including any change in the Federal Reserve’s policy towards the reinvestment of principal payments of mortgage-backed securities or any future sales of such securities; changes in the fair value of our assets and liabilities; changes in generally accepted accounting principles (“GAAP”); credit availability; global political risks; natural disasters, environmental disasters, terrorist attacks, pandemics or other major disruptive events; information security breaches; and other factors, including those discussed in “Forward-Looking Statements,” “Risk Factors” and elsewhere in this report. Due to the large size of our guaranty book of business, even small changes in these factors could have a significant impact on our financial results for a particular period.

RESIDENTIAL MORTGAGE MARKET

The U.S. Residential Mortgage Market

We conduct business in the U.S. residential mortgage market and the global securities market. According to the Federal Reserve, total U.S. residential mortgage debt outstanding, which includes $10.0 trillion of single-family mortgage debt outstanding, was estimated to be approximately $11.0 trillion as of September 30, 2015 (the latest date for which information is available). We owned or guaranteed mortgage assets representing approximately 28% of total U.S. residential mortgage debt outstanding as of September 30, 2015.

We operate our business solely in the United States and its territories, and accordingly, we generate no revenue from and have no long-lived assets, other than financial instruments, in geographic locations other than the United States and its territories.

Housing and Mortgage Market and Economic Conditions

According to the U.S. Bureau of Economic Analysis advance estimate, the inflation-adjusted U.S. gross domestic product, or GDP, rose by 2.4% in both 2015 and 2014. According to the U.S. Bureau of Labor Statistics as of January 2016, the economy created an estimated 2.8 million non-farm jobs in 2015 and 3.0 million non-farm jobs in 2014. The unemployment rate declined to 5.0% in December 2015 from 5.6% in December 2014. In January 2016, non-farm payrolls increased by 151,000 jobs, and the unemployment rate decreased to 4.9%.

The most comprehensive measure of the unemployment rate, which includes those working part-time who would rather work full-time and those not looking for work but who want to work and are available for work, declined to 9.9% in December 2015 from 11.2% in December 2014.

Housing activity improved in 2015 as compared with 2014. Total existing home sales of 5.3 million units in 2015 represent an increase of 6.5% from 2014, compared with a 2.9% decrease in 2014, according to data from the National Association of REALTORS®. Sales of foreclosed homes and preforeclosure, or "short," sales (together, "distressed sales") accounted for 8% of existing home sales in December 2015, compared with 11% in December 2014. According to the U.S. Census Bureau, new single-family home sales increased 14.5% in 2015, after increasing by 1.9% in 2014. Homebuilding activity continued to increase in 2015, as single-family housing starts rose approximately 10% in 2015, compared with an increase of 5% in 2014. Multifamily starts rose approximately 11% in 2015, compared with an increase of 16% in 2014.

At the end of 2015, the number of months' supply, or the inventory/sales ratio, of available existing homes and of new homes were each below their historical average. According to the U.S. Census Bureau, the months' supply of new single-family unsold homes was 5.2 months as of December 31, 2015, compared with 5.1 months as of December 31, 2014. According to the National Association of REALTORS®, the months' supply of existing unsold homes was 3.9 months as of December 31, 2015, compared with a 4.4 months' supply as of December 31, 2014.

The overall mortgage market serious delinquency rate fell to 3.4% as of December 31, 2015, according to the Mortgage Bankers Association's National Delinquency Survey, its lowest level since the third quarter of 2007, compared with 4.5% as of December 31, 2014. We provide information about Fannie Mae's serious delinquency rate, which also decreased during 2015, in "Executive Summary—Single-Family Guaranty Book of Business—Credit Performance."

Despite recent improvement in the housing market and declining delinquency rates, approximately one out of fifteen borrowers was delinquent or in foreclosure during the fourth quarter of 2015, according to the Mortgage Bankers Association National Delinquency Survey.

Table 3 displays several key indicators related to the total U.S. residential mortgage market.

Table 3: Housing and Mortgage Market Indicators[(1)]

				% Change	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
Home sales (units in thousands)	5,761	5,377	5,519	7.1 %	(2.6)%
New home sales	501	437	429	14.6	1.9
Existing home sales	5,260	4,940	5,090	6.5	(2.9)
Home price change based on Fannie Mae Home Price Index ("HPI")[(2)]	5.1 %	4.4 %	7.9 %		
Annual average fixed-rate mortgage interest rate[(3)]	3.9 %	4.2 %	4.0 %		
Single-family mortgage originations (in billions)	$ 1,690	$ 1,301	$ 1,866	29.9	(30.3)
Type of single-family mortgage origination:					
Refinance share	47 %	40 %	60 %		
Adjustable-rate mortgage share	8 %	9 %	7 %		
Total U.S. residential mortgage debt outstanding (in billions)[(4)]	$ 11,011	$ 10,874	$ 10,802	1.3	0.7

(1) The sources of the housing and mortgage market data in this table are the Federal Reserve Board, the U.S. Census Bureau, the Department of Housing and Urban Development, the National Association of REALTORS® and the Mortgage Bankers Association. Home sales data are based on information available through December 2015. Single-family mortgage originations, as well as refinance shares, are based on February 2016 estimates from Fannie Mae's Economic & Strategic Research group. The adjustable-rate mortgage share is based on the number of conventional mortgage applications data reported by the Mortgage Bankers Association. Certain previously reported data may have been changed to reflect revised historical data from any or all of these organizations.

(2) Calculated internally using property data information on loans purchased by Fannie Mae, Freddie Mac and other third-party home sales data. Fannie Mae's HPI is a weighted repeat transactions index, measuring average price changes in repeat sales on the same properties. Fannie Mae's HPI excludes prices on properties sold in foreclosure. The reported home price change reflects the percentage change in Fannie Mae's HPI from the fourth quarter of the prior year to the fourth quarter of the reported year.

(3) Based on the annual average 30-year fixed-rate mortgage interest rate reported by Freddie Mac.

(4) U.S. residential mortgage debt outstanding information for 2015 is provided as of September 30, 2015, the latest date for which information is available.

Based on our home price index, we estimate that home prices on a national basis increased by 5.1% in 2015, following increases of 4.4% in 2014 and 7.9% in 2013. Despite the recent increases in home prices, we estimate that, through December 31, 2015, home prices on a national basis remained 6.0% below their peak in the third quarter of 2006. Our home price estimates are based on preliminary data and are subject to change as additional data become available.

Despite the recent increases in home prices, many homeowners continue to have "negative equity" in their homes as a result of declines in home prices since 2006, which means their mortgage principal balance exceeds the current market value of their home. This increases the likelihood that borrowers will abandon their mortgage obligations and that the loans will become delinquent and proceed to foreclosure. According to CoreLogic, Inc., the number of residential properties with mortgages in a negative equity position in the third quarter of 2015 was approximately 4.1 million, down from 5.2 million in the third quarter of 2014. The percentage of properties with mortgages in a negative equity position in the third quarter of 2015 was 8.1%, down from 10.4% in the third quarter of 2014.

Thirty-year fixed-rate mortgage rates primarily increased during the year, starting at 3.73% for the week of January 8, 2015 and ending at 4.01% for the week of December 31, 2015, according to the Freddie Mac Primary Mortgage Market Survey®.

Although mortgage rates trended up in 2015, the average mortgage rate in 2015 was lower than in 2014, which contributed to an increase in single-family mortgage originations in 2015. We estimate that total single-family mortgage originations increased by approximately 30% to $1.69 trillion in 2015, compared with $1.30 trillion in 2014, and that the amount of single-family mortgage originations that were refinancings increased by approximately 53% to $795 billion in 2015, compared with $518 billion in 2014.

We estimate that the amount of single-family mortgage debt outstanding rose slightly in 2015. As of September 30, 2015 (the latest date for which information is available), total single-family mortgage debt outstanding was $10.0 trillion, an increase of 0.9% from the amount of total single-family mortgage debt outstanding as of September 30, 2014. Total U.S. residential mortgage debt outstanding increased by 1.7% from the third quarter of 2014 to the third quarter of 2015.

National multifamily market fundamentals, which include factors such as vacancy rates and rents, remained relatively stable during 2015, despite an increase in new apartment supply. Although the national estimated vacancy level increased toward the end of the year, it remained near historic lows, benefiting from steady rental demand coupled with ongoing job growth and new household formation. Rent growth slowed during the fourth quarter of 2015, but remained positive. According to preliminary third-party data, the national multifamily vacancy rate for institutional investment-type apartment properties was an estimated 5.0% as of December 31, 2015, up from an estimated 4.75% as of September 30, 2015 and the same as the estimated 5.0% as of December 31, 2014.

Effective rents continued to increase during 2015, although the rate of growth slowed in the fourth quarter of 2015. National asking rents increased by an estimated 3.0% in 2015 but only by an estimated 0.25% during the fourth quarter of 2015, compared with an estimated increase of 1.25% in the third quarter of 2015.

Continued demand for multifamily rental units was reflected in the estimated positive net absorption (that is, the net change in the number of occupied rental units during the time period) of approximately 165,000 units in 2015, according to preliminary data from Reis, Inc. There was positive net absorption of approximately 34,000 units during the fourth quarter of 2015, compared with approximately 37,000 units during the third quarter of 2015. Although an estimated 276,000 multifamily units were added to the nation's inventory in 2015, demand remained steady.

Vacancy rates and rents are important to loan performance because multifamily loans are generally repaid from the cash flows generated by the underlying property. Several years of improvement in these fundamentals helped to increase property values in most metropolitan areas in 2015, and contributed to the ongoing increase in new multifamily construction development. As a result, it is estimated that there will be approximately 384,000 new multifamily units completed in 2016. The bulk of this new supply is concentrated in a limited number of metropolitan areas. We believe this increase in supply will result in a temporary slowdown in net absorption rates, occupancy levels and effective rents in those areas throughout 2016. Nevertheless, we expect the overall national rental market supply and demand to remain in balance over the longer term, based on expected construction completions, expected obsolescence and positive rental household formation trends.

MORTGAGE SECURITIZATIONS

We support market liquidity by issuing Fannie Mae MBS that are readily traded in the capital markets. We create Fannie Mae MBS by placing mortgage loans in a trust and issuing Fannie Mae MBS that are backed by those mortgage loans. Monthly payments received on the loans are the primary source of payments passed through to Fannie Mae MBS holders. We guarantee to the MBS trust that we will supplement amounts received by the MBS trust as required to permit timely payment of principal and interest on the trust certificates. In return for this guaranty, we receive guaranty fees.

Below we discuss (1) two broad categories of securitization transactions: lender swaps and portfolio securitizations; (2) features of our MBS trusts; (3) circumstances under which we purchase loans from MBS trusts; and (4) single-class and multi-class Fannie Mae MBS.

Lender Swaps and Portfolio Securitizations

We currently securitize a substantial majority of the single-family and multifamily mortgage loans we acquire. Our securitization transactions primarily fall within two broad categories: lender swap transactions and portfolio securitizations.

Our most common type of securitization transaction is our “lender swap transaction.” Mortgage lenders that operate in the primary mortgage market generally deliver pools of mortgage loans to us in exchange for Fannie Mae MBS backed by these mortgage loans. A pool of mortgage loans is a group of mortgage loans with similar characteristics. After receiving the mortgage loans in a lender swap transaction, we place them in a trust for which we serve as trustee. This trust is established for the sole purpose of holding the mortgage loans separate and apart from our corporate assets. We deliver to the lender (or its designee) Fannie Mae MBS that are backed by the pool of mortgage loans in the trust and that represent an undivided beneficial ownership interest in each of the mortgage loans. We guarantee to each MBS trust that we will supplement amounts received by the MBS trust as required to permit timely payment of principal and interest on the related Fannie Mae MBS. We retain a portion of the interest payment as a fee for providing our guaranty. The mortgage servicer also retains a portion of the interest payment as a fee for servicing the loan. Then, on behalf of the trust, we make monthly distributions to the Fannie Mae MBS certificateholders from the principal and interest payments and other collections on the underlying mortgage loans.

In contrast to our lender swap securitizations, in which lenders deliver pools of mortgage loans to us that we immediately place in a trust for securitization, our “portfolio securitization transactions” involve creating and issuing Fannie Mae MBS using mortgage loans and mortgage-related securities that we hold in our retained mortgage portfolio.

Features of Our MBS Trusts

Our MBS trusts hold either single-family or multifamily mortgage loans or mortgage-related securities. Each trust operates in accordance with a trust agreement or a trust indenture. Each MBS trust is also governed by an issue supplement documenting the formation of that MBS trust, the identification of its related assets and the issuance of the related Fannie Mae MBS. The trust agreement or the trust indenture, together with the issue supplement and any amendments, are considered the “trust documents” that govern an individual MBS trust.

Purchases of Loans from our MBS Trusts

Under the terms of our MBS trust documents, we have the option or, in some instances, the obligation, to purchase mortgage loans that meet specific criteria from an MBS trust. For example, we have the option under the terms of the trust documents to purchase a loan from an MBS trust if the loan is delinquent as to four or more consecutive monthly payments. We generally have the obligation to purchase a mortgage loan from an MBS trust when the mortgage loan becomes delinquent as to 24 monthly payments. Our acquisition cost for these loans is the unpaid principal balance of the loan plus accrued interest.

In deciding whether and when to exercise our option to purchase a loan from a single-family MBS trust, we consider a variety of factors, including: our legal ability to purchase loans under the terms of the trust documents; whether we have agreed to modify the loan, which we currently cannot do while it remains in trust; our mission and public policy; our loss mitigation strategies and the exposure to credit losses we face under our guaranty; our cost of funds; the impact on our results of operations; relevant market yields; the accounting impact; the administrative costs associated with purchasing and holding the loans; counterparty exposure to lenders that have agreed to cover losses associated with delinquent loans; and general market conditions. The weight we give to these factors changes depending on market circumstances and other factors.

The cost of purchasing most delinquent loans from Fannie Mae MBS trusts and holding them in our retained mortgage portfolio is currently less than the cost of advancing delinquent payments to security holders. We generally purchase loans from MBS trusts as they become four or more consecutive monthly payments delinquent. During 2015, we purchased delinquent loans with an unpaid principal balance of $13.2 billion from our single-family MBS trusts. We expect to continue purchasing loans from MBS trusts as they become four or more consecutive monthly payments delinquent subject to market conditions, economic benefit, servicer capacity and other factors, including the limit on the amount of mortgage assets that we may own pursuant to the senior preferred stock purchase agreement and FHFA’s portfolio plan requirements.

For our multifamily MBS trusts, we typically exercise our option to purchase a loan from the trust if the loan is delinquent as to four or more consecutive monthly payments, whether those payments were made in whole or in part.

Single-Class and Multi-Class Fannie Mae MBS

Fannie Mae MBS trusts may be single-class or multi-class. Single-class MBS are MBS in which the investors receive principal and interest payments on the mortgage loans backing the MBS directly in proportion to their percentage ownership of the MBS issuance. Multi-class MBS are MBS, including Real Estate Mortgage Investment Conduits ("REMICs"), in which the cash flows on the underlying mortgage assets are divided, creating several classes of securities, each of which represents an undivided beneficial ownership interest in the assets of the related MBS trust and entitles the related holder to a specific portion of cash flows. Terms to maturity of some multi-class Fannie Mae MBS, particularly REMIC classes, may match or be shorter than the maturity of the underlying mortgage loans and/or mortgage-related securities. After these classes mature, cash flows received on the underlying mortgage assets are allocated to the remaining classes in accordance with the payment terms of the securities. As a result, each of the classes in a multi-class MBS may have a different coupon rate, average life, repayment sensitivity or final maturity. Structured Fannie Mae MBS are either multi-class MBS or single-class MBS that are typically resecuritizations of other single-class Fannie Mae MBS. In a resecuritization, pools of MBS are collected and securitized.

BUSINESS SEGMENTS

We have three business segments for management reporting purposes: Single-Family Credit Guaranty, Multifamily and Capital Markets. In this report we refer to our business groups that run these segments as our "Single-Family business," our "Multifamily business" and our "Capital Markets group." These groups engage in complementary business activities in pursuing our mission of providing liquidity, stability and affordability to the U.S. housing market. These activities are summarized in the table below and described in more detail following this table. We also summarize in the table below the key sources of revenue for each of our segments and the primary expenses.

Business Segment	Primary Business Activities	Primary Drivers of Revenue	Primary Drivers of Expense
Single-Family	*Mortgage acquisitions:* Works with our lender customers to acquire single-family mortgage loans through lender swap transactions or, working also with our Capital Markets group, through loan purchases *Credit risk management:* Prices and manages the credit risk on loans in our single-family guaranty book of business. Also enters into transactions that transfer a portion of the credit risk on some of the loans in our single-family guaranty book of business *Credit loss management:* Works to prevent foreclosures and reduce costs of defaulted single-family loans through home retention solutions and foreclosure alternatives, through management of foreclosures and REO, and through pursuing contractual remedies from lenders, servicers and providers of credit enhancement	*Guaranty fees:* Compensation for assuming and managing the credit risk on our single-family guaranty book of business *Interest income not recognized:* Consists of reimbursement costs for interest income not recognized for loans on nonaccrual status in our retained mortgage portfolio or in consolidated trusts, which are recorded as a reduction to our interest income	*Credit-related expense:* Consists of the provision for single-family credit losses and foreclosed property expense on loans underlying our single-family guaranty book of business *Administrative expenses:* Consists of salaries and benefits, occupancy costs, professional services, and other expenses associated with our Single-Family business operations *TCCA fees:* Consists of a portion of our guaranty fees that is remitted to Treasury pursuant to the TCCA. We expect TCCA fees will increase in future periods

Business Segment	Primary Business Activities	Primary Drivers of Revenue	Primary Drivers of Expense
Multifamily	*Mortgage securitizations:* Works with our lender customers, primarily through our Delegated Underwriting and Servicing, or DUS®, program, to securitize multifamily mortgage loans delivered to us by lenders into Fannie Mae MBS in lender swap transactions *Credit risk management:* Prices and manages the credit risk on loans in our multifamily guaranty book of business. Lenders retain a portion of the credit risk in most multifamily transactions *Credit loss management:* Works to prevent foreclosures and reduce costs of defaulted multifamily loans through foreclosure alternatives, through management of foreclosures and REO, and through pursuing contractual remedies from lenders, servicers and providers of credit enhancement	*Guaranty fees:* Compensation for assuming and managing the credit risk on our multifamily guaranty book of business *Fee and other income:* Other fees associated with multifamily business activities	*Credit-related expense:* Consists of the provision for multifamily credit losses and foreclosed property expense on loans underlying our multifamily guaranty book of business *Administrative expenses:* Consists of salaries and benefits, occupancy costs, professional services, and other expenses associated with our Multifamily business operations
Capital Markets	*Mortgage and other investments:* Purchases mortgage assets and invests in non-mortgage interest-earning assets *Mortgage securitizations:* Purchases loans from a large group of lenders, securitizes them, and may sell the securities to dealers and investors *Structured mortgage securitizations and other customer services:* Issues structured Fannie Mae MBS for customers in exchange for a transaction fee and provides other fee-related services to our lender customers *Interest rate risk management:* Manages the interest rate risk on our portfolio by issuing a variety of debt securities in a wide range of maturities and by using derivatives	*Net interest income:* Generated from the difference between the interest income earned on our interest-earning assets and the interest expense associated with the debt funding those assets *Fee and other income:* Compensation received for engaging in structured transactions and providing other lender services. In addition, the substantial majority of fee and other income for 2013 and 2014 consisted of income resulting from settlement agreements resolving certain lawsuits relating to PLS sold to us	*Fair value gains and losses:* Primarily consists of fair value gains and losses on derivatives, trading securities and other financial instruments *Investment gains and losses:* Primarily consists of (1) gains and losses on the sale or securitization of mortgage assets and (2) impairments recognized on our investments *Administrative expenses:* Consists of salaries and benefits, occupancy costs, professional services, and other expenses associated with our Capital Markets business operations

Revenues from our Business Segments

Table 4 displays our total net revenues for each of our business segments for each of the last three years. Net revenues include net interest income, guaranty fee income, and fee and other income. Under our segment reporting, the sum of the results for our three business segments does not equal our consolidated statements of operations and comprehensive income, as we separate the activity related to our consolidated trusts from the results generated by our three segments. We also include a reconciling items category to reconcile our business segment financial results and the activity related to our consolidated trusts to net income in our consolidated statements of operations and comprehensive income. For more information about the financial results and performance and total assets of each of our segments, see "MD&A—Business Segment Results" and "Note 12, Segment Reporting."

Table 4: Business Segment Revenues

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Single-Family	$13,326	$12,332	$11,303
Multifamily	1,612	1,384	1,325
Capital Markets	5,174	11,182	11,659
Reconciling items	2,645	957	2,047
Total	$22,757	$25,855	$26,334

Single-Family Business

Working with our lender customers, our Single-Family business provides funds to the mortgage market by acquiring single-family loans through lender swap transactions or, working also with our Capital Markets group, through loan purchases. Our Single-Family business has primary responsibility for pricing and managing the credit risk on our single-family guaranty book of business, which consists of single-family mortgage loans underlying Fannie Mae MBS and single-family loans held in our retained mortgage portfolio.

A single-family loan is secured by a property with four or fewer residential units. Our Single-Family business and Capital Markets group securitize and purchase primarily conventional (not federally insured or guaranteed) single-family fixed-rate or adjustable-rate, first-lien mortgage loans, or mortgage-related securities backed by these types of loans. We also securitize or purchase loans insured by FHA, loans guaranteed by the VA, loans guaranteed by the Rural Development Housing and Community Facilities Program of the U.S. Department of Agriculture, manufactured housing loans and other mortgage-related securities.

Revenues for our Single-Family business are derived primarily from guaranty fees received as compensation for assuming the credit risk on the mortgage loans underlying single-family Fannie Mae MBS. We also allocate guaranty fee revenues to the Single-Family business for assuming and managing the credit risk on the single-family mortgage loans held in our retained mortgage portfolio. The aggregate amount of single-family guaranty fees we receive or that are allocated to our Single-Family business in any period depends on the amount of single-family Fannie Mae MBS outstanding and loans held in our retained mortgage portfolio during the period and the applicable guaranty fee rates. The amount of Fannie Mae MBS outstanding at any time is primarily determined by the rate at which we issue new Fannie Mae MBS and by the repayment rate for the loans underlying our outstanding Fannie Mae MBS.

We describe the credit risk management process employed by our Single-Family business, with oversight from our Single-Family Enterprise Risk Management group, including its key strategies in managing credit risk and key metrics used in measuring and evaluating our single-family credit risk, in "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management."

Single-Family Mortgage Securitizations and Other Acquisitions

Our Single-Family business securitizes single-family mortgage loans and issues single-class Fannie Mae MBS, which are described above in "Mortgage Securitizations—Single-Class and Multi-Class Fannie Mae MBS," for our lender customers. Unlike our Capital Markets group, which securitizes loans from our retained mortgage portfolio, our Single-Family business securitizes loans solely in lender swap transactions. We describe lender swap transactions, and how they differ from portfolio securitizations, in "Mortgage Securitizations—Lender Swaps and Portfolio Securitizations." Our Single-Family business also works with our Capital Markets group to acquire single-family loans through purchases of loans.

Loans from our lender customers are delivered to us through either our "flow" or "bulk" transaction channels. In our flow business, we enter into agreements that generally set agreed-upon guaranty fees and other contract terms for a lender's future delivery of individual loans to us over a specified time period. Our bulk business generally consists of transactions in which a set of loans is delivered to us in bulk, typically with guaranty fees and other contract terms negotiated individually for each transaction.

Single-Family Mortgage Servicing, REO Management, and Lender Repurchase Evaluations

Servicing

Generally, the servicing of the mortgage loans that are held in our retained mortgage portfolio or that back our Fannie Mae MBS is performed by mortgage servicers on our behalf. Some loans are serviced for us by the lenders that initially sold the loans to us. In other cases, our loans are serviced by third-party servicers that did not originate or sell the loans to us. For loans we own or guarantee, the lender or servicer must obtain our approval before selling servicing rights to another servicer.

Our mortgage servicers typically collect and deliver principal and interest payments, administer escrow accounts, monitor and report delinquencies, perform default prevention activities, evaluate transfers of ownership interests, respond to requests for partial releases of security, and handle proceeds from casualty and condemnation losses. Our mortgage servicers are the primary point of contact for borrowers and perform a key role in the effective implementation of our homeownership assistance initiatives, negotiation of workouts of troubled loans, and other loss mitigation activities. If necessary, mortgage servicers inspect and preserve properties and process foreclosures and bankruptcies. Because we generally delegate the servicing of our mortgage loans to mortgage servicers and do not have our own servicing function, our ability to actively manage troubled loans that we own or guarantee is limited. For more information on the risks of our reliance on servicers, refer to "Risk Factors" and "MD&A—Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management."

We compensate servicers primarily by permitting them to retain a specified portion of each interest payment on a serviced mortgage loan as a servicing fee. Servicers also generally retain assumption fees, late payment charges and other similar charges, to the extent they are collected from borrowers, as additional servicing compensation. We also compensate servicers for negotiating workouts on problem loans.

REO Management

If a loan defaults and we acquire a home through foreclosure or a deed-in-lieu of foreclosure, we market and sell the home through local real estate professionals. Our primary objectives are both to minimize the severity of loss to Fannie Mae by maximizing sales prices and to stabilize neighborhoods by preventing empty homes from depressing home values. In cases where the property does not sell, we use alternative methods of disposition, including selling homes to municipalities, other public entities or non-profit organizations, and selling properties in bulk or through public auctions.

Lender Repurchase Evaluations

We conduct post-purchase quality control file reviews to ensure that loans sold to, and serviced for, us meet our guidelines. If we discover violations through reviews, we generally issue repurchase demands to the seller or other responsible party and seek to collect on our repurchase claims; however, under our revised representation and warranty framework, we no longer require repurchase for loans that have breaches of certain selling representations and warranties if they have met specified criteria for relief. We discuss changes we have made to our post-purchase loan review process and our representation and warranty framework in "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards."

Single-Family Credit Risk Transfer Transactions

Our Single-Family business has developed risk-sharing capabilities to transfer portions of our single-family mortgage credit risk to the private market. The goal of these transactions is, to the extent economically sensible, to transfer a portion of the existing mortgage credit risk on a portion of recently-acquired loans in our single-family guaranty book of business in order to reduce the economic risk to us and to taxpayers of future borrower defaults. For a discussion of our single-family credit risk transfer transactions, see "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Transfer of Mortgage Credit Risk—Credit Risk-Sharing Transactions."

Multifamily Business

Our Multifamily business provides mortgage market liquidity for properties with five or more residential units, which may be apartment communities, cooperative properties, seniors housing, dedicated student housing or manufactured housing communities. Our Multifamily business works with our lender customers to provide funds to the mortgage market primarily by securitizing multifamily mortgage loans into Fannie Mae MBS. We also purchase multifamily mortgage loans and provide credit enhancement for bonds issued by state and local housing finance authorities to finance multifamily housing.

Our Multifamily business also works with our Capital Markets group to facilitate the purchase and securitization of multifamily mortgage loans and securities. Our multifamily guaranty book of business consists primarily of multifamily mortgage loans underlying Fannie Mae MBS and multifamily loans held in our retained mortgage portfolio. Our Multifamily business has primary responsibility for pricing and managing the credit risk on our multifamily guaranty book of business, including managing the credit risk on multifamily loans and Fannie Mae MBS backed by multifamily loans that are held in our retained mortgage portfolio.

We describe the credit risk management process employed by our Multifamily business, with oversight from our Multifamily Enterprise Risk Management group, including its key strategies in managing credit risk and key metrics used in measuring and evaluating our multifamily credit risk, in “MD&A—Risk Management—Credit Risk Management—Multifamily Mortgage Credit Risk Management.”

Revenues for our Multifamily business are derived from a variety of sources, including: (1) guaranty fees received as compensation for assuming credit risk on the mortgage loans underlying multifamily Fannie Mae MBS and on the multifamily mortgage loans held in our retained mortgage portfolio and on other mortgage-related securities; and (2) other fees associated with multifamily business activities. In addition, our Capital Markets group earns revenue generated from the difference between the interest income earned on the multifamily mortgage loans and securities held in our retained mortgage portfolio and the interest expense associated with the debt that funds those loans and securities, as well as yield maintenance income and revenue related to other market-making activity.

Key Characteristics of the Multifamily Mortgage Market and Multifamily Transactions

The multifamily mortgage market and our transactions in that market have a number of key characteristics that affect our multifamily activities and distinguish them from our activities in the single-family residential mortgage market.

- *Funding sources:* The multifamily market is made up of a wide variety of lending sources, including commercial banks, life insurance companies, investment banks, FHA, state and local housing finance agencies, and the GSEs.
- *Lenders:* During 2015, we executed multifamily transactions with 28 lenders. Of these, 25 lenders delivered loans to us under our DUS program. In determining whether to partner with a multifamily lender, we consider the lender’s financial strength, multifamily underwriting and servicing experience, portfolio performance and willingness and ability to share in the risk of loss associated with the multifamily loans they originate.
- *Loan size:* The average size of a loan in our multifamily guaranty book of business is $7 million.
- *Collateral:* Multifamily loans are collateralized by properties that generate cash flows and effectively operate as businesses, such as garden and high-rise apartment complexes, seniors housing communities, cooperatives, dedicated student housing and manufactured housing communities.
- *Borrower and sponsor profile:* Multifamily borrowers are entities that are typically owned, directly or indirectly, by for-profit corporations, limited liability companies, partnerships, real estate investment trusts and individuals who invest in real estate for cash flow and equity returns in exchange for their original investment in the asset. The ultimate owners of a multifamily borrower are referred to as the borrower’s “sponsors.” In this report, we refer to both the borrowing entities and their sponsors as “borrowers.” Because borrowing entities are typically single-asset entities, with the property as their only asset, in evaluating a borrowing entity we also evaluate its sponsors. Multifamily loans are generally non-recourse to the sponsors. When considering a multifamily borrower, creditworthiness is evaluated through a combination of quantitative and qualitative data including liquid assets, net worth, number of units owned, experience in a market and/or property type, multifamily portfolio performance, access to additional liquidity, debt maturities, asset/property management platform, senior management experience, reputation and lender exposure.
- *Borrower and lender alignment:* Borrowers are required to contribute equity into multifamily properties on which they borrow, while lenders generally share in any losses realized from the loans that we guarantee.
- *Underwriting process:* Multifamily loans require detailed underwriting of the property’s operating cash flow. Our underwriting includes an evaluation of the property’s ability to support the loan, property quality, market and submarket factors, ability to exit at maturity and an initial risk categorization for the loan.
- *Term and lifecycle:* In contrast to the standard 30-year single-family residential loan, multifamily loans typically have terms of 5, 7 or 10 years, with balloon payments due at maturity.
- *Prepayment terms:* Most multifamily Fannie Mae loans and MBS have protection against prepayments of loans and impose prepayment premiums, consistent with standard commercial investment terms.

Multifamily Mortgage Securitizations

Our Multifamily business generally creates multifamily Fannie Mae MBS in lender swap transactions in a manner similar to our Single-Family business, as described in “Single-Family Business—Single-Family Mortgage Securitizations and Other

Acquisitions.” Our multifamily lender customers typically deliver only one mortgage loan to back each multifamily Fannie Mae MBS. The characteristics of each mortgage loan are used to establish guaranty fees on a risk-adjusted basis. Securitizing a single multifamily mortgage loan into a Fannie Mae MBS facilitates its sale into the secondary market.

We also issue structured transactions backed by multifamily Fannie Mae MBS through the Fannie Mae Guaranteed Multifamily Structures (“Fannie Mae GeMS™”) program. This provides additional liquidity and stability to the multifamily market, while expanding the investor base for multifamily Fannie Mae MBS.

Delegated Underwriting and Servicing

In an effort to promote product standardization in the multifamily marketplace, in 1988 Fannie Mae initiated the DUS program for acquiring individual multifamily loans.

DUS is a unique business model in the commercial mortgage industry. The standard industry practice for a multifamily loan requires the purchaser or guarantor to underwrite or re-underwrite each loan prior to deciding whether to purchase or guaranty the loan. Under our model, DUS lenders are pre-approved and delegated the authority to underwrite and service loans on behalf of Fannie Mae. In exchange for this authority, DUS lenders are required to share with us the risk of loss over the life of the loan, as discussed in more detail in “MD&A—Risk Management—Credit Risk Management—Multifamily Mortgage Credit Risk Management—Multifamily Acquisition Policy and Underwriting Standards.” Since DUS lenders share in the credit risk, the servicing fee to the lenders includes compensation for credit risk. Delegation permits lenders to respond to customers more rapidly, as the lender generally has the authority to approve a loan within prescribed parameters, which provides an important competitive advantage.

Our DUS model aligns the interests of the lender and Fannie Mae. Our current 25-member DUS lender network, which is comprised of large financial institutions and independent mortgage lenders, continues to be our principal source of multifamily loan deliveries.

Multifamily Mortgage Servicing

Multifamily mortgage servicing is typically performed by the lenders who sell the mortgages to us. Multifamily mortgage servicers that are members of our DUS network have agreed to accept loss sharing, which we believe increases the alignment of interests between us and our multifamily loan servicers. Because of our loss-sharing arrangements with our multifamily lenders, transfers of multifamily servicing rights are infrequent, and we carefully monitor our servicing relationships and enforce our right to approve servicing transfers. As a seller-servicer, the lender is responsible for evaluating the financial condition of properties and property owners, administering various types of agreements (including agreements regarding replacement reserves, completion or repair, and operations and maintenance), as well as conducting routine property inspections.

The Multifamily Markets in Which We Operate

In the multifamily mortgage market, we aim to address the rental housing needs of a wide range of the population in all markets across the country, with the substantial majority of our focus on supporting rental housing that is affordable to families earning at or below the median income in their area. Our mission requires us to serve the market steadily, rather than moving in and out depending on market conditions. Through the secondary mortgage market, we support rental housing for the workforce population, for senior citizens and students, and for families with the greatest economic need. Our Multifamily business is organized and operated as an integrated commercial real estate finance business, addressing the spectrum of multifamily housing finance needs, including the needs described below.

- To meet the growing need for smaller multifamily property financing, we focus on the acquisition of multifamily loans up to $3 million ($5 million in high cost areas). We acquire these loans primarily from DUS lenders; however, we have also acquired these loans from other financial institutions. Over the years, we have been an active purchaser of these loans from both DUS and non-DUS lenders, and, as of December 31, 2015, they represented 54% of our multifamily guaranty book of business by loan count and 10% based on unpaid principal balance.
- To serve low- and very low-income households, we have a team that focuses exclusively on relationships with lenders financing privately-owned multifamily properties that receive public subsidies in exchange for maintaining long-term affordable rents. We enable borrowers to leverage housing programs and subsidies provided by local, state and federal agencies. These public subsidy programs are largely targeted to providing housing to families earning less than 60% of area median income (as defined by the U.S. Department of Housing and Urban Development (“HUD”)) and are structured to ensure that the low and very low-income households who benefit from the subsidies pay no more than 30% of their gross monthly income for rent and utilities. As of December 31, 2015, this type of

financing represented approximately 14% of our multifamily guaranty book of business, based on unpaid principal balance, including $13.3 billion in bond credit enhancements.

Capital Markets

Our Capital Markets group manages our mortgage-related assets and other interest-earning non-mortgage investments. We fund our purchases primarily through proceeds we receive from the issuance of debt securities in the domestic and international capital markets. Our Capital Markets group has primary responsibility for managing the interest rate risk associated with our investments in mortgage assets, with oversight from our Capital Markets Enterprise Risk Management group.

Our Capital Markets group's business activity is primarily focused on making short-term use of our balance sheet rather than on long-term investments. As a result, our Capital Markets group works with lender customers to provide funds to the mortgage market through short-term financing and investing activities. Activities we are undertaking to provide liquidity to the mortgage market include the following:

- *Whole Loan Conduit.* Whole loan conduit activities involve our purchase of single-family loans principally for the purpose of securitizing them. We purchase loans from a large group of lenders and then securitize them as Fannie Mae MBS, which may then be sold to dealers and investors.
- *Early Funding.* Lenders who deliver whole loans or pools of whole loans to us in exchange for MBS typically must wait between 30 and 45 days from the closing and settlement of the loans or pools and the issuance of the MBS. This delay may limit lenders' ability to originate new loans. Under our early lender funding programs, we purchase whole loans or pools of loans on an accelerated basis, allowing lenders to receive quicker payment for the whole loans and pools, which replenishes their funds and allows them to originate more mortgage loans.
- *REMICs and Other Structured Securitizations.* We issue structured Fannie Mae MBS (including REMICs), typically for our lender customers or securities dealer customers, in exchange for a transaction fee.
- *MBS Trading.* We regularly enter into purchase and sale transactions with other market participants involving mortgage-backed securities issued by Fannie Mae, Freddie Mac and Ginnie Mae, which we refer to as "agency MBS." These transactions can provide for the future delivery of mortgage-backed securities with underlying single-family loans that share certain general characteristics (often referred to as the "TBA market"). These purchase and sale transactions also can provide for the future delivery of specifically identified mortgage-backed securities with underlying loans that have other characteristics considered desirable by some investors (often referred to as the "Specified Pools market"). Through our trading activity in the TBA and Specified Pools markets, we provide significant liquidity to the agency MBS markets.

Securitization Activities

Our Capital Markets group is engaged in issuing both single-class and multi-class Fannie Mae MBS through both portfolio securitizations and structured securitizations involving third-party assets.

- *Portfolio securitizations.* Our Capital Markets group creates single-class and multi-class Fannie Mae MBS from mortgage-related assets held in our retained mortgage portfolio. Our Capital Markets group may sell these Fannie Mae MBS into the secondary market or may retain the Fannie Mae MBS in our retained mortgage portfolio.
- *Structured securitizations.* Our Capital Markets group creates single-class and multi-class structured Fannie Mae MBS, typically for our lender customers or securities dealer customers, in exchange for a transaction fee. In these transactions, the customer "swaps" a mortgage-related asset that it owns (typically a mortgage security) in exchange for a structured Fannie Mae MBS we issue. The process for issuing Fannie Mae MBS in a structured securitization is similar to the process involved in our lender swap securitizations. For more information about that process and how it differs from portfolio securitizations, see "Mortgage Securitizations—Lender Swaps and Portfolio Securitizations."

For a description of single-class Fannie Mae MBS, see "Mortgage Securitizations—Single-Class and Multi-Class Fannie Mae MBS."

Other Customer Services

Our Capital Markets group provides our lender customers with services that include offering to purchase mortgage assets; segregating customer portfolios to obtain optimal pricing for their mortgage loans; and assisting customers with hedging their mortgage business. These activities help to create a broader market for our customers and enhance liquidity in the secondary mortgage market.

Retained Mortgage Portfolio

Revenue from our Capital Markets group is derived primarily from the difference, or spread, between the interest we earn on our mortgage and non-mortgage investments and the interest we incur on the debt we issue to fund these assets. Our Capital Markets revenues are primarily derived from our retained mortgage portfolio. We expect these revenues to continue to decrease over time as the maximum allowable amount of mortgage assets we may own continues to decrease each year through 2018 under our senior preferred stock purchase agreement with Treasury and pursuant to FHFA's additional request that we cap our mortgage portfolio at 90% of the annual limit under the senior preferred stock purchase agreement. See "Conservatorship and Treasury Agreements—Treasury Agreements—Covenants under Treasury Agreements" for more information on the decreasing limits on the amount of mortgage assets we are permitted to hold.

We describe the interest rate risk management process employed by our Capital Markets group, including its key strategies in managing interest rate risk and key metrics used in measuring and evaluating our interest rate risk, in "MD&A—Risk Management—Market Risk Management, Including Interest Rate Risk Management."

Liquidity Support and Financing Activities

Our Capital Markets group seeks to increase the liquidity of the mortgage market by maintaining a presence as an active aggregator of mortgage loans and supports the liquidity of Fannie Mae MBS in a variety of market conditions.

Our Capital Markets group funds its purchases primarily through the issuance of a variety of debt securities in a wide range of maturities in the domestic and international capital markets. The most active investors in our debt securities include commercial bank portfolios and trust departments, investment fund managers, insurance companies, pension funds, state and local governments, and central banks. The approved dealers for underwriting various types of Fannie Mae debt securities may differ by funding program. See "MD&A—Liquidity and Capital Management—Liquidity Management" for information on the composition of our outstanding debt and a discussion of our liquidity and debt activity.

Our Capital Markets group's liquidity support and financing activities are affected by market conditions. In addition, the Capital Markets group's purchases are subject to contractual limitations, including the provisions of the senior preferred stock purchase agreement with Treasury, and to regulatory constraints, to the extent described below under "Conservatorship and Treasury Agreements" and "Our Charter and Regulation of Our Activities."

CONSERVATORSHIP AND TREASURY AGREEMENTS

Conservatorship

On September 6, 2008, the Director of FHFA appointed FHFA as our conservator, pursuant to authority provided by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the 2008 Reform Act (together, the "GSE Act"). The conservatorship is a statutory process designed to preserve and conserve our assets and property and put the company in a sound and solvent condition.

The conservatorship has no specified termination date and there continues to be significant uncertainty regarding the future of our company, including how long the company will continue to exist in its current form, the extent of our role in the market, how long we will be in conservatorship, what form we will have and what ownership interest, if any, our current common and preferred stockholders will hold in us after the conservatorship is terminated, and whether we will continue to exist following conservatorship. For more information on the risks to our business relating to the conservatorship and uncertainties regarding the future of our company and business, as well as the adverse effects of the conservatorship on the rights of holders of our common and preferred stock, see "Risk Factors."

Management of the Company during Conservatorship

Upon its appointment, the conservator immediately succeeded to (1) all rights, titles, powers and privileges of Fannie Mae, and of any shareholder, officer or director of Fannie Mae with respect to Fannie Mae and its assets, and (2) title to the books, records and assets of any other legal custodian of Fannie Mae. The conservator subsequently delegated specified authorities to our Board of Directors and delegated to management the authority to conduct our day-to-day operations. In connection with its delegation of authority, FHFA has instructed the Board to oversee that management consult with and obtain the written approval of the conservator before taking action in any of the areas described in "Directors, Executive Officers and Corporate Governance—Corporate Governance—Conservatorship and Delegation of Authority to Board of Directors." FHFA's instructions also require the company to notify FHFA of planned changes in business processes or operations, so that FHFA may participate in decision-making as FHFA determines appropriate. The conservator retains the authority to amend or withdraw its delegations at any time.

Our directors serve on behalf of the conservator and exercise their authority as directed by and with the approval, where required, of the conservator. Our directors have no fiduciary duties to any person or entity except to the conservator. Accordingly, our directors are not obligated to consider the interests of the company, the holders of our equity or debt securities or the holders of Fannie Mae MBS unless specifically directed to do so by the conservator.

Because we are in conservatorship, our common stockholders currently do not have the ability to elect directors or to vote on other matters. The conservator eliminated common and preferred stock dividends (other than dividends on the senior preferred stock issued to Treasury) during the conservatorship, and we are no longer managed with a strategy to maximize shareholder returns. For additional information about our primary goals, see "Executive Summary—Our Strategy and Business Objectives," and for additional information about the goals of the conservatorship, see "Executive Summary—Helping to Build a Sustainable Housing Finance System" and "Housing Finance Reform—Conservator Developments."

Powers of the Conservator under the GSE Act

FHFA has broad powers when acting as our conservator. As conservator, FHFA can direct us to enter into contracts or enter into contracts on our behalf. Further, FHFA may transfer or sell any of our assets or liabilities (subject to limitations and post-transfer notice provisions for transfers of certain types of financial contracts), without any approval, assignment of rights or consent of any party. The GSE Act provides, however, that mortgage loans and mortgage-related assets that have been transferred to a Fannie Mae MBS trust must be held by the conservator for the beneficial owners of the Fannie Mae MBS and cannot be used to satisfy the general creditors of the company. For more information on FHFA's powers as conservator and the rules governing conservatorship and receivership operations for the GSEs, see "Our Charter and Regulation of Our Activities—The GSE Act—Receivership."

Neither the conservatorship nor the terms of our agreements with Treasury change our obligation to make required payments on our debt securities or perform under our mortgage guaranty obligations.

Under the GSE Act, FHFA must place us into receivership if the Director of FHFA makes a written determination that our assets are less than our obligations (that is, we have a net worth deficit) or if we have not been paying our debts, in either case, for a period of 60 days. In addition, the Director of FHFA may place us in receivership at his discretion at any time for other reasons set forth in the GSE Act, including if we are critically undercapitalized or if we are undercapitalized and have no reasonable prospect of becoming adequately capitalized. Placement into receivership would likely have a material adverse effect on holders of our common stock and preferred stock, and could have a material adverse effect on holders of our debt securities and Fannie Mae MBS. Should we be placed into receivership, different assumptions would be required to determine the carrying value of our assets, which could lead to substantially different financial results. For more information on the risks to our business relating to conservatorship and uncertainties regarding the future of our business, see "Risk Factors."

Treasury Agreements

On September 7, 2008, we, through FHFA, in its capacity as conservator, and Treasury entered into a senior preferred stock purchase agreement, which was amended and restated on September 26, 2008. The amended and restated agreement was subsequently amended on May 6, 2009, December 24, 2009 and August 17, 2012. Unless the context indicates otherwise, references in this report to the senior preferred stock purchase agreement refer to the agreement as amended through August 17, 2012. The terms of the senior preferred stock purchase agreement, senior preferred stock and the warrant discussed below will continue to apply to us even if we are released from conservatorship. See "Risk Factors" for a description of the risks to our business relating to the Treasury agreements, as well as the adverse effects of the senior preferred stock and the warrant on the rights of holders of our common stock and other series of preferred stock.

Senior Preferred Stock Purchase Agreement and Related Issuance of Senior Preferred Stock and Common Stock Warrant

<u>Senior Preferred Stock Purchase Agreement</u>

Under the senior preferred stock purchase agreement, we issued to Treasury (a) one million shares of Variable Liquidation Preference Senior Preferred Stock, Series 2008-2, which we refer to as the "senior preferred stock," and (b) a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the total number of shares of our common stock outstanding on a fully diluted basis at the time the warrant is exercised, which we refer to as the "warrant."

The senior preferred stock and warrant were issued to Treasury as an initial commitment fee in consideration of the commitment from Treasury to provide funds to us under the terms and conditions set forth in the senior preferred stock purchase agreement. The senior preferred stock purchase agreement provides that, on a quarterly basis, we may draw funds up to the amount, if any, by which our total liabilities exceed our total assets, as reflected in our consolidated balance sheet, prepared in accordance with GAAP, for the applicable fiscal quarter (referred to as the "deficiency amount"), up to the maximum amount of remaining funding under the agreement. As of the date of this filing, the maximum amount of remaining funding under the agreement is $117.6 billion. If we were to draw additional funds from Treasury under the agreement in a future period, the amount of remaining funding under the agreement would be reduced by the amount of our draw. Dividend payments we make to Treasury do not restore or increase the amount of funding available to us under the agreement. The senior preferred stock purchase agreement provides that the deficiency amount will be calculated differently if we become subject to receivership or other liquidation process.

The terms of the senior preferred stock purchase agreement provided for the payment of an unspecified quarterly commitment fee to Treasury; however, the August 2012 amendment to the agreement provided that this commitment fee will not be set, accrue or be payable, as long as the current dividend payment provisions of the senior preferred stock remain in effect.

The senior preferred stock purchase agreement provides that Treasury's funding commitment will terminate under any of the following circumstances: (1) the completion of our liquidation and fulfillment of Treasury's obligations under its funding commitment at that time, (2) the payment in full of, or reasonable provision for, all of our liabilities (whether or not contingent, including mortgage guaranty obligations), or (3) the funding by Treasury of the maximum amount that may be funded under the agreement. In addition, Treasury may terminate its funding commitment and declare the senior preferred stock purchase agreement null and void if a court vacates, modifies, amends, conditions, enjoins, stays or otherwise affects the appointment of the conservator or otherwise curtails the conservator's powers. Treasury may not terminate its funding commitment under the agreement solely by reason of our being in conservatorship, receivership or other insolvency proceeding, or due to our financial condition or any adverse change in our financial condition.

The senior preferred stock purchase agreement provides that most provisions of the agreement may be waived or amended by mutual written agreement of the parties; however, no waiver or amendment of the agreement is permitted that would decrease Treasury's aggregate funding commitment or add conditions to Treasury's funding commitment if the waiver or amendment would adversely affect in any material respect the holders of our debt securities or guaranteed Fannie Mae MBS.

In the event of our default on payments with respect to our debt securities or guaranteed Fannie Mae MBS, if Treasury fails to perform its obligations under its funding commitment and if we and/or the conservator are not diligently pursuing remedies in respect of that failure, the holders of our debt securities or Fannie Mae MBS may file a claim in the United States Court of Federal Claims for relief requiring Treasury to fund to us the lesser of (1) the amount necessary to cure the payment defaults on our debt and Fannie Mae MBS and (2) the lesser of (a) the deficiency amount and (b) the maximum amount that may be funded under the agreement less the aggregate amount of funding previously provided under the commitment. Any payment that Treasury makes under those circumstances will be treated for all purposes as a draw under the senior preferred stock purchase agreement that will increase the liquidation preference of the senior preferred stock.

Senior Preferred Stock

Pursuant to the senior preferred stock purchase agreement, we issued one million shares of senior preferred stock to Treasury on September 8, 2008 with an aggregate initial liquidation preference of $1.0 billion. The stock's liquidation preference is subject to adjustment. For any dividend period for which dividends are payable, to the extent that dividends are not paid in cash they will accrue and be added to the liquidation preference. In addition, any amounts Treasury pays to us pursuant to its funding commitment under the senior preferred stock purchase agreement and any quarterly commitment fees that are either not paid in cash to Treasury or not waived by Treasury will be added to the liquidation preference. Accordingly, the aggregate liquidation preference of the senior preferred stock was $117.1 billion as of December 31, 2015.

Treasury, as holder of the senior preferred stock, is entitled to receive, when, as and if declared, out of legally available funds, cumulative quarterly cash dividends. Pursuant to the August 2012 amendment to the agreement, beginning in 2013, the method for calculating the amount of dividends for each quarter was changed from an annual rate of 10% per year on the then-current liquidation preference of the senior preferred stock to an amount determined based on our net worth as of the end of the immediately preceding fiscal quarter. Our net worth as defined by the agreement is the amount, if any, by which our total assets (excluding Treasury's funding commitment and any unfunded amounts related to the commitment) exceed our total liabilities (excluding any obligation in respect of capital stock), in each case as reflected on our balance sheet prepared in accordance with GAAP. For each dividend period from January 1, 2013 through and including December 31, 2017, the dividend amount will be the amount, if any, by which our net worth as of the end of the immediately preceding fiscal quarter exceeds an applicable capital reserve amount. The capital reserve amount was initially $3.0 billion for dividend periods in 2013 and decreases by $600 million each year until it reaches zero on January 1, 2018. Accordingly, the capital reserve amount was $1.8 billion for dividend periods in 2015 and decreased to $1.2 billion for dividend periods in 2016. The capital reserve amount will be $600 million for dividend periods in 2017. For each dividend period beginning in 2018, the dividend amount will be the entire amount of our net worth, if any, as of the end of the immediately preceding fiscal quarter. As a result of these dividend payment provisions and quarterly directives from our conservator, when we have quarterly earnings that result in a net worth greater than the applicable capital reserve amount, we will pay dividends to Treasury in the next quarter; but if our net worth does not exceed the applicable capital reserve amount as of the end of a quarter, then we will not be required to accrue or pay any dividends in the next quarter. See "Risk Factors" for a discussion of the risks relating to our dividend obligations to Treasury on the senior preferred stock.

The senior preferred stock ranks ahead of our common stock and all other outstanding series of our preferred stock, as well as any capital stock we issue in the future, as to both dividends and rights upon liquidation. The senior preferred stock provides that we may not, at any time, declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any common stock or other securities ranking junior to the senior preferred stock unless (1) full cumulative dividends on the outstanding senior preferred stock (including any unpaid dividends added to the liquidation preference) have been declared and paid in cash, and (2) all amounts required to be paid with the net proceeds of any issuance of capital stock for cash (as described in the following paragraph) have been paid in cash. Shares of the senior preferred stock are not convertible. Shares of the senior preferred stock have no general or special voting rights, other than those set forth in the certificate of designation for the senior preferred stock or otherwise required by law. The consent of holders of at least two-thirds of all outstanding shares of senior preferred stock is generally required to amend the terms of the senior preferred stock or to create any class or series of stock that ranks prior to or on parity with the senior preferred stock.

We are not permitted to redeem the senior preferred stock prior to the termination of Treasury's funding commitment under the senior preferred stock purchase agreement. Moreover, we are not permitted to pay down the liquidation preference of the outstanding shares of senior preferred stock except to the extent of (1) accrued and unpaid dividends previously added to the liquidation preference and not previously paid down; and (2) quarterly commitment fees previously added to the liquidation preference and not previously paid down. In addition to these exceptions, if we issue any shares of capital stock for cash while the senior preferred stock is outstanding, the net proceeds of the issuance must be used to pay down the liquidation preference of the senior preferred stock; however, the liquidation preference of each share of senior preferred stock may not be paid down below $1,000 per share prior to the termination of Treasury's funding commitment. Following the termination of Treasury's funding commitment, we may pay down the liquidation preference of all outstanding shares of senior preferred stock at any time, in whole or in part.

Common Stock Warrant

Pursuant to the senior preferred stock purchase agreement, on September 7, 2008, we, through FHFA, in its capacity as conservator, issued a warrant to purchase common stock to Treasury. The warrant gives Treasury the right to purchase shares of our common stock equal to 79.9% of the total number of shares of our common stock outstanding on a fully diluted basis on the date of exercise, for an exercise price of $0.00001 per share. The warrant may be exercised in whole or in part at any time on or before September 7, 2028.

Covenants under Treasury Agreements

The senior preferred stock purchase agreement and warrant contain covenants that significantly restrict our business activities and require the prior written consent of Treasury before we can take certain actions. These covenants prohibit us from taking a number of actions, including:

- paying dividends or other distributions on or repurchasing our equity securities (other than the senior preferred stock or warrant);
- issuing additional equity securities (except in limited instances);
- selling, transferring, leasing or otherwise disposing of any assets, except for dispositions for fair market value in limited circumstances including if (a) the transaction is in the ordinary course of business and consistent with past practice or (b) in one transaction or a series of related transactions if the assets have a fair market value individually or in the aggregate of less than $250 million;
- issuing subordinated debt;
- entering into any new compensation arrangements or increasing amounts or benefits payable under existing compensation arrangements for any of our executive officers (as defined by SEC rules) without the consent of the Director of FHFA, in consultation with the Secretary of the Treasury; and
- seeking or permitting the termination of our conservatorship, other than in connection with a receivership.

We also are subject to limits, which are described below, on the amount of mortgage assets that we may own and the total amount of our indebtedness. As a result of these covenants, we can no longer obtain additional equity financing (other than pursuant to the senior preferred stock purchase agreement) and we are limited in the amount and type of debt financing we may obtain.

- *Mortgage Asset Limit.* We are restricted in the amount of mortgage assets that we may own. Pursuant to the August 2012 amendment to the agreement, the maximum allowable amount of our mortgage assets was reduced to $650.0 billion on December 31, 2012 and, on each December 31 thereafter, we are required to reduce our mortgage assets to 85% of the maximum allowable amount that we were permitted to own as of December 31 of the immediately preceding calendar year, until the amount of our mortgage assets reaches $250 billion in 2018. Our mortgage asset limit under the agreement was $399.2 billion as of December 31, 2015 and will be $339.3 billion as of December 31, 2016. For purposes of the agreement, the definition of mortgage asset is based on the unpaid principal balance of such assets and does not reflect market valuation adjustments, allowance for loan losses, impairments, unamortized premiums and discounts and the impact of our consolidation of variable interest entities. Based on this definition, our mortgage assets were $345.1 billion as of December 31, 2015. We disclose the amount of our mortgage assets on a monthly basis under the caption "Gross Mortgage Portfolio" in our Monthly Summaries, which are available on our website and announced in a press release.

  In 2014, FHFA requested that we cap the portfolio each year at 90% of the annual limit under our senior preferred stock purchase agreement with Treasury. FHFA's request noted that we may seek FHFA permission to increase this cap up to 95% of the annual limit under our senior preferred stock purchase agreement with Treasury upon written request and with a documented basis for exception, such as changed market conditions. To comply with FHFA's request, we reduced our mortgage portfolio to $345.1 billion as of December 31, 2015, below the $359.3 billion cap requested by FHFA. See "MD&A—Business Segment Results—The Capital Markets Group's Mortgage Portfolio" for more information about our mortgage portfolio.

- *Debt Limit.* We are subject to a limit on the amount of our indebtedness. Our debt limit in 2015 was $563.6 billion and in 2016 is $479.0 billion. For every year thereafter, our debt cap will equal 120% of the amount of mortgage assets we are allowed to own under the senior preferred stock purchase agreement on December 31 of the immediately preceding calendar year. The definition of indebtedness for purposes of our debt cap is based on the par value of each applicable loan and does not reflect the impact of consolidation of variable interest entities. Under this definition, our indebtedness as of December 31, 2015 was $389.5 billion. We disclose the amount of our indebtedness on a monthly basis under the caption "Total Debt Outstanding" in our Monthly Summaries, which are available on our website and announced in a press release.

Annual Risk Management Plan Covenant. We are required to provide an annual risk management plan to Treasury not later than December 15 of each year we remain in conservatorship, beginning in 2012. Each annual risk management plan is required to set out our strategy for reducing our risk profile and to describe the actions we will take to reduce the financial and operational risk associated with each of our business segments. Each plan delivered after the first plan must include an assessment of our performance against the planned actions described in the prior year's plan. We submitted our most recent annual risk management plan to Treasury in December 2015.

Lawsuits Challenging the Senior Preferred Stock Purchase Agreements and Conservatorship

Several lawsuits have been filed by preferred and common stockholders of Fannie Mae and Freddie Mac against the United States, Treasury and/or FHFA challenging actions taken by the defendants relating to the senior preferred stock purchase agreements and the conservatorships of Fannie Mae and Freddie Mac. Some of these lawsuits also contain claims against Fannie Mae and Freddie Mac. For a description of these lawsuits, see "Legal Proceedings" and "Note 18, Commitments and Contingencies."

HOUSING FINANCE REFORM

Overview

Policymakers and others have focused significant attention in recent years on how to reform the nation's housing finance system, including what role, if any, the GSEs should play. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was signed into law in July 2010, called for enactment of meaningful structural reforms of Fannie Mae and Freddie Mac, and for the Secretary of the Treasury to submit recommendations to Congress for ending the conservatorships of Fannie Mae and Freddie Mac.

Administration Developments

In 2011, the Administration released a white paper with its recommendations on the future of housing finance reform. The report provides that the Administration will work with FHFA to determine the best way to responsibly reduce Fannie Mae and Freddie Mac's role in the market and ultimately wind down both institutions. The report identifies a number of possible policy steps for winding down Fannie Mae and Freddie Mac, reducing the government's role in housing finance and helping bring private capital back to the mortgage market. In addition, the report outlines three potential options for a new long-term structure for the housing finance system following the wind-down of Fannie Mae and Freddie Mac.

In 2013, President Obama publicly discussed the Administration's housing policy priorities, including a core principle that included winding down Fannie Mae and Freddie Mac through a responsible transition. In 2015, the White House reaffirmed the Administration's view that housing finance reform should include ending Fannie Mae and Freddie Mac's business model. Moreover, to lay the groundwork for a future housing finance system, the Administration has advocated for credit risk on loans to be transferred by lenders prior to the acquisition of such loans by Fannie Mae or Freddie Mac (referred to as "front-end" risk transfer). The Administration has also advocated for the common securitization platform to be constructed to serve other market participants, not just Fannie Mae and Freddie Mac.

Legislative Developments

Congress also continues to consider housing finance reform that could result in significant changes in our structure and role in the future. In the first session of the 114th Congress, which convened in January 2015, several bills were introduced and considered in the Senate and the House of Representatives relating to Fannie Mae, Freddie Mac and the housing finance system, two of which were enacted into law. In November 2015, legislation was enacted limiting the compensation of Fannie Mae's and Freddie Mac's chief executive officers. For a description of this law, see "Our Charter and Regulation of Our Activities—The GSE Act—Executive Compensation" and "Executive Compensation—Compensation Discussion and Analysis—Impact of Conservatorship and Other Legal Requirements." In December 2015, as part of a funding bill, Congress enacted a portion of the "Jumpstart GSE Reform Act" prohibiting Treasury from disposing of its Fannie Mae and Freddie Mac senior preferred stock until January 1, 2018, unless legislation is enacted that includes specific instruction for its disposition.

Congress also introduced and considered other bills relating to Fannie Mae, Freddie Mac and the housing finance system in 2015 that have not been enacted into law. For example, in May 2015, the Senate Banking Committee approved the Financial Regulatory Improvement Act of 2015, which contains provisions that would, among other matters:

- prevent the U.S. government from using increases in Fannie Mae and Freddie Mac guaranty fees to finance government spending, unless a law is enacted to do so and the funds are used to finance secondary mortgage market reforms;
- prohibit Treasury from disposing of its Fannie Mae and Freddie Mac senior preferred stock unless Congress enacts a law directing it to do so;
- establish requirements for CSS that include: expanding the CSS Board of Directors to include non-GSE representatives; transitioning ownership of CSS to a private, non-profit entity within five years; and facilitating the issuance of mortgage-backed securities by non-GSE issuers through its platform within three to five years; and
- require Fannie Mae and Freddie Mac to engage in significant and increasing credit risk sharing transactions, including front-end and first-loss transactions.

We expect Congress to continue to consider legislation relating to the GSEs and housing finance reform in the current congressional session, including conducting hearings and considering legislation that would alter the housing finance system or the activities or operations of the GSEs. There continues to be significant uncertainty regarding the future of our company. See "Risk Factors" for a discussion of the risks to our business relating to the uncertain future of our company, including how the uncertain future of our company may adversely affect our ability to retain and recruit well-qualified employees, including our Chief Executive Officer and senior management.

Conservator Developments

FHFA has taken a number of steps as conservator to further the reform of the housing finance system. FHFA's current strategic goals for Fannie Mae and Freddie Mac's conservatorships are to:

- **Maintain**, in a safe and sound manner, credit availability and foreclosure prevention activities for new and refinanced mortgages to foster liquid, efficient, competitive and resilient national housing finance markets.
- **Reduce** taxpayer risk through increasing the role of private capital in the mortgage market.

- **Build** a new single-family infrastructure for use by Fannie Mae and Freddie Mac and adaptable for use by other participants in the secondary market in the future.

Beginning in 2012, FHFA has released annual corporate performance objectives for Fannie Mae and Freddie Mac, referred to as the conservatorship scorecard, which detail specific priorities for implementing FHFA's strategic goals. FHFA released its 2015 conservatorship scorecard in January 2015 and its 2016 conservatorship scorecard in December 2015.

Both FHFA's 2015 and 2016 conservatorship scorecards include objectives relating to the development of a common securitization platform that can be used to perform certain aspects of the securitization process and the development of a single mortgage-backed security for Fannie Mae and Freddie Mac. FHFA's 2016 conservatorship scorecard states that the common securitization platform and single security are significant multi-year initiatives and FHFA expects these inter-related projects to remain ongoing conservatorship priorities. The 2016 conservatorship scorecard states that FHFA expects both Fannie Mae and Freddie Mac to implement the single security on the common securitization platform in 2018. More information on each of these initiatives is provided below.

Common Securitization Platform. In October 2013, at the direction of our conservator, Fannie Mae and Freddie Mac established Common Securitization Solutions, LLC, a jointly owned limited liability company formed to design, develop, build and ultimately operate a common securitization platform. The intended purpose of the common securitization platform is to replace certain elements of Fannie Mae's and Freddie Mac's respective proprietary systems for securitizing mortgages and performing associated back office and administrative functions. In addition, FHFA's 2015 and 2016 conservatorship scorecards specify that the design of the common securitization platform should allow for the integration of additional market participants in the future.

In 2014, Fannie Mae and Freddie Mac executed three agreements relating to the governance and operation of CSS, and appointed a chief executive officer and four members of the CSS Board of Managers, two each from Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac currently provide administrative support services, funding and other resources to CSS. CSS is implementing key corporate processes to enable it to eventually operate as a separate company.

We continue to work with FHFA, Freddie Mac and CSS on building and testing the common securitization platform, as well as on implementing required changes to our systems and operations to integrate with the common securitization platform. In July 2015, we, Freddie Mac and CSS announced the creation of an industry advisory group to provide feedback and share information on efforts to build the common securitization platform and implement the single security. In September 2015, FHFA issued "An Update on the Common Securitization Platform," which provided details on the progress made in developing the platform.

Single GSE Security. FHFA's 2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac includes the goal of developing a single mortgage-backed security for Fannie Mae and Freddie Mac. In August 2014, FHFA published a request for public input on a proposed structure for this single security. After reviewing and considering the responses received, FHFA issued an update on the structure of the single security in May 2015 that outlined its determinations regarding the key features of the single security structure and requested further feedback on its determinations. FHFA's determinations included the following:

- Fannie Mae and Freddie Mac will each issue and guarantee single securities directly backed by mortgage loans it has acquired, referred to as first-level securities, and will not cross-guarantee each other's first-level securities;
- mortgage loans backing first-level single securities will be limited to fixed-rate mortgage loans now eligible for financing through the "To-Be-Announced" ("TBA") market;
- Fannie Mae and Freddie Mac will each be able to issue second-level single securities, also referred to as resecuritizations, backed by first- or second-level securities issued by either company;
- the key features of the new single security will be the same as those of the current Fannie Mae MBS;
- the loan- and security-level disclosures for single securities will closely resemble those of Freddie Mac participation certificates ("PCs"); and
- investors in Freddie Mac PCs will have the option to exchange legacy PCs for comparable single securities backed by the same mortgage loans; there will not be an exchange option for legacy Fannie Mae MBS because FHFA expects investors to treat them as fungible with the single securities.

In 2015, we, FHFA and Freddie Mac developed a plan to implement the single security and worked on a variety of issues relating to the implementation of the single security, including accounting matters, communication planning, industry outreach, risk assessments, privacy matters, legal and contractual issues, and disclosures.

One of FHFA's stated objectives in developing a single security is to reduce the costs to Freddie Mac and taxpayers that result from the difference in liquidity of Fannie Mae MBS and Freddie Mac PCs. We believe the implementation of a single security would likely reduce, and could eliminate, the trading advantage that Fannie Mae MBS have over Freddie Mac PCs. If this occurs, it could adversely affect our financial results. See "Risk Factors" for a discussion of the risks to our business associated with a single security for Fannie Mae and Freddie Mac.

For more information on FHFA's 2015 conservatorship scorecard objectives and our performance in meeting these objectives, see "Executive Compensation—Compensation Discussion and Analysis—Determination of 2015 Compensation—Assessment of Corporate Performance on 2015 Conservatorship Scorecard." For more information on FHFA's 2016 conservatorship scorecard objectives, see our Current Report on Form 8-K filed with the SEC on December 17, 2015.

OUR CHARTER AND REGULATION OF OUR ACTIVITIES

Charter Act

Fannie Mae is a shareholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, which we refer to as the Charter Act or our charter. The Charter Act sets forth the activities that we are permitted to conduct, authorizes us to issue debt and equity securities, and describes our general corporate powers. The Charter Act also defines our mission of providing liquidity, increasing stability and promoting affordability in the residential mortgage market. Specifically, the Charter Act states that our purposes are to:

- provide stability in the secondary market for residential mortgages;
- respond appropriately to the private capital market;
- provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- promote access to mortgage credit throughout the nation (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

Loan Standards

Our charter permits us to purchase and securitize mortgage loans secured by either a single-family or multifamily property. Mortgage loans we purchase or securitize must meet the following standards required by the Charter Act.

- *Principal Balance Limitations.* Single-family conventional mortgage loans that we purchase or securitize are subject to maximum original principal balance limits, known as "conforming loan limits." The conforming loan limits are established each year based on the average prices of one-family residences. Since 2006, the national conforming loan limit for mortgages that finance one-family residences has been set at $417,000, with higher limits for mortgages secured by two- to four-family residences and in four statutorily-designated states and territories (Alaska, Hawaii, Guam and the U.S. Virgin Islands). Higher loan limits also apply in designated high-cost areas (counties or county-equivalent areas). FHFA provides Fannie Mae with the designated high-cost areas annually. Our charter sets loan limits for high-cost areas up to 150% of the national loan limit ($625,500 for a one-family residence; higher for two- to four-family residences and in the four statutorily-designated states and territories).

  The Charter Act does not impose maximum original principal balance limits on loans we purchase or securitize that are insured by FHA or guaranteed by the VA or on multifamily mortgage loans that we purchase or securitize.
- *Loan-to-Value and Credit Enhancement Requirements.* The Charter Act generally requires credit enhancement on any single-family conventional mortgage loan that we purchase or securitize that has an LTV ratio over 80% at the time of purchase. Although we do not currently purchase or securitize second lien single-family mortgage loans, the Charter Act requires a second lien mortgage loan to have credit enhancement if the combined LTV ratio exceeds 80%. The credit enhancement required by our charter may take the form of one or more of the following: (1) insurance or a guaranty by a qualified insurer on the portion of the unpaid principal balance of the mortgage that exceeds 80%; (2) a seller's agreement to repurchase or replace the mortgage in the event of default; or (3) retention by the seller of at least a 10% participation interest in the mortgage. Regardless of LTV ratio, the Charter Act does not require us to obtain credit enhancement to purchase or securitize loans insured by FHA or guaranteed by the VA. In addition, under HARP and in accordance with FHFA direction, we allow our borrowers who have mortgage loans that have note dates prior to

June 2009 with current LTV ratios greater than 80% to refinance their mortgages without obtaining new mortgage insurance in excess of what is already in place.

Other Charter Act Provisions

The Charter Act has the following additional provisions.

- *Issuances of Our Securities.* We are authorized, upon the approval of the Secretary of the Treasury, to issue debt obligations and mortgage-related securities. Neither the U.S. government nor any of its agencies guarantees, directly or indirectly, our debt or mortgage-related securities.
- *Authority of Treasury to Purchase Our Securities.* At the discretion of the Secretary of the Treasury, Treasury may purchase our obligations up to a maximum of $2.25 billion outstanding at any one time.
- *Exemptions for Our Securities.* The Charter Act generally provides that our securities are exempt under the federal securities laws administered by the SEC. As a result, we are not required to file registration statements with the SEC under the Securities Act of 1933 with respect to offerings of any of our securities. Our non-equity securities are also exempt securities under the Securities Exchange Act of 1934 (the "Exchange Act"). However, our equity securities are not treated as exempt securities for purposes of Sections 12, 13, 14 or 16 of the Exchange Act. Consequently, we are required to file periodic and current reports with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.
- *Exemption from Specified Taxes.* Fannie Mae is exempt from taxation by states, territories, counties, municipalities and local taxing authorities, except for taxation by those authorities on our real property. We are not exempt from the payment of federal corporate income taxes.
- *Limitations.* We may not originate mortgage loans or advance funds to a mortgage seller on an interim basis, using mortgage loans as collateral, pending the sale of the mortgages in the secondary market. In addition, we may only purchase or securitize mortgages on properties located in the United States and its territories.

The GSE Act

As a federally chartered corporation, we are subject to government regulation and oversight. FHFA is an independent agency of the federal government with general supervisory and regulatory authority over Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks ("FHLBs"). FHFA was established in July 2008, assuming the duties of our former safety and soundness regulator, the Office of Federal Housing Enterprise Oversight, and our former mission regulator, HUD. HUD remains our regulator with respect to fair lending matters. Our regulators also include the SEC and Treasury.

The GSE Act provides FHFA with safety and soundness authority that is comparable to and in some respects broader than that of the federal banking agencies. Even if we were not in conservatorship, the GSE Act gives FHFA the authority to raise capital levels above statutory minimum levels, regulate the size and content of our portfolio and approve new mortgage products, among other things.

Capital. The GSE Act provides FHFA with broad authority to increase the level of our required minimum capital and to establish capital or reserve requirements for specific products and activities. FHFA also has broad authority to establish risk-based capital requirements, to ensure that we operate in a safe and sound manner and maintain sufficient capital and reserves. During the conservatorship, FHFA has suspended our capital classifications. We continue to submit capital reports to FHFA and FHFA monitors our capital levels. We describe our capital requirements below under "Capital Adequacy Requirements."

Portfolio. The GSE Act requires FHFA to establish standards governing our portfolio holdings, to ensure that they are backed by sufficient capital and consistent with our mission and safe and sound operations. FHFA is also required to monitor our portfolio and, in some circumstances, may require us to dispose of or acquire assets. In 2010, FHFA adopted, as the standard for our portfolio holdings, the portfolio limits specified in the senior preferred stock purchase agreement described under "Conservatorship and Treasury Agreements—Treasury Agreements—Covenants under Treasury Agreements," as it may be amended from time to time. The rule is effective for as long as we remain subject to the terms and obligations of the senior preferred stock purchase agreement.

New Products and Activities. The GSE Act requires us to request FHFA's approval before initially offering any new product, subject to certain exceptions. The GSE Act also requires us to provide FHFA with written notice before commencing any new activity. In July 2009, FHFA published an interim final rule implementing these provisions of the GSE Act. Subsequently, the then-Acting Director of FHFA concluded that permitting us to engage in new products was inconsistent with the goals of the conservatorship. FHFA therefore instructed us not to submit new product requests under the rule. In December 2015, FHFA stated in the preamble to its proposed rule on the duty to serve underserved markets that we may propose a new product or activity for FHFA's consideration if we determine that it would facilitate our duty to serve obligations and would be consistent with safety and soundness.

Receivership. Under the GSE Act, FHFA must place us into receivership if it determines that our assets are less than our obligations for 60 days, or we have not been paying our debts as they become due for 60 days. FHFA has notified us that the measurement period for any mandatory receivership determination with respect to our assets and liabilities would commence no earlier than the SEC public filing deadline for our quarterly or annual financial statements and would continue for 60 calendar days thereafter. FHFA has advised us that if, during that 60-day period, we receive funds from Treasury in an amount at least equal to the deficiency amount under the senior preferred stock purchase agreement, the Director of FHFA will not make a mandatory receivership determination.

In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for other reasons set forth in the GSE Act. The statutory grounds for discretionary appointment of a receiver include: a substantial dissipation of assets or earnings due to unsafe or unsound practices; the existence of an unsafe or unsound condition to transact business; an inability to meet our obligations in the ordinary course of business; a weakening of our condition due to unsafe or unsound practices or conditions; critical undercapitalization; undercapitalization and no reasonable prospect of becoming adequately capitalized; the likelihood of losses that will deplete substantially all of our capital; or by consent.

FHFA's final rule on conservatorship and receivership operations for the GSEs, which became effective in July 2011, implements and supplements the procedures and processes set forth in the GSE Act. For example, the final rule clarifies that:

- the powers of the conservator or receiver include continuing our mission and ensuring that our operations foster liquid, efficient, competitive and resilient national housing finance markets;
- we are prohibited from making capital distributions while in conservatorship unless authorized by the Director of FHFA; and
- claims by current or former shareholders (including securities litigation claims) would receive the lowest priority in a receivership.

The rule also provides that FHFA, as conservator, will not pay securities litigation claims against us during conservatorship, unless the Director of FHFA determines it to be in the interest of the conservatorship.

Prudential Management and Operations Standards. As required by the GSE Act, in June 2012, FHFA published a final rule establishing prudential standards relating to the management and operations of Fannie Mae, Freddie Mac and the FHLBs in ten areas: (1) internal controls and information systems; (2) independence and adequacy of internal audit systems; (3) management of market risk exposure; (4) management of market risk—measurement systems, risk limits, stress testing, and monitoring and reporting; (5) adequacy and maintenance of liquidity and reserves; (6) management of asset and investment portfolio growth; (7) investments and acquisitions of assets; (8) overall risk management processes; (9) management of credit and counterparty risk; and (10) maintenance of adequate records. The rule also includes provisions addressing the general responsibilities of boards of directors and senior management. In November 2015, FHFA amended these provisions and designated them as an additional prudential standard in order to clarify that they have the same effect and can be enforced in the same manner as the ten enumerated standards.

Affordable Housing Goals and Duty to Serve. We discuss our affordable housing goals and our duty to serve underserved markets below under "Housing Goals and Duty to Serve Underserved Markets."

Affordable Housing Allocations. The GSE Act requires us to set aside in each fiscal year an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of our total new business purchases and to pay this amount to specified HUD and Treasury funds. FHFA suspended this requirement in November 2008 and directed us to not set aside or allocate funds until further notice. In December 2014, FHFA terminated this suspension and directed us to begin making contributions to the funds. FHFA's directive reinstating these contributions requires us to set aside amounts during each fiscal year beginning in fiscal year 2015, and to allocate or otherwise transfer the amounts set aside within 60 days after the end of each fiscal year, unless during such fiscal year we have made a draw from Treasury under the terms of the senior preferred stock purchase agreement or unless such allocation or transfer would cause us to have to make a draw from Treasury under the agreement, in which case we will make no allocation or transfer for that year and the amounts set aside for that year will be reversed. We are prohibited from redirecting or passing through the cost of these allocations to originators of mortgages that we purchase or securitize. Pursuant to FHFA's directive, we expect to make our first payment of $217 million to the funds on or before February 29, 2016, based on the amount of our new business purchases in 2015.

Executive Compensation. Fannie Mae's Charter provides that the company has the power to pay compensation to our executives that the Board of Directors determines is reasonable and comparable with the compensation of executives performing similar duties in similar businesses, except that a significant portion of potential compensation must be based on our performance. The GSE Act directs FHFA to prohibit us from providing unreasonable or non-comparable compensation to our executive officers. FHFA may at any time review the reasonableness and comparability of an executive officer's compensation and may require us to withhold any payment to the officer during such review. In addition, pursuant to the Stop Trading on Congressional Knowledge Act (the "STOCK Act") and related regulations issued by FHFA, our senior executives are prohibited from receiving bonuses during any period of conservatorship on or after April 4, 2012.

FHFA is authorized by the GSE Act to prohibit or limit certain golden parachute and indemnification payments to directors, officers and certain other parties. FHFA regulation requires the approval of the Director of FHFA before we may enter into any agreement providing compensation in connection with the termination of an executive officer's employment. FHFA regulation also generally prohibits us from making golden parachute payments to any current or former director, officer, employee, controlling stockholder or agent of the company during any period in which we are in conservatorship, receivership or other troubled condition unless either a specific exception applies or the Director of FHFA approves the payments.

In November 2015, the Equity in Government Compensation Act of 2015 was enacted. This law directs the Director of FHFA to suspend the compensation packages approved for 2015 for Fannie Mae's and Freddie Mac's chief executive officers and, in lieu of such packages, to establish the compensation and benefits that were in effect for such officers as of January 1, 2015. The law also provides that these officers' compensation and benefits may not thereafter be increased and these restrictions on chief executive officer compensation are applicable as long as Fannie Mae and Freddie Mac are in conservatorship or receivership. In accordance with this law, on December 1, 2015, the Director of FHFA directed Fannie Mae to decrease the total target annual direct compensation of our chief executive officer to $600,000, effective November 25, 2015. For more information on our executive compensation program and regulatory and other legal requirements affecting our executive compensation, see "Executive Compensation."

Fair Lending. The GSE Act requires the Secretary of HUD to assure that the GSEs meet their fair lending obligations. Among other things, HUD periodically reviews and comments on our underwriting and appraisal guidelines to ensure consistency with the Fair Housing Act.

Capital Adequacy Requirements

The GSE Act establishes capital adequacy requirements. The statutory capital framework incorporates two different quantitative assessments of capital—a minimum capital requirement and a risk-based capital requirement. The minimum capital requirement is ratio-based, while the risk-based capital requirement is based on simulated stress test performance. The GSE Act requires us to maintain sufficient capital to meet both of these requirements in order to be classified as "adequately capitalized." However, during the conservatorship, FHFA has suspended our capital classifications and announced that our existing statutory and FHFA-directed regulatory capital requirements will not be binding. FHFA has advised us that, because we are under conservatorship, we will not be subject to corrective action requirements that would ordinarily result from our receiving a capital classification of "undercapitalized."

Minimum Capital. Under the GSE Act, we are required to maintain an amount of core capital that equals or exceeds our minimum capital requirement. The GSE Act defines core capital as the sum of the stated value of outstanding common stock (common stock less treasury stock), the stated value of outstanding non-cumulative perpetual preferred stock, paid-in capital, and retained earnings, as determined in accordance with GAAP. Our minimum capital requirement is generally equal to the sum of 2.50% of on-balance sheet assets and 0.45% of off-balance sheet obligations. For purposes of minimum capital, FHFA has directed us to continue reporting loans backing Fannie Mae MBS held by third parties based on 0.45% of the unpaid principal balance regardless of whether these loans have been consolidated pursuant to accounting rules. FHFA retains authority under the GSE Act to raise the minimum capital requirement for any of our assets or activities.

Risk-Based Capital. The GSE Act requires FHFA to establish risk-based capital requirements for Fannie Mae and Freddie Mac, to ensure that we operate in a safe and sound manner. Existing risk-based capital regulation under the GSE Act ties our capital requirements to the risk in our book of business, as measured by a stress test model. The stress test simulates our financial performance over a ten-year period of severe economic conditions characterized by both extreme interest rate movements and high mortgage default rates. FHFA has stated that it does not intend to publish our risk-based capital level during the conservatorship and has discontinued stress test simulations under the existing rule. We continue to submit detailed profiles of our books of business to FHFA to support FHFA's monitoring of our business activity and their research into future risk-based capital rules. In addition, as described under "The Dodd-Frank Act—Stress Testing" below, we submit stress test simulations to FHFA pursuant to regulations FHFA implemented under the Dodd-Frank Act.

Critical Capital. The GSE Act also establishes a critical capital requirement, which is the amount of core capital below which we would be classified as "critically undercapitalized." Under the GSE Act, such classification is a discretionary ground for appointing a conservator or receiver. Our critical capital requirement is generally equal to the sum of 1.25% of on-balance sheet assets and 0.25% of off-balance sheet obligations. FHFA has directed us, for purposes of critical capital, to continue reporting loans backing Fannie Mae MBS held by third parties based on 0.25% of the unpaid principal balance, notwithstanding our consolidation of substantially all of the loans backing these securities. FHFA has stated that it does not intend to publish our critical capital level during the conservatorship.

Housing Goals and Duty to Serve Underserved Markets

We describe below our housing goals that were in place for 2012 to 2014, our performance against those goals in 2014, as well as our new housing goals for 2015 to 2017. We also discuss our duty to serve specified underserved markets.

Housing Goals for 2012 to 2014

In November 2012, FHFA published a final rule establishing the following single-family home purchase and refinance housing goal benchmarks for 2012 to 2014 for Fannie Mae and Freddie Mac. A home purchase mortgage may be counted toward more than one home purchase benchmark.

- *Low-Income Families Home Purchase Benchmark*: At least 23% of our acquisitions of single-family owner-occupied purchase money mortgage loans were required to be affordable to low-income families (defined as income equal to or less than 80% of area median income).
- *Very Low-Income Families Home Purchase Benchmark*: At least 7% of our acquisitions of single-family owner-occupied purchase money mortgage loans were required to be affordable to very low-income families (defined as income equal to or less than 50% of area median income).
- *Low-Income Areas Home Purchase Goal Benchmark*: The benchmark level for our acquisitions of single-family owner-occupied purchase money mortgage loans for families in low-income areas was set annually by notice from FHFA, based on the benchmark level for the low-income areas home purchase subgoal (below), plus an adjustment factor reflecting the additional incremental share of mortgages for moderate-income families (defined as income equal to or less than 100% of area median income) in designated disaster areas. For 2014, FHFA set the overall low-income areas home purchase benchmark goal at 18%.
- *Low-Income Areas Home Purchase Subgoal Benchmark*: At least 11% of our acquisitions of single-family owner-occupied purchase money mortgage loans were required to be affordable to families in low-income census tracts or to moderate-income families in high-minority census tracts.
- *Low-Income Families Refinancing Benchmark*: At least 20% of our acquisitions of single-family owner-occupied refinance mortgage loans were required to be affordable to low-income families.

If we did not meet these benchmarks, we could still meet our goals. Our single-family housing goals performance was measured against benchmarks and against goals-qualifying originations in the primary mortgage market after the release of data reported under the Home Mortgage Disclosure Act ("HMDA"), which is typically released each year in the fall. We would be in compliance with the housing goals if we met either the benchmarks or market share measures.

To meet FHFA's multifamily housing goals for 2012 to 2014, our multifamily business was required to finance a certain number of units affordable to low-income families and a certain number of units affordable to very low-income families. The specific requirements for each year are set forth in Table 5 below. There was no market-based alternative measurement for the multifamily goals.

Table 5: Multifamily Housing Goals for 2012 to 2014

	Goals for		
	2012	**2013**	**2014**
		(in units)	
Affordable to low-income families	285,000	265,000	250,000
Affordable to very low-income families	80,000	70,000	60,000

In December 2015, FHFA determined that we met all of our single-family and multifamily housing goals for 2014. Table 6 displays our performance for 2014 against our single-family housing benchmarks and market share measures, as well as our multifamily housing goals, as validated by FHFA.

Table 6: 2014 Housing Goals Performance

	2014		
	Result	Benchmark	Single-Family Market Level
Single-family housing goals:[1]			
Low-income families home purchases	23.5 %	23 %	22.8 %
Very low-income families home purchases	5.7	7	5.7
Low-income areas home purchases	22.7	18	22.1
Low-income and high-minority areas home purchases	15.5	11	15.0
Low-income families refinancing	26.5	20	25.1

	2014	
	Result	Goal
	(in units)	
Multifamily housing goals:		
Affordable to families with income no higher than 80% of area median income	262,050	250,000
Affordable to families with income no higher than 50% of area median income	60,542	60,000

(1) Our single-family results and benchmarks are expressed as a percentage of the total number of eligible mortgages acquired during the period.

Housing Goals for 2015 to 2017

In September 2015, FHFA published a final rule establishing single-family and multifamily housing goals for Fannie Mae and Freddie Mac for 2015 to 2017.

Single-Family Housing Goals

FHFA adopted the following single-family home purchase and refinance housing goal benchmarks for 2015 to 2017. A home purchase mortgage may be counted toward more than one home purchase benchmark.

- *Low-Income Families Home Purchase Benchmark*: At least 24% of our acquisitions of single-family owner-occupied purchase money mortgage loans must be affordable to low-income families (defined as income equal to or less than 80% of area median income). This is an increase from the 23% benchmark that applied for 2014.
- *Very Low-Income Families Home Purchase Benchmark*: At least 6% of our acquisitions of single-family owner-occupied purchase money mortgage loans must be affordable to very low-income families (defined as income equal to or less than 50% of area median income). This is a decrease from the 7% benchmark that applied for 2014.
- *Low-Income Areas Home Purchase Goal Benchmark*: The benchmark level for our acquisitions of single-family owner-occupied purchase money mortgage loans for families in low-income areas is set annually by notice from FHFA, based on the benchmark level for the low-income areas home purchase subgoal (below), plus an adjustment factor reflecting the additional incremental share of mortgages for moderate-income families (defined as income equal to or less than 100% of area median income) in designated disaster areas. For 2015, FHFA set the overall low-income areas home purchase benchmark goal at 19%. This is an increase from the 18% benchmark that applied for 2014.
- *Low-Income Areas Home Purchase Subgoal Benchmark*: At least 14% of our acquisitions of single-family owner-occupied purchase money mortgage loans must be affordable to families in low-income census tracts or to moderate-income families in high-minority census tracts. This is an increase from the benchmark of 11% that applied for 2014.
- *Low-Income Families Refinancing Benchmark*: At least 21% of our acquisitions of single-family owner-occupied refinance mortgage loans must be affordable to low-income families. This is an increase from the benchmark of 20% that applied for 2014.

Under the rule, not all of our single-family loan acquisitions that fall within these categories may be counted towards our housing goals. Certain types of loan acquisitions are excluded, such as single-family government loans and loans for single-family rental properties. In addition, only permanent modifications of mortgages under the Administration's Home

Affordable Modification Program ("HAMP®") completed during the year count towards our housing goals; trial modifications are not counted. Moreover, these modifications count only towards our single-family low-income families refinance goal, not any of the home purchase goals. Refinancings under HARP also count toward our single-family low-income families refinancing goal.

If we do not meet these benchmarks, we may still meet our goals. Our single-family housing goals performance is measured against both these benchmarks and against goals-qualifying originations in the primary mortgage market after the release of HMDA data, which is typically released each year in the fall. We will be in compliance with the housing goals if we meet either the benchmarks or market share measures.

Multifamily Housing Goals

FHFA's final rule also includes a multifamily special affordable housing goal and subgoal, and establishes a new subgoal for small multifamily properties (defined as those with 5 to 50 units) affordable to low-income families. FHFA's annual multifamily goals and subgoals for 2015 to 2017 are as follows:

- Low-Income Families Goal: At least 300,000 multifamily units per year must be affordable to low-income families. This is an increase from the goal of 250,000 units that applied for 2014.
- Very Low-Income Families Subgoal: At least 60,000 multifamily units per year must be affordable to very low-income families. This is the same subgoal that applied for 2014.
- Small Affordable Multifamily Properties Subgoal: FHFA established a new subgoal for purchases of mortgages on small multifamily properties affordable to low-income families. The subgoal increases each year: 6,000 units in 2015; 8,000 units in 2016; and 10,000 units in 2017.

There is no market-based alternative measurement for the multifamily goal or subgoals.

We will report our performance with respect to the 2015 housing goals in March 2016. FHFA will issue a final determination on our performance after the release of data reported under HMDA later this year.

If we do not meet our housing goals, FHFA determines whether the goals were feasible. If FHFA finds that our goals were feasible, we may become subject to a housing plan that could require us to take additional steps that could have an adverse effect on our results of operations and financial condition. The housing plan must describe the actions we would take to meet the goal in the next calendar year and be approved by FHFA. The potential penalties for failure to comply with housing plan requirements include a cease-and-desist order and civil money penalties.

Duty to Serve

The 2008 Reform Act created the duty to serve underserved markets in order for us and Freddie Mac to "provide leadership to the market in developing loan products and flexible underwriting guidelines to facilitate a secondary market for very low-, low-, and moderate-income families" in three underserved markets: manufactured housing, affordable housing preservation and rural areas.

In December 2015, FHFA published a proposed rule to implement our duty to serve. Under the proposed rule, each of Fannie Mae and Freddie Mac would be required to adopt an underserved markets plan covering a three-year period that sets forth the activities and objectives we will undertake to meet our duty to serve the specified underserved markets. The development of these plans would be subject to a public notice and comment process and the plans would require FHFA's approval before being adopted. For the manufactured housing market, duty to serve credit would be provided for eligible activities relating to manufactured homes financed as real property and blanket loans for specified categories of manufactured housing communities. For the affordable housing preservation market, duty to serve credit would be provided for eligible activities relating to preserving the affordability of housing for renters and buyers under specified programs enumerated in the GSE Act and other comparable affordable housing programs administered by state and local governments, subject to FHFA approval. Duty to serve credit would also be provided for activities related to existing small (5 to 50 units) multifamily rental properties, energy efficiency improvements on existing multifamily rental and single-family first lien properties, certain shared equity homeownership programs and HUD's Choice Neighborhoods Initiative and Rental Assistance Demonstration program. For the rural market, duty to serve credit would be provided for eligible activities related to housing in rural areas, including activities serving specified high-needs rural regions and populations. FHFA could also approve duty to serve credit for additional activities identified in our underserved markets plan. Qualifying activities that promote residential economic diversity in one or more underserved markets would also receive duty to serve credit. Under the proposed rule, FHFA would evaluate and rate our performance under our underserved markets plan on an annual basis, and report the results to Congress. If FHFA determines that we failed to meet the requirements of our underserved markets plan and that it was feasible to do so, it may result in the imposition of a housing plan.

As described in “Risk Factors,” actions we may take to meet our housing goals and duty to serve requirements may increase our credit losses and credit-related expense.

The Dodd-Frank Act

The Dodd-Frank Act has significantly changed the regulation of the financial services industry, including requiring new standards related to regulatory oversight of systemically important nonbank financial companies, derivatives transactions, asset-backed securitization, mortgage underwriting and consumer financial protection. The Dodd-Frank Act has directly affected and will continue to affect our business through new and expanded regulatory oversight and standards applicable to us. We are also indirectly affected by provisions of the Dodd-Frank Act and implementing regulations that impact the activities of our customers and counterparties in the financial services industry. We discuss the potential risks to our business resulting from the Dodd-Frank Act in “Risk Factors.” Below we summarize some key provisions of the Dodd-Frank Act, as well as some rules that have been promulgated by various government agencies to implement provisions of the legislation.

Enhanced supervision and prudential standards. The Dodd-Frank Act established the Financial Stability Oversight Council (the “FSOC”), chaired by the Secretary of the Treasury, to ensure that all financial companies—not just banks—whose failure could pose a threat to the financial stability of the United States will be subject to strong oversight. Under the Dodd-Frank Act, the FSOC is responsible for designating systemically important nonbank financial companies, while the Federal Reserve Board of Governors is responsible for establishing enhanced prudential standards that will apply to FSOC-designated systemically important nonbank financial companies, as well as to large bank holding companies. Depending on the scope and final form of the Federal Reserve Board’s enhanced standards, and the extent to which they apply to us if we are designated as a systemically important nonbank financial company, or to our customers and other counterparties, their adoption and application could increase our costs, pose operational challenges and adversely affect demand for Fannie Mae debt and MBS. To date, we have received no notification of possible designation as a systemically important nonbank financial company.

Swap Transactions; Minimum Capital and Margin Requirements. The Dodd-Frank Act includes provisions requiring additional regulation of swap transactions. Because we are a user of interest rate swaps, the Dodd-Frank Act requires us, among other items, to submit new swap transactions for clearing to a derivatives clearing organization. Additionally, in October 2015, the Federal Reserve Board, the Federal Deposit Insurance Corporation (“FDIC”), FHFA, the Farm Credit Administration and the Office of the Comptroller of the Currency issued a new final rule under the Dodd-Frank Act governing margin and capital requirements applicable to entities that are subject to their oversight. As this rule is phased in, it will require that, for trades that have not been submitted to a derivatives clearing organization, we collect from and provide to our counterparties collateral in excess of the amounts we have historically collected or provided relative to our level of activity.

Ability to Repay. The Dodd-Frank Act amended the Truth in Lending Act (“TILA”) to require creditors to determine that borrowers have a “reasonable ability to repay” most mortgage loans prior to making such loans. In 2013, the Consumer Financial Protection Bureau (the “CFPB”) issued a final rule under Regulation Z that, among others things, requires creditors to determine a borrower’s “ability to repay” a mortgage loan. If a creditor fails to comply, a borrower may be able to offset a portion of the amount owed in a foreclosure proceeding or recoup monetary damages. The rule offers several options for complying with the ability to repay requirement, including making loans that meet certain terms and characteristics (so-called “qualified mortgages”), which may provide creditors and their assignees with special protection from liability. Generally, a loan will be a qualified mortgage under the rule if, among other things, (1) the points and fees paid in connection with the loan do not exceed 3% of the total loan amount, (2) the loan term does not exceed 30 years, (3) the loan is fully amortizing with no negative amortization, interest-only or balloon features and (4) the debt-to-income ratio on the loan does not exceed 43% at origination. The CFPB also defined a special class of conventional mortgage loans that will be qualified mortgages if they (1) meet the points and fees, term and amortization requirements of qualified mortgages generally and (2) are eligible for sale to Fannie Mae or Freddie Mac. This class of qualified mortgages expires on the earlier of January 10, 2021 or when the GSEs cease to be in conservatorship or receivership.

In May 2013, FHFA directed Fannie Mae and Freddie Mac to limit our acquisition of single-family loans to those loans that meet the points and fees, term and amortization requirements for qualified mortgages, or to loans that are exempt from the ability-to-repay rule, such as loans made to investors. This limitation applies to loans with application dates on or after January 10, 2014, the effective date of the ability-to-repay rule. We continue to evaluate the potential impact of these changes on our business.

Risk Retention. The Dodd-Frank Act requires financial regulators to jointly prescribe regulations requiring securitizers to retain a portion of the credit risk in assets transferred, sold or conveyed through the issuance of asset-backed securities, with certain exceptions. In October 2014, the Office of the Comptroller of the Currency, the Board of Governors of the Federal

Reserve System, the FDIC, the SEC, FHFA and HUD issued a final rule implementing this credit risk retention requirement. The final rule generally requires securitizers to retain at least 5% of the credit risk of the assets they securitize. The rule offers several compliance options, one of which is to have either Fannie Mae or Freddie Mac (so long as they are in conservatorship or receivership) securitize and fully guarantee the assets, in which case no further retention of credit risk is required. In addition, securities backed solely by mortgage loans meeting the definition of a "qualified residential mortgage" are exempt from the risk retention requirements of the rule. The rule defines "qualified residential mortgage" to have the same meaning as the term "qualified mortgage" as defined by the CFPB in connection with its "ability to repay" rule under Regulation Z discussed above. The final risk retention rule became effective on December 24, 2015 for single-family mortgage loans and will become effective on December 24, 2016 for multifamily mortgage loans. We do not expect any significant changes in our current business practices as a result of the risk retention rule.

TILA-RESPA Integrated Disclosure ("TRID"). The Dodd-Frank Act required the CFPB to streamline and simplify the disclosures required under TILA and the Real Estate Settlement Procedures Act ("RESPA"). In October 2015, the CFPB's final rule implementing these changes went into effect. Although this rule applies to mortgage originators and is not directly applicable to us, we could face potential liability for certain errors in the new required disclosures in connection with the loans we acquire from lenders. At this time, it is not yet clear what sorts of errors will give rise to liability. Also in October 2015, FHFA directed us and Freddie Mac not to conduct post-purchase loan file reviews for technical compliance with TRID. Consistent with FHFA's directive, we currently do not intend to exercise our contractual remedies, including requiring the lender to repurchase the loan, for noncompliance with the newly applicable provisions of TRID, except in two limited circumstances: if the required form is not used; or if a particular practice would impair enforcement of the note or mortgage or would result in assignee liability, and a court of law, regulator or other authoritative body has determined that such practice violates TRID. We continue to evaluate the potential impact of this rule on our business.

Stress Testing. The Dodd-Frank Act requires certain financial companies to conduct annual stress tests to determine whether the companies have the capital necessary to absorb losses as a result of adverse economic conditions. In September 2013, FHFA issued a final rule implementing the Dodd-Frank Act's stress test requirements for Fannie Mae, Freddie Mac and the FHLBs. Under the rule, each year we are required to conduct a stress test using three different scenarios of financial conditions provided by FHFA: baseline, adverse and severely adverse. In conducting the stress test, we are required to calculate the impact of the scenario conditions on our capital levels and other specified measures of financial condition and performance over a period of at least nine quarters. The rule requires us to submit the stress test results for the three scenarios to FHFA and the Federal Reserve Board of Governors, as well as to publish the stress test results for the severely adverse scenario by a later date. We submitted our most recent stress test results under this rule to FHFA and the Federal Reserve Board of Governors on February 5, 2015 and published our most recent stress test results for the severely adverse scenario on our website on April 30, 2015.

In November 2015, FHFA amended this stress testing rule to change certain dates associated with the process. For Fannie Mae and Freddie Mac, FHFA's amendment changed the following: the start date of the stress test cycles changed from October 1 to January 1; the date by which we are required to report our stress test results to FHFA and the Federal Reserve Board of Governors changed from February 5 to May 20; and the date by which we are required to publicly disclose a summary of the stress test results for the severely adverse scenario changed from between April 15 and April 30, to between August 1 and August 15.

Bank Capital and Liquidity Standards

Although we are not subject to banking regulations, our business may be affected by changes to the capital and liquidity requirements applicable to U.S. banks. The capital and liquidity regimes for the U.S. banking industry are currently undergoing significant changes as a result of actions by international bank regulators. In December 2010, the Basel Committee on Banking Supervision issued a set of revisions to the international capital requirements. These revisions, known as Basel III, generally narrow the definition of capital that can be used to meet risk-based standards and raise the amount of capital that must be held. Basel III also introduces new quantitative liquidity requirements. In July 2013, U.S. banking regulators issued a final regulation implementing Basel III's capital standards. In September 2014, U.S. banking regulators also issued a final regulation setting minimum liquidity standards for large U.S. banks generally in accordance with Basel III standards. See "Risk Factors" for a discussion of how changing regulations applicable to U.S. banks could materially adversely affect demand by banks for our debt and MBS securities in the future.

OUR CUSTOMERS

Our principal customers are lenders that operate within the primary mortgage market where mortgage loans are originated and funds are loaned to borrowers. Our customers include mortgage banking companies, savings and loan associations, savings banks, commercial banks, credit unions, community banks, specialty servicers, insurance companies, and state and local housing finance agencies. Lenders originating mortgages in the primary mortgage market often sell them in the secondary mortgage market in the form of whole loans or in the form of mortgage-related securities.

We have a diversified funding base of domestic and international investors. Purchasers of Fannie Mae MBS or Fannie Mae debt securities include fund managers, commercial banks, pension funds, insurance companies, Treasury, foreign central banks, corporations, state and local governments, and other municipal authorities.

During 2015, approximately 1,200 lenders delivered single-family mortgage loans to us, either for securitization or for purchase. We acquire a significant portion of our single-family mortgage loans from several large mortgage lenders. During 2015, our top five lender customers, in the aggregate, accounted for approximately 29% of our single-family business volume, down from approximately 33% in 2014. Wells Fargo Bank, N.A., together with its affiliates, was the only customer that accounted for 10% or more of our single-family business volume in 2015, with approximately 13%.

A number of factors impacted our customers in 2015 and affected the volume of business and mix of customers with whom we and our competitors do business. We obtained a smaller portion of our single-family loan acquisitions from large mortgage lenders in the last several years than in prior years as a result of a reduction in the aggregation of third-party mortgage originations among large mortgage originators and other factors. At the same time, we sought and continue to seek to provide liquidity to a broader, more diverse set of mortgage lenders. In addition to the decrease in single-family mortgage seller concentration, in recent years, we have acquired a large portion of our business volume from non-depository sellers. Doing more business with a more diverse set of mortgage lenders has lowered to a degree the significant exposure concentration we have built up with a few large institutions. However, the potentially lower financial strength, liquidity and operational capacity of many of these smaller or non-depository mortgage sellers and servicers compared with larger, depository financial institutions may negatively affect their ability to satisfy their repurchase or compensatory fee obligations or to service the loans on our behalf.

See “Risk Factors” for a discussion of risks relating to our institutional counterparties and our acquisition of a significant portion of our mortgage loans from several large mortgage lenders.

COMPETITION

We compete to acquire mortgage assets in the secondary market. We also compete for the issuance of mortgage-related securities to investors. Competition in these areas is affected by many factors, including the number of residential mortgage loans offered for sale in the secondary market by loan originators and other market participants, the nature of the residential mortgage loans offered for sale (for example, whether the loans represent refinancings), the current demand for mortgage assets from mortgage investors, the interest rate risk investors are willing to assume and the yields they will require as a result, and the credit risk and prices associated with available mortgage investments.

Competition to acquire mortgage assets is significantly affected by both our and our competitors’ pricing and eligibility standards, as well as investor demand for our and our competitors’ mortgage-related securities. Our competitive environment also may be affected by many other factors, such as new legislation or regulations. See “Housing Finance Reform,” “Our Charter and Regulation of Our Activities” and “Risk Factors” for information on legislation and regulations that could affect our business and competitive environment.

Our competitors for the acquisition of single-family mortgage assets are financial institutions and government agencies that manage residential mortgage credit risk or invest in residential mortgage loans, including Freddie Mac, FHA, the VA, Ginnie Mae (which primarily guarantees securities backed by FHA-insured loans and VA-guaranteed loans), the twelve FHLBs, U.S. banks and thrifts, securities dealers, insurance companies, pension funds, investment funds and other mortgage investors. Our primary competitors for the issuance of single-family mortgage-related securities are Freddie Mac and Ginnie Mae, as many private market competitors dramatically reduced or ceased their activities in the single-family secondary mortgage market following the 2008 housing crisis. For the issuance of multifamily mortgage-related securities, we primarily compete with Freddie Mac, life insurers, U.S. banks and thrifts, other institutional investors, Ginnie Mae and private-label issuers of commercial mortgage-backed securities.

We estimate that our single-family market share was 28% in both 2015 and 2014. These amounts represent our single-family mortgage acquisitions for each year, excluding delinquent loans we purchased from our MBS trusts, as a percentage of the single-family first-lien mortgages we currently estimate were originated in the United States that year. Our estimate of mortgage originations in prior periods is subject to change as additional data become available; therefore, these market share estimates may change in the future, perhaps materially.

We remained one of the largest issuers of mortgage-related securities in the secondary market in 2015. We estimate our market share of new single-family mortgage-related securities issuances was 37% in 2015, compared with 40% for 2014. Our market share for new single-family mortgage-related securities issuances decreased in 2015 compared with 2014 primarily as a result of competition from Ginnie Mae.

We also compete for low-cost debt funding with institutions that hold mortgage portfolios, including Freddie Mac and the FHLBs.

EMPLOYEES

As of January 31, 2016, we employed approximately 7,300 personnel, including full-time and part-time employees, term employees and employees on leave.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all other SEC reports and amendments to those reports as soon as reasonably practicable after we electronically file the material with, or furnish it to, the SEC. Our website address is www.fanniemae.com. Materials that we file with the SEC are also available from the SEC's website, www.sec.gov. You may also request copies of any filing from us, at no cost, by calling the Fannie Mae Fixed-Income Securities Helpline at 1-888-BOND-HLP (1-888-266-3457) or 1-202-752-7115 or by writing to Fannie Mae, Attention: Fixed-Income Securities, 3900 Wisconsin Avenue, NW, Area 2H-3N, Washington, DC 20016.

All references in this report to our website addresses or the website address of the SEC are provided solely for your information. Information appearing on our website or on the SEC's website is not incorporated into this annual report on Form 10-K.

FORWARD-LOOKING STATEMENTS

This report includes statements that constitute forward-looking statements within the meaning of Section 21E of the Exchange Act. In addition, our senior management may from time to time make forward-looking statements orally to analysts, investors, the news media and others. Forward-looking statements often include words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "forecast," "project," "would," "should," "could," "likely," "may," "will" or similar words.

Among the forward-looking statements in this report are statements relating to:

- Our expectation that we will remain profitable on an annual basis for the foreseeable future; however, certain factors, such as changes in interest rates or home prices, could result in significant volatility in our financial results from quarter to quarter or year to year;
- Our expectation that our future financial results also will be affected by a number of other factors, including: our guaranty fee rates; the volume of single-family mortgage originations in the future; the size, composition and quality of our retained mortgage portfolio and guaranty book of business; and economic and housing market conditions;
- Our expectation of volatility from period to period in our financial results from a number of factors, particularly changes in market conditions that result in fluctuations in the estimated fair value of the financial instruments that we mark to market through our earnings;
- Our expectation that we will pay Treasury a senior preferred stock dividend for the first quarter of 2016 of $2.9 billion by March 31, 2016;

- Our expectation that we will retain only a limited amount of any future net worth because we are required by the dividend provisions of the senior preferred stock and quarterly directives from our conservator to pay Treasury each quarter the amount, if any, by which our net worth as of the end of the immediately preceding fiscal quarter exceeds an applicable capital reserve amount;
- Our intention to continue to engage in credit risk transfer transactions on an ongoing basis, subject to market conditions;
- Our expectation that, over time, a larger portion of our single-family conventional guaranty book of business will be covered by credit risk transfer transactions;
- Our expectation that the guaranty fee changes we implemented in September 2015 will not result in material changes to our single-family guaranty fee revenue or loan volume;
- Our expectations that the volume of loans we acquire with 95.01% to 97% LTV ratios under our revised eligibility criteria and HomeReady will increase, but that these loans will continue to constitute only a small portion of our acquisitions;
- Our expectation that our acquisition of 95.01% to 97% LTV ratio loans under our revised eligibility criteria and under HomeReady will not materially affect our overall credit risk because we expect that: (1) our eligibility requirements for these loans will limit their effect on our credit risk; and (2) these loans will constitute a small portion of our acquisitions;
- Our expectation that our single-family acquisitions will continue to have a strong overall credit risk profile given our current underwriting and eligibility standards and product design;
- Our belief that Collateral Underwriter's integration with Desktop Underwriter will enhance our lenders' risk management and underwriting capabilities;
- Our expectation that our elimination of fees charged to customers for using Desktop Underwriter and Desktop Originator will allow more lenders to access these systems in their underwriting process;
- Our plans to implement additional enhancements to Desktop Underwriter in 2016 and our expectation that these enhancements will further help our lender customers originate mortgages with increased efficiency and lower costs and will help increase access to credit for creditworthy borrowers;
- FHFA's expectation that single-family credit risk transfers will continue to be an ongoing conservatorship requirement;
- FHFA's expectation that the common securitization platform and single security projects will remain ongoing conservatorship priorities;
- FHFA's expectation that Fannie Mae and Freddie Mac will implement the single security on the common securitization platform in 2018;
- FHFA's expectation that investors will treat legacy Fannie Mae MBS as fungible with the single securities;
- FHFA's expectation that, with the enhanced requirements FHFA announced in March 2015, nonperforming loan sales will result in more favorable outcomes for borrowers and local communities;
- Our plan to complete additional nonperforming loan sales;
- Our expectation that the guaranty fees we receive for managing the credit risk on loans underlying Fannie Mae MBS held by third parties will continue to account for an increasing portion of our net interest income;
- Our expectation that our guaranty fee revenues will increase over the next several years, as loans with lower guaranty fees liquidate from our book of business and are replaced with new loans with higher guaranty fees;
- Our expectation that continued decreases in the size of our retained mortgage portfolio will continue to negatively impact our net interest income and net revenues;

- Our expectation that increases in our guaranty fee revenues will partially offset the negative impact of the decline in our retained mortgage portfolio, and that the extent to which the positive impact of increased guaranty fee revenues will offset the negative impact of the decline in the size of our retained mortgage portfolio will depend on many factors, including: changes to guaranty fee pricing we may make in the future and their impact on our competitive environment and guaranty fee revenues; the size, composition and quality of our guaranty book of business; the life of the loans in our guaranty book of business; the size, composition and quality of our retained mortgage portfolio; economic and housing market conditions, including changes in interest rates; our market share; and legislative and regulatory changes;
- Our belief that we have taken appropriate steps to mitigate the risk associated with providing lenders with relief from repurchasing certain loans for breaches of certain representations and warranties;
- Our belief that the implementation of a single security for Fannie Mae and Freddie Mac would likely reduce, and could eliminate, the trading advantage Fannie Mae MBS have over Freddie Mac PCs and, if this occurs, it could adversely affect our financial results;
- Our expectation that the single-family serious delinquency rate for the overall mortgage market will continue to decline, and our belief that the rate of this decline will be gradual;
- Our expectation that the national single-family serious delinquency rate will remain high compared with pre-housing crisis levels because it will take some time for the remaining delinquent loans originated prior to 2009 to work their way through the foreclosure process;
- Our forecast that total originations in the U.S. single-family mortgage market in 2016 will decrease from 2015 levels by approximately 11% from an estimated $1.69 trillion in 2015 to $1.51 trillion in 2016;
- Our forecast that the amount of originations in the U.S. single family mortgage market that are refinancings will decrease from an estimated $795 billion in 2015 to $558 billion in 2016;
- Our expectation that the rate of home price appreciation in 2016 will be similar to the rate in 2015;
- Our expectation of significant regional variation in the timing and rate of home price growth;
- Our expectation that our credit losses will be lower in 2016 and future years than our 2015 credit losses, absent further significant redesignations or accounting policy changes;
- Our expectation that our loss reserves will decline further;
- The estimate that there will be approximately 384,000 new multifamily units completed in 2016;
- Our belief that the increase in the supply of multifamily units concentrated in a limited number of metropolitan areas in 2016 will result in a temporary slowdown in net absorption rates, occupancy levels and effective rents in those areas throughout 2016;
- Our expectation that overall national rental market supply and demand will remain in balance over the longer term, based on expected construction completions, expected obsolescence and positive household formation trends;
- Our expectation that significant uncertainty regarding the future of our company will continue;
- Our expectation that Congress will continue to consider legislation on the future status of Fannie Mae and Freddie Mac, including proposals that would result in Fannie Mae's liquidation or dissolution;
- Our expectation, pursuant to FHFA's directive, that we will make our first payment of $217 million to specified HUD and Treasury funds on or before February 29, 2016, based on the amount of our new business purchases in 2015;
- Our expectation that the final risk retention rule under the Dodd-Frank Act will not significantly change our current business practices;
- Our intention not to exercise our contractual remedies for noncompliance with the newly applicable provisions of TRID except in two limited circumstances;
- Our expectation that our placement into receivership would likely have a material adverse effect on holders of our common stock and preferred stock, and could have a material adverse effect on holders of our debt securities and Fannie Mae MBS;
- Our belief that, if we are liquidated, it is unlikely that there would be sufficient funds remaining after payment of amounts to our creditors and to Treasury as holder of the senior preferred stock to make any distribution to holders of our common stock and other preferred stock;

- Our expectation that if there were several high-level employee departures at approximately the same time, our ability to conduct our business would likely be materially adversely affected, which could have a material adverse effect on our results of operations and financial condition;
- Our expectation that we will continue to devote significant resources to meeting FHFA's goals for our conservatorship;
- Our expectation that the common securitization platform and single security initiative and related internal infrastructure upgrades will result in significant changes to our current systems and operations;
- Our intention to sell our current principal office located at 3900 Wisconsin Ave, NW, Washington, DC, as well as two other Washington, DC office facilities;
- Our expectation that administrative expenses will be lower in 2016 compared with 2015;
- Our expectation that the guaranty fees we collect and the expenses we incur under the TCCA will continue to increase in the future;
- Our expectation that, as we continue to reduce the number of single-family nonperforming loans held for investment in our book of business, changes in home prices will have a lesser impact on our provision for credit losses;
- Our expectation that we will continue to purchase loans from MBS trusts as they become four or more consecutive monthly payments delinquent subject to market conditions, economic benefit, servicer capacity and other factors, including the limit on the amount of mortgage assets that we may own pursuant to the senior preferred stock purchase agreement with Treasury and FHFA's portfolio plan requirements;
- Our belief that our liquidity contingency plans may be difficult or impossible to execute for a company of our size in our circumstances;
- Our belief that the amount of mortgage-related assets that we could successfully sell or borrow against in the event of a liquidity crisis or significant market disruption is substantially lower than the amount of mortgage-related assets we hold;
- Our intention to repay our short-term and long-term debt obligations as they become due primarily through proceeds from the issuance of additional debt securities;
- Our expectation that we may also use proceeds from our mortgage assets to pay our debt obligations;
- Our belief that continued federal government support of our business, as well as our status as a GSE, are essential to maintaining our access to debt funding;
- Our belief that changes or perceived changes in federal government support of our business or our status as a GSE could materially and adversely affect our liquidity, financial condition and results of operations;
- Our expectations regarding our credit ratings and their impact on us as set forth in "MD&A—Liquidity and Capital Management—Liquidity Management—Credit Ratings" and "Risk Factors";
- Our expectation that we will not remediate the material weakness in our disclosure controls and procedures while we are under conservatorship;
- Our expectation that the serious delinquency rates for single-family loans acquired in more recent years will be higher after the loans have aged, but will not approach the levels of the December 31, 2015 serious delinquency rates of loans acquired in 2005 through 2008;
- Our expectation that the ultimate performance of all our loans will be affected by borrower behavior, public policy and macroeconomic trends, including unemployment, the economy and home prices;
- Our expectation that loans we acquire under Refi Plus and HARP will perform better than the loans they replace, because they should either reduce the borrowers' monthly payments or provide more stable terms than the borrowers' old loans (for example, by refinancing into a mortgage with a fixed interest rate instead of an adjustable rate);
- Our expectation that the volume of refinancings under HARP will continue to decline, due to a decrease in the population of borrowers with loans that have high LTV ratios who are willing to refinance and would benefit from refinancing;
- Our expectation that our acquisitions of Alt-A mortgage loans (which are limited to refinancings of existing Fannie Mae loans) will continue to be minimal in future periods and the percentage of the book of business attributable to Alt-A will continue to decrease over time;

- Our belief that we have limited exposure to credit losses on home equity conversion mortgages;
- Our expectation that the current performance trend for our interest-only loans and negative-amortizing loans that have recently reset compared to those that are still in the initial period would not continue if interest rates rose significantly;
- Our belief that retaining special servicers to service some delinquent loan populations that include loans with higher-risk characteristics using high-touch protocols will reduce our future credit losses on the transferred loan portfolio;
- Our expectation that our single-family serious delinquency rate will continue to decrease;
- Our expectation that, as a result of our various loss mitigation and foreclosure prevention efforts, a portion of the loans in the process of formal foreclosure proceedings will not ultimately foreclose;
- Our expectation that, as a result of allowing lenders to remit payment equal to our losses on loans after we have disposed of the related REO, our actual cash receipts relating to our outstanding repurchase requests will be significantly lower than the unpaid principal balance of the loans;
- Our expectation that our institutional credit risk exposure to derivatives clearing organizations and certain of their members will increase substantially in the future as cleared derivative contracts comprise a larger percentage of our derivative instruments;
- Our assumption that the guaranty fee income generated from our future business activity will largely replace the guaranty fee income lost due to mortgage prepayments;
- Our expectations regarding our role as HAMP program administrator, including how long we will continue in the role and amounts we will receive from Treasury pursuant to the role; and
- Our expectation that we will receive full cash payment from only half of our non-governmental financial guarantor counterparties.

Forward-looking statements reflect our management's, or in some cases FHFA's, expectations, forecasts or predictions of future conditions, events or results based on various assumptions and management's estimates of trends and economic factors in the markets in which we are active, as well as our business plans. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. Our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. There are a number of factors that could cause actual conditions, events or results to differ materially from those described in the forward-looking statements contained in this report, including, but not limited to, the following: the uncertainty of our future; legislative and regulatory changes affecting us; the timing and level of, as well as regional variation in, home price changes; changes in interest rates, unemployment rates and other macroeconomic and housing market variables; our future guaranty fee pricing and the impact of that pricing on our competitive environment and guaranty fee revenues; challenges we face in retaining and hiring qualified executives and other employees; our future serious delinquency rates; the deteriorated credit performance of many loans in our guaranty book of business; the conservatorship and its effect on our business; the investment by Treasury and its effect on our business; adverse effects from activities we undertake to support the mortgage market and help borrowers; actions we may be required to take by FHFA, in its role as our conservator or as our regulator, such as changes in the type of business we do or implementation of a single GSE security; limitations on our business imposed by FHFA, in its role as our conservator or as our regulator; our future objectives and activities in support of those objectives, including actions we may take to reach additional underserved creditworthy borrowers; a decrease in our credit ratings; limitations on our ability to access the debt capital markets; disruptions in the housing and credit markets; significant changes in modification and foreclosure activity; the volume and pace of future nonperforming loan sales and their impact on our results and serious delinquency rates; changes in borrower behavior; the effectiveness of our loss mitigation strategies, management of our REO inventory and pursuit of contractual remedies; defaults by one or more institutional counterparties; resolution or settlement agreements we may enter into with our counterparties; our need to rely on third parties to fully achieve some of our corporate objectives; our reliance on mortgage servicers; changes in GAAP; guidance by the Financial Accounting Standards Board ("FASB"); future changes to our accounting policies; changes in the fair value of our assets and liabilities; operational control weaknesses; our reliance on models; future updates to our models, including the assumptions used by these models; the level and volatility of interest rates and credit spreads; changes in the fiscal and monetary policies of the Federal Reserve, including any change in the Federal Reserve's policy towards the reinvestment of principal payments of mortgage-backed securities or any future sales of such securities; changes in the structure and regulation of the financial services industry; credit availability; global political risks; natural disasters, environmental disasters, terrorist attacks, pandemics or other major disruptive events; information security breaches; and those factors described in "Risk Factors," as well as the factors described in “Executive Summary—Outlook—Factors that Could Cause Actual Results to be Materially Different from Our Estimates and Expectations.”

Readers are cautioned to place forward-looking statements in this report or that we make from time to time into proper context by carefully considering the factors discussed in this report. 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.

Item 1A. Risk Factors

Refer to “MD&A—Risk Management” for more detailed descriptions of the primary risks to our business and how we seek to manage those risks.

The risks we face could materially adversely affect our business, results of operations, financial condition, liquidity and net worth, and could cause our actual results to differ materially from our past results or the results contemplated by forward-looking statements contained in this report. However, these are not the only risks we face. In addition to the risks we discuss below, we face risks and uncertainties not currently known to us or that we currently believe are immaterial.

RISKS RELATING TO OUR BUSINESS

The future of our company is uncertain.

There continues to be significant uncertainty regarding the future of our company, including how long the company will continue to exist in its current form, the extent of our role in the market, how long we will be in conservatorship, what form we will have and what ownership interest, if any, our current common and preferred stockholders will hold in us after the conservatorship is terminated, and whether we will continue to exist following conservatorship. The conservatorship is indefinite in duration and the timing, conditions and likelihood of our emerging from conservatorship are uncertain. Termination of the conservatorship, other than in connection with a receivership, requires Treasury’s consent under the senior preferred stock purchase agreement.

In 2011, the Administration released a report to Congress on ending the conservatorships of the GSEs and reforming America’s housing finance market. The report provides that the Administration will work with FHFA to determine the best way to responsibly reduce Fannie Mae and Freddie Mac’s role in the market and ultimately wind down both institutions. The report emphasizes the importance of proceeding with a careful transition plan and providing the necessary financial support to Fannie Mae and Freddie Mac during the transition period. In 2013, the White House released a paper confirming that a core principle of the Administration’s housing policy priorities is to wind down Fannie Mae and Freddie Mac through a responsible transition. In 2015, the White House reaffirmed the Administration’s view that housing finance reform should include ending Fannie Mae and Freddie Mac’s business model.

Last year, Congress continued to consider legislation that could materially affect our business if enacted. We expect that Congress will continue to hold hearings and consider legislation on the future status of Fannie Mae and Freddie Mac, including proposals that would result in Fannie Mae’s liquidation or dissolution. Congress or FHFA may also consider legislation or regulation aimed at increasing the competition we face, reducing our market share, expanding our obligations to provide funds to Treasury or constraining our business operations. We cannot predict the prospects for the enactment, timing or final content of housing finance reform legislation or other legislation related to our activities. See “Business—Housing Finance Reform” for more information about the Administration’s statements and Congressional proposals regarding housing finance reform.

We may not have sufficient capital reserves to avoid a net worth deficit if we experience a comprehensive loss in a future quarter. If we have a net worth deficit in a future quarter, we will be required to draw funds from Treasury in order to avoid being placed into receivership.

As a result of the dividend provisions of the senior preferred stock and quarterly directives from our conservator, we are obligated to pay Treasury each quarter the amount, if any, by which our net worth as of the end of the immediately preceding fiscal quarter exceeds an applicable capital reserve amount. This capital reserve amount is $1.2 billion for each quarter of 2016, will decrease to $600 million in 2017 and will decrease to zero in 2018. Accordingly, our dividend obligations will result in our retaining a limited and decreasing amount of our net worth each year until 2018. Beginning in 2018, we will no longer retain any of our net worth, as the entire amount of our net worth at the end of each quarter will be required to be paid to Treasury.

Because we are permitted to retain only a limited and decreasing amount of capital reserves through 2017, we may not have sufficient reserves to avoid a net worth deficit if we experience a comprehensive loss in a future quarter. In addition, beginning in 2018, we are not permitted to retain any capital reserves against losses in subsequent quarters; therefore, if we have a comprehensive loss for a quarter we will also have a net worth deficit for that quarter. We have experienced and expect to continue to experience volatility in our financial results from period to period due to a number of factors, particularly changes in market conditions that result in fluctuations in the estimated fair value of the financial instruments, such as derivatives and certain securities, that we mark to market through our earnings. Our credit-related income or expense also can vary substantially from period to period based on factors such as changes in actual and expected home prices, borrower payment behavior, the types and volumes of our loss mitigation activities, the volumes of foreclosures completed, redesignations of loans from HFI to HFS, and fluctuations in mortgage interest rates. Accordingly, although we expect to remain profitable on an annual basis for the foreseeable future, the expected volatility in our financial results, which may be significant from quarter to quarter, could result in a net worth deficit in a future quarter, particularly as our capital reserve approaches or reaches zero. Other factors such as changes in accounting standards or legislative actions could result in a net worth deficit in a future quarter. For example, legislation that results in a decrease in the federal corporate income tax rate could result in a substantial reduction of our deferred tax assets. If this were to occur, it could result in a net worth deficit for the quarter in which the reduction occurs.

For any quarter for which we have a net worth deficit, we will be required to draw funds from Treasury under the senior preferred stock purchase agreement in order to avoid being placed into receivership. As of the date of this filing, the maximum amount of remaining funding under the agreement is $117.6 billion. If we were to draw additional funds from Treasury under the agreement in a future period, the amount of remaining funding under the agreement would be reduced by the amount of our draw. Dividend payments we make to Treasury do not restore or increase the amount of funding available to us under the agreement. Accordingly, if we experience multiple quarters of net worth deficits over several years, the amount of remaining funding available under the senior preferred stock purchase agreement could be significantly reduced from its current level.

Our regulator is authorized or required to place us into receivership under specified conditions, which would result in the liquidation of our assets. Amounts recovered from the liquidation may not be sufficient to repay the liquidation preference of any series of our preferred stock or to provide any proceeds to common shareholders.

FHFA is required to place us into receivership if the Director of FHFA makes a written determination that our assets are less than our obligations for a period of 60 days after the filing deadline for our Form 10-K or Form 10-Q with the SEC. Although Treasury committed to providing us funds in accordance with the terms of the senior preferred stock purchase agreement, if we need funding from Treasury to avoid triggering FHFA's obligation, Treasury may not be able to provide sufficient funds to us within the required 60 days if it has exhausted its borrowing authority, if there is a government shutdown, or if the funding we need exceeds the amount available to us under the agreement. In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for other reasons set forth in the GSE Act, including if we are critically undercapitalized or if we are undercapitalized and have no reasonable prospect of becoming adequately capitalized.

A receivership would terminate the conservatorship. In addition to the powers FHFA has as our conservator, the appointment of FHFA as our receiver would terminate all rights and claims that our shareholders and creditors may have against our assets or under our charter arising from their status as shareholders or creditors, except for their right to payment, resolution or other satisfaction of their claims as permitted under the GSE Act. If we are placed into receivership and do not or cannot fulfill our guaranty to the holders of our Fannie Mae MBS, the MBS holders could become unsecured creditors of ours with respect to claims made under our guaranty, to the extent the mortgage collateral underlying the Fannie Mae MBS is insufficient to satisfy the claims of the MBS holders.

In the event of a liquidation of our assets, only after payment of the administrative expenses of the receiver and the immediately preceding conservator, the secured and unsecured claims against the company (including repaying all outstanding debt obligations), and the liquidation preference of the senior preferred stock, would any liquidation proceeds be available to repay the liquidation preference on any other series of preferred stock. Finally, only after the liquidation preference on all series of preferred stock is repaid would any liquidation proceeds be available for distribution to the holders of our common stock. We believe that in the event of a liquidation of our assets it is unlikely that there would be sufficient proceeds to make any distribution to holders of our preferred stock or common stock, other than to Treasury as a holder of our senior preferred stock.

Our business and results of operations may be materially adversely affected if we are unable to retain and recruit well-qualified senior executives and other employees. The conservatorship, the uncertainty of our future, limitations on our executive and employee compensation, and negative publicity concerning the GSEs put us at a disadvantage compared to many other companies in attracting and retaining these employees.

Our business processes are highly dependent on the talents and efforts of our senior executives and other employees. The conservatorship, the uncertainty of our future, limitations on executive and employee compensation, and negative publicity concerning the GSEs have had and are likely to continue to have an adverse effect on our ability to retain and recruit well-qualified executives and other employees. Our business is highly complex and we are currently undertaking critical work to help build a sustainable housing finance system; therefore, continuity of our current management team under the leadership of our Chief Executive Officer is important. Turnover in key management positions and challenges in integrating new management could harm our ability to manage our business effectively and successfully finalize the implementation of our and FHFA's current strategic initiatives, and ultimately could adversely affect our financial performance.

Actions taken by Congress, FHFA and Treasury to date, or that may be taken by them or other government agencies in the future, have had, and may continue to have, an adverse effect on the retention and recruitment of senior executives and other employees. We are subject to significant restrictions on the amount and type of compensation we may pay our executives and other employees under conservatorship. In November 2015, the Equity in Government Compensation Act of 2015 was enacted. This law sets the annual direct compensation of our Chief Executive Officer at $600,000 while we are in conservatorship or receivership. We are also subject to the STOCK Act, which was enacted in April 2012 and includes a provision that prohibits our senior executives from receiving bonuses during any period of conservatorship on or after the date of enactment of the law. In addition, we are unable to offer equity-based compensation. As a result of these restrictions, we have not been able to incent and reward excellent performance with compensation structures that provide upside potential to our executives, which places us at a disadvantage compared to many other companies in attracting and retaining executives. In addition, the uncertainty of potential congressional action with respect to housing finance reform, which may result in the wind-down of the company, also negatively affects our ability to retain and recruit executives and other employees.

In many cases, the amount of compensation we pay our senior executives is significantly less than the compensation of executives in similar roles at many companies in our comparator group. Our inability to increase executive compensation to market levels for the foreseeable future puts us at greater risk of attrition, and also hampers our ability to recruit new executives. Moreover, our inability to offer market-based compensation makes succession planning difficult. In particular, the limit on the annual direct compensation of our Chief Executive Officer to $600,000, which became effective November 25, 2015, may negatively affect our ability to retain our Chief Executive Officer and adversely affects our ability to engage in effective succession planning for this critical role.

We face competition from within the financial services industry and from businesses outside of the financial services industry for qualified executives and other employees. Additionally, an improving economy has put additional pressures on turnover, as attractive opportunities have become available to our executives and other employees. Our competitors for talent are generally not subject to the same limitations on executive compensation. The constraints on our executive compensation could adversely affect our ability to attract and retain qualified candidates.

If we are unable to retain, promote and attract executives and other employees with the necessary skills and talent, we would face increased risks for operational failures. If there were several high-level departures at approximately the same time, our ability to conduct our business would likely be materially adversely affected, which could have a material adverse effect on our results of operations and financial condition.

Our business activities are significantly affected by the conservatorship and the senior preferred stock purchase agreement.

We are currently under the control of our conservator, FHFA, and we do not know when or how the conservatorship will terminate. As conservator, FHFA can direct us to enter into contracts or enter into contracts on our behalf, and generally has the power to transfer or sell any of our assets or liabilities. In addition, our directors do not have fiduciary duties to any person or entity except to the conservator. Accordingly, our directors are not obligated to consider the interests of the company, the holders of our equity or debt securities, or the holders of Fannie Mae MBS in making or approving a decision unless specifically directed to do so by the conservator.

We are subject to significant restrictions on our business activities during conservatorship. We may be prevented by our conservator from engaging in business activities or transactions that we believe would benefit our business and financial results. For example, because FHFA must approve changes to the national loan level price adjustments we charge and can direct us to make other changes to our guaranty fee pricing, our ability to address changing market conditions, pursue certain strategic objectives, or manage the mix of loans lenders choose to deliver to us is constrained. We publish national risk-based loan level price adjustment grids that specify the additional cash fees we charge at the time we acquire a loan based on the credit characteristics of the loan. These fees allow us to price appropriately for the credit risk we assume in providing our guaranty on the loans. We do not have the ability to implement changes to these pricing grids without the approval of FHFA. If the mix of our single-family loan acquisitions changes, and FHFA does not approve requested changes to our pricing grids in response to these changes, it could adversely affect our financial results and condition. In addition, FHFA may direct us to make changes to our guaranty fee pricing that could materially affect our financial results. If FHFA directs us to decrease our guaranty fee pricing, depending on the extent of the decrease, it could result in a significant decrease in our guaranty fee revenues in future periods. If FHFA directs us to increase our guaranty fee pricing, depending on the extent of the increase, it could result in some of our lender customers retaining lower credit risk loans for their portfolio or delivering them to our competitors instead of delivering the loans to us. This could lead to a decrease in our single-family business volume, negatively affect the credit risk profile of our new single-family acquisitions and adversely affect our financial results and condition.

Because we are under the control of our conservator, our business objectives may not be consistent with the investment objectives of our investors. We may be required by our conservator to engage in activities that are operationally difficult, costly to implement or unprofitable, or that may adversely affect our financial results or the credit risk profile of our book of business. FHFA has changed our business objectives significantly since we entered conservatorship, and could make additional changes at any time. Actions we take to meet FHFA's strategic goals and objectives for our conservatorship could adversely affect our financial results. For example, FHFA's 2015 and 2016 conservatorship scorecards include objectives relating to the development of a single security for Fannie Mae and Freddie Mac. We believe the implementation of a single GSE security would likely reduce, and could eliminate, the trading advantage Fannie Mae MBS have over Freddie Mac PCs. If this occurs, it could adversely affect our financial results. In addition, FHFA's 2015 and 2016 conservatorship scorecards include objectives relating to the sale of nonperforming loans in our book of business. These transactions could result in the sale of mortgage loans we hold at prices below the levels recorded in our financial statements or the sale of loans that may be more financially advantageous for us to hold. Moreover, we are devoting significant resources to meeting FHFA's goals for our conservatorship and expect to continue to do so.

The senior preferred stock purchase agreement with Treasury includes a number of covenants that significantly restrict our business activities. We cannot, without the prior written consent of Treasury: pay dividends (except on the senior preferred stock); sell, issue, purchase or redeem Fannie Mae equity securities; sell, transfer, lease or otherwise dispose of assets in specified situations; engage in transactions with affiliates other than on arm's-length terms or in the ordinary course of business; issue subordinated debt; or incur indebtedness that would result in our aggregate indebtedness exceeding 120% of the amount of mortgage assets we are allowed to own under the agreement. In deciding whether to consent to any request for approval it receives from us under the agreement, Treasury has the right to withhold its consent for any reason and is not required by the agreement to consider any particular factors, including whether or not management believes that the transaction would benefit the company. Pursuant to the senior preferred stock purchase agreement, the maximum allowable amount of mortgage assets we were permitted to own as of December 31, 2015 was $399.2 billion, and on each December 31 thereafter, our mortgage assets may not exceed 85% of the maximum allowable amount that we were permitted to own as of December 31 of the immediately preceding calendar year until the amount of our mortgage assets reaches $250 billion. In addition, FHFA has requested that we further cap our mortgage assets each year at 90% of the annual limit under our senior preferred stock purchase agreement with Treasury.

Actions taken by the conservator and the restrictions set forth in the senior preferred stock purchase agreement could adversely affect our business, results of operations, financial condition, liquidity and net worth.

A number of lawsuits have been filed against the U.S. government relating to the senior preferred stock purchase agreement and the conservatorship. See "Note 18, Commitments and Contingencies" and "Legal Proceedings" for a description of these lawsuits. We cannot predict the course or the outcome of these lawsuits, or the actions the U.S. government (including Treasury or FHFA) may take in response to any ruling or finding in any of these lawsuits. Accordingly, we cannot predict what impact, if any, these lawsuits will have on our business.

The conservatorship and investment by Treasury have had, and will continue to have, a material adverse effect on our common and preferred shareholders.

We do not know when or how the conservatorship will terminate. Moreover, even if the conservatorship is terminated, we remain subject to the terms of the senior preferred stock purchase agreement, senior preferred stock and warrant, which can only be canceled or modified with the consent of Treasury. The conservatorship and investment by Treasury have had, and will continue to have, material adverse effects on our common and preferred shareholders, including the following:

No voting rights during conservatorship. The rights and powers of our shareholders are suspended during conservatorship. During conservatorship, our common shareholders do not have the ability to elect directors or to vote on other matters unless the conservator delegates this authority to them.

Dividends to common and preferred shareholders, other than to Treasury, have been eliminated. Our conservator announced in September 2008 that we would not pay any dividends on the common stock or on any series of preferred stock, other than the senior preferred stock, while we are in conservatorship. In addition, under the terms of the senior preferred stock purchase agreement, dividends may not be paid to common or preferred shareholders (other than on the senior preferred stock) without the prior written consent of Treasury, regardless of whether we are in conservatorship.

Our future profits will effectively be distributed to Treasury. As described in a risk factor above, the terms of the senior preferred stock purchase agreement and the senior preferred stock ultimately require the payment of our entire net worth to Treasury. As a result, our net income is not available to common shareholders or preferred shareholders other than Treasury as holder of the senior preferred stock.

Liquidation preference of senior preferred stock is high and could increase. The senior preferred stock ranks prior to our common stock and all other series of our preferred stock, as well as any capital stock we issue in the future, as to both dividends and distributions upon liquidation. Accordingly, if we are liquidated, the senior preferred stock is entitled to its then-current liquidation preference, plus any accrued but unpaid dividends, before any distribution is made to the holders of our common stock or other preferred stock. The liquidation preference on the senior preferred stock is currently $117.1 billion and would increase if we draw on Treasury's funding commitment in any future quarters or if we do not pay dividends owed on the senior preferred stock. If we are liquidated, we believe it is unlikely that there would be sufficient funds remaining after payment of amounts to our creditors and to Treasury as holder of the senior preferred stock to make any distribution to holders of our common stock and other preferred stock.

Exercise of the Treasury warrant would substantially dilute investment of current shareholders. If Treasury exercises its warrant to purchase shares of our common stock equal to 79.9% of the total number of shares of our common stock outstanding on a fully diluted basis, the ownership interest in the company of our then existing common shareholders will be substantially diluted, and we would thereafter have a controlling shareholder.

No longer managed for the benefit of shareholders. Because we are in conservatorship, we are no longer managed with a strategy to maximize shareholder returns.

For additional description of the restrictions on us and the risks to our shareholders, see "Business—Conservatorship and Treasury Agreements."

We may incur significant credit losses and credit-related expenses on the loans in our mortgage credit book of business, which could materially adversely affect our earnings, financial condition and net worth.

We are exposed to a significant amount of mortgage credit risk on our $3.07 trillion mortgage credit book of business, which includes mortgage assets that back our guaranteed Fannie Mae MBS, mortgage assets in our retained mortgage portfolio and credit enhancements we provide. Borrowers of mortgage loans that we own or guaranty may fail to make required payments of principal and interest on their mortgage loans, exposing us to the risk of credit losses and credit-related expenses.

Although we strengthened our underwriting and eligibility standards in late 2008 and 2009, we continue to have a significant number of mortgage loans in our single-family book of business originated prior to this time with certain characteristics that expose us to greater credit risk than other types of mortgage loans, such as Alt-A loans, interest-only loans and loans with FICO credit scores less than 620. We also have a significant number of loans in our single-family book of business with original LTV ratios greater than 90%, which may pose a higher credit risk than loans with lower LTV ratios. We present detailed information about the risk characteristics of our single-family conventional guaranty book of business in "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management," and we present information on our 2015 credit-related expenses and credit losses in "MD&A—Consolidated Results of Operations—Credit-Related Income (Expense)." The credit performance of loans in our book of business could deteriorate in the future, particularly if we experience national or regional declines in home prices, weakening economic conditions or high unemployment, resulting in higher credit losses and credit-related expenses. Increases in our credit-related expenses would reduce our earnings and adversely affect our financial condition and net worth.

While we use certain credit enhancements to mitigate some of our potential future credit losses, these transactions may provide less protection than we expect. Some of the credit enhancements we use, such as mortgage insurance and credit insurance risk transfer transactions, are subject to the risk that the counterparties may not meet their obligations to us. In addition, our credit risk transfer transactions are relatively new, and it is uncertain if there will be adequate demand for these products over the long term to meet our goals for these transactions.

A failure in our operational systems or infrastructure, or those of third parties, could materially adversely affect our business, impair our liquidity, cause financial losses and harm our reputation.

Shortcomings or failures in our internal processes, people or systems could disrupt our business or have a material adverse effect on our risk management, liquidity, financial statement reliability, financial condition and results of operations. Such a failure could result in legislative or regulatory intervention or sanctions, liability to customers, financial losses, business disruptions and damage to our reputation. For example, our business is highly dependent on our ability to manage and process, on a daily basis, an extremely large number of transactions, many of which are highly complex, across numerous and diverse markets and in an environment in which we must adapt to changing external conditions. These transactions are subject to various legal, accounting and regulatory standards. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control, adversely affecting our ability to process these transactions. In addition, we rely on information provided by third parties in processing many of our transactions; that information may be incorrect or we may fail to properly manage or analyze it.

We rely upon business processes that are highly dependent on people, legacy technology and the use of numerous complex systems and models to manage our business and produce books and records upon which our financial statements are prepared. This reliance increases the risk that we may be exposed to financial, reputational or other losses as a result of inadequately designed internal processes or systems, or failed execution of our systems. While we continue to enhance our technology, operational controls and organizational structure in order to reduce our operational risk, these actions may not be effective to manage these risks and may create additional operational risk as we execute these enhancements. In addition, our increased use of third-party service providers for some of our business functions increases the risk that an operational failure by a third party will adversely affect us.

We also face the risk of operational failure, termination or capacity constraints of any of the clearing agents, exchanges, clearinghouses or other financial intermediaries we use to facilitate our securities and derivatives transactions. In recent years, there has been significant consolidation among clearing agents, exchanges and clearing houses. This consolidation and interconnectivity increases the risk of operational failure, on both an individual basis and an industry-wide basis, as disparate complex systems need to be integrated, often on an accelerated basis. Any such failure, termination or constraint could adversely affect our ability to effect transactions or manage our exposure to risk, and could have a significant adverse impact on our business, liquidity, financial condition, net worth and results of operations.

Additionally, nearly all of our employees in our primary locations, including the Washington, DC and Dallas, Texas metropolitan areas, work in relatively close proximity to one another. Notwithstanding the business continuity plans and facilities that we have in place, given that most of our facilities and employees are located in the Washington, DC and Dallas metropolitan areas, a catastrophic event such as a terrorist attack, natural disaster, extreme weather event or disease pandemic could overwhelm our recovery capabilities. Although we have built an out-of-region data center for disaster recovery in order to increase the geographic diversity of our business continuity plans, most of our employees are located in the Washington, DC and Dallas metropolitan areas. If a regional disruption occurs and our employees are not able to occupy our facilities, work remotely, or communicate with or travel to other locations, we may not be able to successfully implement our contingency plans, which could materially adversely affect our ability to conduct our business and lead to financial losses.

A breach of the security of our systems, or those of third parties with which we do business, including as a result of cyber attacks, could damage or disrupt our business or result in the disclosure or misuse of confidential information, which could damage our reputation, increase our costs and cause losses.

Our operations rely on the secure receipt, processing, storage and transmission of confidential and other information in our computer systems and networks and with our business partners, including confidential or personal information that is subject to privacy laws, regulations or customer-imposed controls. Information security risks for large institutions like us have significantly increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state-sponsored actors. From time to time we have been, and likely will continue to be, the target of attempted cyber attacks, computer viruses, malicious code, phishing attacks, denial of service attacks and other information security breaches. To date, we have not experienced any material losses relating to cyber attacks, but we could suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, our prominent size and scale and our role in the financial services industry, the outsourcing of some of our business operations, and the current global economic and political environment. As a result, we have increased our investments in the development and enhancement of controls, processes and practices designed to prevent, detect and respond to information security threats.

Although we take measures to protect the security of our computer systems, software and networks, our computer systems, software and networks may be vulnerable to cyber attack, breaches, unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. The occurrence of such an event could jeopardize or result in the unauthorized disclosure, gathering, monitoring, misuse, corruption, loss or destruction of confidential and other information that belongs to us, our customers, our counterparties or borrowers that is processed and stored in, and transmitted through, our computer systems and networks. The occurrence of such an event also could result in damage to our computers or systems, or otherwise cause interruptions or malfunctions in our, our customers', our counterparties' or third parties' operations. This could result in significant losses, loss of customers and business opportunities, reputational damage, litigation, regulatory fines, penalties or intervention, reimbursement or other compensatory costs, or otherwise adversely affect our business, financial condition or results of operations. In addition, we may be required to expend significant additional resources to modify our protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks. Although we maintain insurance coverage relating to cybersecurity risks, our insurance may not be sufficient to provide adequate loss coverage in all circumstances.

Third parties with which we do business may also be sources of cybersecurity or other technological risks. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as customer, counterparty and borrower information. While we engage in actions to mitigate our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss or destruction of data or other cybersecurity incidents with increased costs and consequences to us such as those described above.

Our concurrent implementation of multiple new initiatives may increase our operational risk and result in one or more significant deficiencies or material weaknesses in our internal control over financial reporting.

We are currently implementing a number of initiatives in furtherance of our goals to better serve our customers' needs, improve our business efficiency and help to build a sustainable housing finance system, including initiatives implementing FHFA's conservatorship scorecard objectives. The magnitude of the many new initiatives we are undertaking may increase our operational risk. Many of these initiatives involve significant changes to our business processes, systems and infrastructure, and present significant operational challenges for us. For example, we are working with FHFA and Freddie Mac on a multi-year effort to build a common securitization platform to eventually replace some of our current securitization infrastructure and to issue a single GSE security on this platform. This initiative, in coordination with related internal infrastructure upgrades, is expected to result in significant changes to our current systems and operations, and involves a high degree of complexity. While implementation of each individual initiative creates operational challenges, implementing multiple initiatives during the same time period significantly increases these challenges. Due to the operational complexity associated with these changes and the limited time periods for implementing them, we believe there is a significant risk that implementing these changes could result in one or more significant deficiencies or material weaknesses in our internal control over financial reporting in a future period. If this were to occur, we could experience material errors in our reported financial results. In addition, FHFA, Treasury, other agencies of the U.S. government or Congress may require us to take actions in the future that could further increase our operational risk.

We may undertake efforts that adversely affect our business, results of operations, financial condition, liquidity and net worth.

In conservatorship our business is no longer managed with a strategy to maximize shareholder returns while fulfilling our mission. FHFA's current strategic goals for our conservatorship are described in "Business—Executive Summary—Helping to Build a Sustainable Housing Finance System." In pursuit of these or other goals prescribed by our conservator, we may take a variety of actions that could adversely affect our economic returns, possibly significantly, such as modifying loans to defer principal, lower the interest rate or extend the maturity; engaging in principal reduction; expanding our underwriting and eligibility requirements to increase access to mortgage credit; or issuing a single GSE security. We are already taking some of these actions. These activities may have short- and long-term adverse effects on our business, results of operations, financial condition, liquidity and net worth.

Other agencies of the U.S. government or Congress also may ask us to undertake significant efforts to support the housing and mortgage markets, as well as struggling homeowners. They may also ask us to take actions in support of other goals. These actions may adversely affect our financial results and condition. For example, in December 2011 Congress enacted the TCCA under which, at the direction of FHFA, we increased the guaranty fee on all single-family residential mortgages delivered to us by 10 basis points effective April 1, 2012. The revenue generated by this fee increase is paid to Treasury and helps offset the cost of a two-month extension of the payroll tax cut from January 1, 2012 through February 29, 2012. FHFA and Treasury advised us to remit this fee increase to Treasury with respect to all loans acquired by us on or after April 1, 2012 and before January 1, 2022, and to continue to remit these amounts to Treasury on and after January 1, 2022 with respect to loans we acquired before this date until those loans are paid off or otherwise liquidated.

We are also required by the GSE Act to undertake efforts in support of the housing market that could adversely affect our financial results and condition. For example, we are subject to housing goals under the GSE Act that require that a portion of the mortgage loans we acquire must be for low- and very-low income families, families in low-income census tracts and moderate-income families in minority census tracts or designated disaster areas. FHFA's 2015 to 2017 housing goals include higher benchmarks for most of the goals than those that were applicable for 2014. In addition, the 2008 Reform Act created a new duty to serve very low-, low- and moderate-income families in three underserved markets: manufactured housing, affordable housing preservation and rural areas. FHFA issued a proposed rule to implement these duty to serve requirements in December 2015. If the proposed rule is adopted in its current form, we will be required to make changes to our business and our acquisitions in the future to comply with our new duty to serve obligations. We may take actions to meet our housing goals and duty to serve obligations that could adversely affect our profitability. For example, we may acquire loans that offer lower expected returns on our investment than our other loan acquisitions and that may potentially increase our credit losses and credit-related expenses. If we do not meet our housing goals or duty to serve requirements, and FHFA finds that the goals or requirements were feasible, we may become subject to a housing plan that could require us to take additional steps that could have an adverse effect on our results of operations and financial condition. See "Business—Our Charter and Regulation of Our Activities—The GSE Act—Housing Goals and Duty to Serve Underserved Markets" for more information on our housing goals and duty to serve underserved markets.

Limitations on our ability to access the debt capital markets could have a material adverse effect on our ability to fund our operations and generate net interest income.

Our ability to fund our business depends primarily on our ongoing access to the debt capital markets. The level of net interest income generated by our retained mortgage portfolio assets depends on how much lower our cost of funds is compared with what we earn on our mortgage assets. Market concerns about matters such as the extent of government support for our business, the future of our business (including future profitability, future structure, regulatory actions and GSE status) and the creditworthiness of the U.S. government could cause a severe negative effect on our access to the unsecured debt markets, particularly for long-term debt. We believe that our ability in recent years to issue debt of varying maturities at attractive pricing resulted from federal government support of our business. As a result, we believe that our status as a GSE and continued federal government support is essential to maintaining our access to debt funding. Changes or perceived changes in federal government support of our business or our status as a GSE could materially and adversely affect our liquidity, financial condition and results of operations. There can be no assurance that the government will continue to support us, or that our current level of access to debt funding will continue. In addition, due to our reliance on the U.S. government's support, our access to debt funding also could be materially adversely affected by a change or perceived change in the creditworthiness of the U.S. government.

Future changes or disruptions in the financial markets could significantly change the amount, mix and cost of funds we obtain, as well as our liquidity position. If we are unable to issue both short- and long-term debt securities at attractive rates and in amounts sufficient to operate our business and meet our obligations, it likely would interfere with the operation of our business and have a material adverse effect on our liquidity, results of operations, financial condition and net worth.

Our liquidity contingency plans may be difficult or impossible to execute during a liquidity crisis.

We believe that our liquidity contingency plans may be difficult or impossible to execute during a liquidity crisis. If we cannot access the unsecured debt markets, our ability to repay maturing indebtedness and fund our operations could be eliminated or significantly impaired. In this event, our alternative sources of liquidity—consisting of our cash and other investments portfolio and the unencumbered mortgage assets in our retained mortgage portfolio—may not be sufficient to meet our liquidity needs.

We believe that the amount of mortgage-related assets that we could successfully sell or borrow against in the event of a liquidity crisis or significant market disruption is substantially lower than the amount of mortgage-related assets we hold. Due to the large size of our portfolio of mortgage assets, current market conditions and the significant amount of distressed assets in our retained mortgage portfolio, there would likely be insufficient market demand for large amounts of these assets over a prolonged period of time, which would limit our ability to borrow against or sell these assets.

To the extent that we are able to obtain funding by pledging or selling mortgage-related securities as collateral, we anticipate that a discount would be applied that would reduce the value assigned to those securities. Depending on market conditions at the time, this discount could result in proceeds significantly lower than the current market value of these securities and could thereby reduce the amount of financing we obtain. In addition, our primary source of collateral is Fannie Mae MBS that we own. In the event of a liquidity crisis in which the future of our company is uncertain, counterparties may be unwilling to accept Fannie Mae MBS as collateral. As a result, we may not be able to sell or borrow against these securities in sufficient amounts to meet our liquidity needs.

A decrease in the credit ratings on our senior unsecured debt could have an adverse effect on our ability to issue debt on reasonable terms, and would likely do so if such a decrease were not based on a similar action on the credit ratings of the U.S. government. A decrease in our credit ratings also could trigger additional collateral requirements under our derivatives contracts.

Credit ratings on our senior unsecured debt, as well as the credit ratings of the U.S. government, are primary factors that could affect our borrowing costs and our access to the debt capital markets. Credit ratings on our debt are subject to revision or withdrawal at any time by the rating agencies. Actions by governmental entities impacting the support we receive from Treasury could adversely affect the credit ratings on our senior unsecured debt. As of December 31, 2015, our long-term debt was rated "AA+" by Standard & Poor's Ratings Services ("S&P"), "Aaa" by Moody's Investors Services ("Moody's") and "AAA" by Fitch Ratings Limited ("Fitch").

Because we rely on the U.S. government for capital support, in recent years, when a rating agency has taken an action relating to the U.S. government's credit rating, they have taken a similar action relating to our ratings at approximately the same time. S&P, Moody's and Fitch have all indicated that they would likely lower their ratings on the debt of Fannie Mae and certain other government-related entities if they were to lower their ratings on the U.S. government. We currently cannot predict whether one or more of these rating agencies will downgrade our debt ratings in the future, nor can we predict the potential impact. Although S&P's downgrade of our credit rating from "AAA" to "AA+" in August 2011 has not increased our borrowing costs or limited our access to the debt capital markets to date, an additional reduction in our credit ratings could have a material adverse impact on our access to debt funding or on the cost of our debt funding, and would likely do so if it were not based on a similar action on the credit ratings of the U.S. government.

An additional reduction in our credit ratings may also trigger additional collateral requirements under our derivative contracts because a majority of our over-the-counter ("OTC") derivative contracts contain provisions that require our senior unsecured debt to maintain a minimum credit rating from S&P and Moody's. If our senior unsecured debt credit ratings were downgraded to established thresholds in our OTC derivative contracts, which range from A+ to BBB+, we could be required to provide additional collateral to or terminate transactions with certain counterparties. The aggregate fair value of all OTC derivatives with credit-risk-related contingent features that were in a net liability position as of December 31, 2015 was $2.4 billion, for which we posted collateral of $2.2 billion in the normal course of business. If our senior unsecured debt had been downgraded to AA or Aa1, or even to AA- or Aa2, we would not have been required to post any additional collateral under these agreements as of December 31, 2015. If all of the credit-risk-related contingency features underlying these agreements had been triggered, an additional $257 million would have been required either to be posted as collateral or to immediately settle our positions based on the individual agreements and our fair value position as of December 31, 2015. An additional reduction in our credit ratings also could cause derivatives clearing organizations or their members to demand that we post additional collateral for our cleared derivative contracts. Further, an additional reduction in our credit ratings may materially adversely affect our liquidity, our ability to conduct our normal business operations, our financial condition and our results of operations. Our credit ratings and ratings outlook are included in "MD&A—Liquidity and Capital Management—Liquidity Management—Credit Ratings."

One or more of our institutional counterparties may fail to fulfill their contractual obligations to us, resulting in financial losses, business disruption and decreased ability to manage risk.

We routinely execute a high volume of transactions with counterparties in the financial services industry. We face the risk that one or more of our institutional counterparties may fail to fulfill their contractual obligations to us. Our primary exposures to institutional counterparty risk are with mortgage servicers that service the loans we hold in our retained mortgage portfolio or that back our Fannie Mae MBS; mortgage sellers and servicers that are obligated to repurchase loans from us or reimburse us for losses in certain circumstances; third-party providers of credit enhancement on the mortgage assets that we hold in our retained mortgage portfolio or that back our Fannie Mae MBS, including mortgage insurers, financial guarantors, credit insurance risk transfer counterparties and multifamily lenders with risk sharing arrangements; issuers of investments held in our cash and other investments portfolio; and derivatives counterparties.

We may have multiple exposures to one counterparty as many of our counterparties provide several types of services to us. For example, our lender customers or their affiliates may also act as derivatives counterparties, mortgage servicers, custodial depository institutions or document custodians. Accordingly, if one of these counterparties were to become insolvent or otherwise default on its obligations to us, it could harm our business and financial results in a variety of ways.

An institutional counterparty may default in its obligations to us for a number of reasons, such as changes in financial condition that affect its credit rating, changes in its servicer rating, a reduction in liquidity, operational failures or insolvency. Counterparty defaults or limitations on their ability to do business with us could result in significant financial losses or hamper our ability to do business, which could materially adversely affect our business, results of operations, financial condition, liquidity and net worth.

We depend on our ability to enter into derivatives transactions in order to manage the duration and prepayment risk of our retained mortgage portfolio. If we lose access to our derivatives counterparties, it could adversely affect our ability to manage these risks, which could have a material adverse effect on our business, results of operations, financial condition and liquidity.

Our financial condition or results of operations may be adversely affected if mortgage servicers fail to perform their obligations to us.

We delegate the servicing of the mortgage loans in our guaranty book of business to mortgage servicers; we do not have our own servicing function. Functions performed by mortgage servicers on our behalf include collecting and delivering principal and interest payments, administering escrow accounts, monitoring and reporting delinquencies, performing default prevention activities and other functions. The inability of a mortgage servicer to perform these functions due to financial, operational, regulatory or other issues could negatively affect our ability to manage our book of business, delay or prevent our collection of amounts due to us or otherwise result in the failure to perform other servicing duties, resulting in financial losses. In addition, our servicers have an active role in our loss mitigation efforts, and a decline in their performance could affect our credit performance, including through missed opportunities for loan modifications.

A large portion of our single-family guaranty book is serviced by non-depository servicers. The potentially lower financial strength, liquidity and operational capacity of non-depository mortgage sellers and servicers compared with depository mortgage sellers and servicers may negatively affect their ability to satisfy their repurchase or compensatory fee obligations or to service the loans on our behalf. In addition, regulatory bodies have been reviewing the activities of some of our largest non-depository servicers.

If we replace a mortgage servicer, we likely would incur costs and potential increases in servicing fees and could also face operational risks. If a mortgage servicer counterparty fails, it could result in a temporary disruption in servicing and loss mitigation activities relating to the loans serviced by that mortgage servicer, particularly if there is a loss of experienced servicing personnel. We may also face challenges in transferring a large servicing portfolio.

Multifamily mortgage servicing is typically performed by the lenders who sell the mortgages to us. We are exposed to the risk that multifamily servicers could come under financial pressure, which could potentially result in a decline in the quality of the servicing they provide us.

We may incur losses as a result of claims under our mortgage insurance policies not being paid in full or at all.

We rely heavily on mortgage insurers to provide insurance against borrower defaults on single-family conventional mortgage loans with LTV ratios over 80% at the time of acquisition. Although the financial condition of our primary mortgage insurer counterparties currently approved to write new business continued to improve during 2015, there is still risk that these counterparties may fail to fulfill their obligations to pay our claims under insurance policies.

In addition, three of our mortgage insurer counterparties who are currently not approved to write new business—PMI Mortgage Insurance Co. (“PMI”), Triad Guaranty Insurance Corporation (“Triad”) and Republic Mortgage Insurance Company (“RMIC”)—are under various forms of supervised control by their state regulators and are in run-off. A mortgage insurer that is in run-off continues to collect renewal premiums and process claims on its existing insurance business, but no longer writes new insurance, which increases the risk that the mortgage insurer will pay claims only in part or fail to pay claims at all under existing insurance policies. Entering run-off may close off a source of profits and liquidity that may have otherwise assisted a mortgage insurer in paying claims under insurance policies, and could also cause the quality and speed of its claims processing to deteriorate. PMI and Triad have been paying only a portion of policyholder claims and deferring the remaining portion. PMI is currently paying 70% of claims under its mortgage insurance policies in cash and is deferring the remaining 30%, and Triad is currently paying 75% of claims in cash and deferring the remaining 25%. It is uncertain whether PMI or Triad will be permitted in the future to pay any remaining deferred policyholder claims and/or increase or decrease the amount of cash they pay on claims. RMIC is no longer deferring payments on policyholder claims and has paid us its previously outstanding deferred payment obligations; however, RMIC has not paid us interest on its deferred payment obligations and remains in run-off and under the supervisory control of its state regulator. PMI, Triad and RMIC provided a combined $10.1 billion, or 9%, of our risk in force mortgage insurance coverage of our single-family guaranty book of business as of December 31, 2015.

On at least a quarterly basis, we assess our mortgage insurer counterparties' respective abilities to fulfill their obligations to us, and our loss reserves take into account this assessment. If our assessment indicates their ability to pay claims has deteriorated significantly or if our projected claim amounts have increased, it could result in an increase in our loss reserves and our credit losses.

The loss of business volume from a key lender customer could adversely affect our business and result in a decrease in our revenues, especially if we are unable to replace the business volume that customer provided to us.

Our ability to generate revenue from the purchase and securitization of mortgage loans depends on our ability to acquire a steady flow of mortgage loans from the originators of those loans. We acquire a significant portion of our mortgage loans from several large mortgage lenders, with our top five lender customers in terms of single-family business acquisition volume, in the aggregate, accounting for approximately 29% of our single-family business acquisition volume in 2015. Accordingly, maintaining our current business relationships and business volumes with our top lender customers is important to our business. To the extent a key lender customer significantly reduces the volume or quality of mortgage loans that the lender delivers to us or that we are willing to buy from them, we could lose significant business volume that we might be unable to replace, which could adversely affect our business and result in a decrease in our revenues. In addition, a significant reduction in the volume of mortgage loans that we securitize could reduce the liquidity of Fannie Mae MBS, which in turn could have an adverse effect on their market value.

Our reliance on third parties to service our mortgage loans may impede our efforts to keep people in their homes and adversely affect the re-performance rate of loans we modify.

Mortgage servicers, or their agents and contractors, typically are the primary point of contact for borrowers on our loans. We rely on these mortgage servicers to identify and contact troubled borrowers as early as possible, to assess the situation and offer appropriate options for resolving the problem and to successfully implement a solution. Over the past few years, the demands placed on experienced mortgage loan servicers to service delinquent loans have increased significantly across the industry. As a result, mortgage servicers may not be successful in conducting their servicing activities in a manner that fully accomplishes our objectives within the timeframe we desire. Further, our servicers have advised us that they have not been able to reach many of the borrowers who may need help with their mortgage loans even when repeated efforts have been made to contact the borrower.

For these reasons, our ability to actively manage the troubled loans that we own or guarantee, and to implement our homeownership assistance and foreclosure prevention efforts quickly and effectively, is limited by our reliance on our mortgage servicers. This reliance could have a material adverse effect on our business, results of operations and financial condition.

Challenges to the MERS® company, system and processes could pose operational, reputational and legal risks for us.

MERSCORP Holdings, Inc. ("MERSCORP") is a privately held company that maintains an electronic registry (the "MERS System") that tracks servicing rights and ownership of loans in the United States. Mortgage Electronic Registration Systems, Inc. ("MERS"), a wholly owned subsidiary of MERSCORP, can serve as a nominee for the owner of a mortgage loan and, in that role, become the mortgagee of record for the loan in local land records. Fannie Mae sellers and servicers may choose to use MERS as a nominee; however, we have prohibited servicers from initiating foreclosures on Fannie Mae loans in MERS's name. A large portion of the loans we own or guarantee are registered in MERS's name and the related servicing rights are tracked in the MERS System. The MERS System is widely used by participants in the mortgage finance industry. Along with a number of other organizations in the mortgage finance industry, we are a shareholder of MERSCORP.

Numerous legal challenges have been made disputing MERS's ability to initiate foreclosures, act as nominee in local land records, and/or assign mortgages or take other action on behalf of the loan owner. These challenges seek judicial relief ranging from money damages, fines and penalties to injunctive/declaratory relief seeking the prevention of mortgage assignments by MERS and/or the voiding of completed foreclosures in which MERS appeared in the chain of title. These challenges have focused public attention on MERS and on how loans are recorded in local land records. As a result, these challenges could negatively affect MERS's ability to serve as the mortgagee of record in some jurisdictions, which could cause additional costs and time in the recordation process and could negatively impact our interest in the loans. These challenges also could result in court decisions that substantially delay new or pending foreclosures, or void completed foreclosures in certain jurisdictions, which would require that we re-foreclose on the affected properties, thereby increasing our costs and lengthening the time it takes for us to foreclose on and dispose of the properties.

In addition, where MERS is the mortgagee of record, it must execute assignments of mortgages, affidavits and other legal documents in connection with foreclosure proceedings. In April 2011, federal banking regulators and FHFA announced that they were taking enforcement action against MERS and MERSCORP to address significant weaknesses in, among other things, oversight, management supervision and corporate governance at MERS and MERSCORP that were uncovered as part of the regulators' review of mortgage servicers' foreclosure processing. Failures by MERS or MERSCORP to apply prudent and effective process controls and to comply with legal and other requirements could pose counterparty, operational, reputational and legal risks for us. If investigations or new regulation or legislation restricts servicers' use of MERS, our counterparties may be required to record all mortgage transfers in land records, incurring additional costs and time in the recordation process. The enforcement action and legal challenges against MERS and MERSCORP remain ongoing. The outcome of this enforcement action and these legal challenges could adversely affect our business, results of operations or financial condition.

Changes in accounting standards and policies can be difficult to predict and can materially impact how we record and report our financial results.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the FASB or the SEC changes the financial accounting and reporting standards or the policies that govern the preparation of our financial statements. In addition, FHFA provides guidance that affects our adoption or implementation of financial accounting or reporting standards. These changes can be difficult to predict and expensive to implement, and can materially impact how we record and report our financial condition and results of operations. We could be required to apply new or revised guidance retrospectively, which may result in the revision of prior period financial statements by material amounts. The implementation of new or revised accounting guidance could have a material adverse effect on our financial results or net worth and result in or contribute to the need for additional draws from Treasury under the senior preferred stock purchase agreement.

Material weaknesses in our internal control over financial reporting could result in errors in our reported results or disclosures that are not complete or accurate.

Management has determined that, as of the date of this filing, we have ineffective disclosure controls and procedures that result in a material weakness in our internal control over financial reporting. In addition, our independent registered public accounting firm, Deloitte & Touche LLP, has expressed an adverse opinion on our internal control over financial reporting because of the material weakness. Our ineffective disclosure controls and procedures and material weakness could result in errors in our reported results or disclosures that are not complete or accurate, which could have a material adverse effect on our business and operations.

Our material weakness relates specifically to the impact of the conservatorship on our disclosure controls and procedures. Because we are under the control of FHFA, some of the information that we may need to meet our disclosure obligations may be solely within the knowledge of FHFA. As our conservator, FHFA has the power to take actions without our knowledge that could be material to our shareholders and other stakeholders, and could significantly affect our financial performance or our continued existence as an ongoing business. Because FHFA currently functions as both our regulator and our conservator, there are inherent structural limitations on our ability to design, implement, test or operate effective disclosure controls and procedures relating to information known to FHFA. As a result, we have not been able to update our disclosure controls and procedures in a manner that adequately ensures the accumulation and communication to management of information known to FHFA that is needed to meet our disclosure obligations under the federal securities laws, including disclosures affecting our financial statements. Given the structural nature of this material weakness, we do not expect to remediate this weakness while we are under conservatorship. See "Controls and Procedures" for further discussion of management's conclusions on our disclosure controls and procedures and internal control over financial reporting.

In many cases, our accounting policies and methods, which are fundamental to how we report our financial condition and results of operations, require management to make judgments and estimates about matters that are inherently uncertain. Management also relies on models in making these estimates.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in applying many of these accounting policies and methods so that these policies and methods comply with GAAP and reflect management's judgment of the most appropriate manner to report our financial condition and results of operations. In some cases, management must select the appropriate accounting policy or method from two or more alternatives, any of which might be reasonable under the circumstances but might affect the amounts of assets, liabilities, revenues and expenses that we report. See "Note 1, Summary of Significant Accounting Policies" for a description of our significant accounting policies.

We have identified two of our accounting policies as being critical to the presentation of our financial condition and results of operations. These accounting policies are described in "MD&A—Critical Accounting Policies and Estimates." We believe these policies are critical because they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions.

Because our financial statements involve estimates for amounts that are very large, even a small change in the estimate can have a significant impact for the reporting period. For example, because our total loss reserves are so large, even a change that has a small impact relative to the size of our loss reserves can have a meaningful impact on our results for the quarter in which we make the change.

Many of our accounting methods involve substantial use of models. Models are inherently imperfect predictors of actual results because they are based on assumptions, including assumptions about future events. Our actual results could differ significantly from those generated by our models. As a result, the estimates that we use to prepare our financial statements, as well as our estimates of our future results of operations, may be inaccurate, perhaps significantly.

Failure of our models to produce reliable results may adversely affect our ability to manage risk and make effective business decisions.

We make significant use of quantitative models to measure and monitor our risk exposures and to manage our business. For example, we use models to measure and monitor our exposures to interest rate, credit and market risks, and to forecast credit losses. The information provided by these models is used in making business decisions relating to strategies, initiatives, transactions, pricing and products.

Models are inherently imperfect predictors of actual results because they are based on historical data and assumptions regarding factors such as future loan demand, borrower behavior, creditworthiness and home price trends. Other potential sources of inaccurate or inappropriate model results include errors in computer code, bad data, misuse of data, or use of a model for a purpose outside the scope of the model's design. Modeling often assumes that historical data or experience can be relied upon as a basis for forecasting future events, an assumption that may be especially tenuous in the face of unprecedented events.

Given the challenges of predicting future behavior, management judgment is used at every stage of the modeling process, from model design decisions regarding core underlying assumptions, to interpreting and applying final model output. To control for these inherent imperfections, our models are validated by an independent model risk management team within our Enterprise Risk Division and are subject to control requirements set by our model risk policies.

When market conditions change quickly and in unforeseen ways, there is an increased risk that the model assumptions and data inputs for our models are not representative of the most recent market conditions. Under such circumstances, we must rely on management judgment to make adjustments or overrides to our models. A formal model update is typically an extensive process that involves basic research, testing, independent validation and production implementation. In a rapidly changing environment, it may not be possible to update existing models quickly enough to properly account for the most recently available data and events. Management adjustments to modeled results are applied within the confines of the governance structure provided by a combination of our model risk management team and our finance and risk committees.

If our models fail to produce reliable results on an ongoing basis, we may not make appropriate risk management decisions, including decisions affecting loan purchases, management of credit losses, guaranty fee pricing, and asset and liability management. Any of these decisions could adversely affect our businesses, results of operations, liquidity, net worth and financial condition. Furthermore, strategies we employ to manage and govern the risks associated with our use of models may not be effective or fully reliable.

Changes in interest rates or our loss of the ability to manage interest rate risk successfully could adversely affect our financial results and condition, and increase interest rate risk.

We fund our operations primarily through the issuance of debt and invest our funds primarily in mortgage-related assets that permit mortgage borrowers to prepay their mortgages at any time. These business activities expose us to market risk, which is the risk of adverse changes in the fair value of financial instruments resulting from changes in market conditions. Our most significant market risks are interest rate risk and prepayment risk. We describe these risks in more detail in "MD&A—Risk Management—Market Risk Management, Including Interest Rate Risk Management." Changes in interest rates affect both the value of our mortgage assets and prepayment rates on our mortgage loans.

Changes in interest rates could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth. Our ability to manage interest rate risk depends on our ability to issue debt instruments with a range of maturities and other features, including call provisions, at attractive rates and to engage in derivatives transactions. We must exercise judgment in selecting the amount, type and mix of debt and derivatives instruments that will most effectively manage our interest rate risk. The amount, type and mix of financial instruments that are available to us may not offset possible future changes in the spread between our borrowing costs and the interest we earn on our mortgage assets.

We mark to market changes in the estimated fair value of our derivatives through our earnings on a quarterly basis, but we do not similarly mark to market changes in some of the financial instruments that generate our interest rate risk exposures. As a result, changes in interest rates, particularly significant changes, can have a significant adverse effect on our earnings and net worth for the quarter in which the changes occur, depending on the nature of the changes and the derivatives we hold at that time. We have experienced significant fair value losses in some periods due to changes in interest rates, and we expect to continue to experience volatility from period to period in our financial results as a result of fair value losses or gains on our derivatives.

Changes in interest rates also can affect our credit losses. When interest rates increase, our credit losses from loans with adjustable payment terms may increase as borrower payments increase at their reset dates, which increases the borrower's risk of default, particularly for adjustable-rate loans with interest-only features. Rising interest rates may also reduce the opportunity for these borrowers to refinance into a fixed-rate loan. Similarly, many borrowers may have additional debt obligations, such as home equity lines of credit and second liens, that also have adjustable payment terms. If a borrower's payment on his or her other debt obligations increases due to rising interest rates or a change in amortization, it increases the risk that the borrower may default on a loan we own or guarantee.

Changes in spreads could materially impact our results of operations, net worth and the fair value of our net assets.

Spread risk or basis risk is the resulting impact of changes in the spread between our mortgage assets and our debt and derivatives we use to hedge our position. Changes in market conditions, including changes in interest rates, liquidity, prepayment and default expectations, and the level of uncertainty in the market for a particular asset class may cause fluctuations in spreads. Changes in mortgage spreads have contributed to significant volatility in our financial results in certain periods, due to fluctuations in the estimated fair value of the financial instruments that we mark to market through our earnings, and this could occur again in a future period. A widening of mortgage spreads could cause significant fair value losses, and could adversely affect our near-term financial results and net worth. We do not actively manage or hedge our spread risk after we purchase mortgage assets, other than through asset monitoring and disposition.

Our business is subject to laws and regulations that restrict our activities and operations, which limit our ability to diversify our business and may prohibit us from undertaking activities that management believes would benefit our business.

As a federally chartered corporation, we are subject to the limitations imposed by the Charter Act, extensive regulation, supervision and examination by FHFA and regulation by other federal agencies, including Treasury, HUD and the SEC. As a company under conservatorship, our primary regulator has management authority over us in its role as our conservator. We are also subject to other laws and regulations that affect our business, including those regarding taxation and privacy.

The Charter Act defines our permissible business activities. For example, we may not originate mortgage loans or purchase single-family loans in excess of the conforming loan limits, and our business is limited to the U.S. housing finance sector. In addition, as described in a previous risk factor, our business activities are subject to significant restrictions as a result of the conservatorship and the senior preferred stock purchase agreement. As a result of these limitations on our ability to diversify our operations, our financial condition and results of operations depend almost entirely on conditions in a single sector of the U.S. economy, specifically, the U.S. housing market. Weak or unstable conditions in the housing market can therefore have a significant adverse effect on our results of operations, financial condition and net worth.

Our business and financial results could be materially adversely affected by legal or regulatory proceedings.

We are a party to various claims and other legal proceedings. We also have been, and in the future may be, involved in government investigations. We may be required to establish accruals and to make substantial payments in the event of adverse judgments or settlements of any such claims, investigations or proceedings, which could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth. Any legal proceeding or governmental investigation, even if resolved in our favor, could result in negative publicity or cause us to incur significant legal and other expenses. In addition, certain of our current and former employees are involved in legal proceedings for which they may be entitled to reimbursement by us for costs and expenses of the proceedings.

Developments in, outcomes of, impacts of, and costs, expenses, settlements and judgments related to these legal proceedings and governmental investigations may differ from our expectations and exceed any amounts for which we have accrued or require adjustments to such accruals. In addition, responding to these matters could divert significant internal resources away from managing our business.

An active trading market in our equity securities may cease to exist, which would adversely affect the market price and liquidity of our common and preferred stock.

Our common stock and preferred stock are now traded exclusively in the over-the-counter market. We cannot predict the actions of market makers, investors or other market participants, and can offer no assurances that the market for our securities will be stable. If there is no active trading market in our equity securities, the market price and liquidity of the securities will be adversely affected.

Mortgage fraud could result in significant financial losses and harm to our reputation.

We use a process of delegated underwriting in which lenders make specific representations and warranties about the characteristics of the mortgage loans we purchase and securitize. As a result, we do not independently verify most borrower information that is provided to us. This exposes us to the risk that one or more of the parties involved in a transaction (the borrower, seller, broker, appraiser, title agent, lender or servicer) will engage in fraud by misrepresenting facts about a mortgage loan. Similarly, we rely on delegated servicing of loans and use of a variety of external resources to manage our REO. We have experienced financial losses resulting from mortgage fraud, including institutional fraud perpetrated by counterparties. In the future, we may experience additional financial losses or reputational damage as a result of mortgage fraud.

RISKS RELATING TO OUR INDUSTRY

Our business and financial results are affected by general economic conditions, particularly home prices and employment trends, and a deterioration of economic conditions or the financial markets may materially adversely affect our results of operations, net worth and financial condition.

Our business is significantly affected by the status of the U.S. economy, particularly home prices and employment trends. Although the U.S. economy has continued to gradually improve, economic growth and improvement in the housing market have been modest. A prolonged period of slow growth in the U.S. economy or any deterioration in general economic conditions or the financial markets could materially adversely affect our results of operations, net worth and financial condition. For example, if home prices decrease or the unemployment rate increases, it could result in significantly higher levels of credit losses and credit-related expense.

Global economic conditions can also adversely affect our business and financial results. Changes or volatility in market conditions resulting from deterioration in or uncertainty regarding global economic conditions can adversely affect the value of our assets, which could materially adversely affect our results of operations, net worth and financial condition. For example, concerns about economic conditions in China resulted in a significant decline in interest rates in the third quarter of 2015. This decline in interest rates contributed to the fair value losses on our derivatives in the third quarter of 2015.

Global economic conditions also could negatively affect the credit performance of the loans in our book of business. For example, the decline in global oil prices is negatively affecting economic conditions in some areas of the United States with a high concentration of jobs related to oil production. Weaker economic conditions resulting from a sustained decline in oil prices could result in higher levels of delinquencies on the loans we own or guarantee in these areas, which could negatively affect our credit-related expense and credit losses in the future.

Volatility or uncertainty in global political conditions also can significantly affect economic conditions and the financial markets. We describe above the risks to our business posed by changes in interest rates and changes in spreads. In addition, as described above, future changes or disruptions in the financial markets could significantly change the amount, mix and cost of funds we obtain, as well as our liquidity position.

A decline in activity in the U.S. housing market or increasing interest rates could lower our business volumes.

Our business volume is affected by the rate of growth in total U.S. residential mortgage debt outstanding and the size of the U.S. residential mortgage market. A decline in mortgage debt outstanding reduces the unpaid principal balance of mortgage loans available for us to securitize or purchase, which in turn could reduce our guaranty fee income and net interest income. Even if we were able to increase our share of the secondary mortgage market, it may not be sufficient to make up for a decline in the rate of growth in mortgage originations.

Mortgage interest rates also affect our business volume. Rising interest rates generally result in fewer mortgage originations, particularly for refinances. An increase in interest rates, particularly if the increase is sudden and steep, could significantly reduce our business volume. Significant reductions in our business volume could adversely affect our results of operations and financial condition. In December 2015, the Federal Reserve raised the target range for the federal funds rate for the first time since 2006, and noted that it expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate. However, the Federal Reserve may change its approach in the future. Moreover, the Federal Reserve's federal funds rate path is not the only factor that affects long-term interest rates. Accordingly, our business remains subject to the risk of sudden and steep interest rate increases.

A reduction or end to the Federal Reserve's acquisition of agency mortgage-backed securities could adversely affect our business, results of operations, financial condition, liquidity and net worth.

In recent years, the Federal Reserve has purchased a significant amount of mortgage-backed securities issued by us, Freddie Mac and Ginnie Mae. The Federal Reserve began to taper these purchases in January 2014 and concluded its asset purchase program in October 2014. Since concluding its asset purchase program, the Federal Reserve has maintained its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities; therefore, it has continued to purchase a significant amount of agency mortgage-backed securities. In a statement issued in January 2016, the Federal Reserve indicated that it anticipates maintaining its current reinvestment policy "until normalization of the level of the federal funds rate is well under way." Any change in the Federal Reserve's policy towards the reinvestment of principal payments of mortgage-backed securities, or possible future sales of mortgage-backed securities by the Federal Reserve, could result in increases in mortgage interest rates, adversely affect our business volume and reduce demand for Fannie Mae MBS, which could adversely affect our business, results of operations, financial condition, liquidity and net worth.

Changing regulations applicable to U.S. banks could materially adversely affect demand by banks for our debt securities and Fannie Mae MBS in the future.

U.S. banking regulators have issued a number of new regulations in recent years, including regulations relating to capital requirements, liquidity requirements, stress testing and other matters. These new requirements could materially adversely affect demand by U.S. banks for our debt securities and Fannie Mae MBS in the future and could limit the ability of banks to create markets for our debt securities and Fannie Mae MBS, which could adversely affect the price of those securities and could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth. For example, in September 2014, U.S. banking regulators issued a final regulation setting minimum liquidity standards for large U.S. banks generally in accordance with Basel III standards. Under the final rule, U.S. banks subject to the standards are required to hold a minimum level of high-quality liquid assets based on projections of their short-term cash needs. The debt and mortgage-related securities of Fannie Mae and Freddie Mac are permitted to count toward only up to 40% of the banks' high-quality liquid asset requirement, and then only after applying a 15% discount to the market value of those securities. The final rule became effective January 1, 2015 and provides for a transition period. Banks subject to the rule were required to maintain a minimum liquidity coverage ratio of 80% beginning on January 1, 2015, which increased to 90% beginning on January 1, 2016 and will further increase to 100% beginning on January 1, 2017. U.S. banks currently hold large amounts of our outstanding debt and MBS securities, and prior U.S. banking regulations did not limit the amount of these securities that banks were permitted to count toward their liquidity requirements. Accordingly, the implementation of this rule could materially adversely affect demand by banks for Fannie Mae debt securities and Fannie Mae MBS in the future and could limit the ability of banks to create markets for our debt securities and Fannie Mae MBS.

The Dodd-Frank Act and regulatory changes in the financial services industry may negatively impact our business.

The Dodd-Frank Act has significantly changed the regulation of the financial services industry. This legislation is affecting and will continue to affect many aspects of our business and could affect us in substantial and unforeseeable ways. The Dodd-Frank Act and related regulatory changes have required us to change certain business practices, limit the types of products we offer and incur additional costs. Additionally, implementation of this legislation has resulted in and will continue to result in increased supervision and more comprehensive regulation of our customers and counterparties in the financial services industry, which may have a significant impact on the business practices of our customers and counterparties, as well as on our counterparty credit risk. The Dodd-Frank Act's impact on our customers' and counterparties' business practices could indirectly adversely affect our business. For example, if our customers reduce the amount of their mortgage originations, it would adversely affect the number of mortgages available for us to purchase or guarantee.

Examples of aspects of the Dodd-Frank Act and related regulatory changes that have affected us or may affect us in the future include: rules requiring the clearing of certain derivatives transactions and margin and capital rules for uncleared derivative trades, which impose additional costs on us; the CFPB's "ability to repay" rule, which has limited the types of products we offer and could impact the volume of loans sold to us in the future; and the development of single-counterparty credit limit regulations, which could cause our customers to change their business practices. It is also possible that we could be designated as a systemically important nonbank financial company, although we have not received any notification of possible designation. If this were to occur, we would become subject to regulation by the Federal Reserve Board, which could impose stricter prudential standards on us.

In addition, the actions of Treasury, the Commodity Futures Trading Commission, the SEC, the FDIC, the Federal Reserve and international central banking authorities directly or indirectly impact financial institutions' cost of funds for lending, capital-raising and investment activities, which could increase our borrowing costs or make borrowing more difficult for us. Changes in monetary policy are beyond our control and difficult to anticipate.

Overall, these legislative and regulatory changes could affect us in substantial and unforeseeable ways and could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

Legislative, regulatory or judicial actions could negatively impact our business, results of operations, financial condition or net worth.

Legislative, regulatory or judicial actions at the federal, state or local level could negatively impact our business, results of operations, financial condition or net worth. Legislative, regulatory or judicial actions could affect us in a number of ways, including by imposing significant additional costs on us and diverting management attention or other resources. For example, we could be affected by legislative or regulatory changes that expand our or our servicers' responsibility and liability for securing, maintaining or otherwise overseeing vacant properties prior to foreclosure, which could increase our costs. We also could be affected by state laws and court decisions granting new or expanded priority rights to homeowners associations over our mortgages, which could adversely affect our ability to recover our losses on affected loans. In addition, as described above, our business could be materially adversely affected by legislative and regulatory actions relating to housing finance reform or the financial services industry or by legal or regulatory proceedings.

The occurrence of a major natural or other disaster in the United States could negatively impact our credit losses and credit-related expenses, and could disrupt our business operations in the affected geographic area or nationally.

We conduct our business in the residential and multifamily mortgage markets and own or guarantee the performance of mortgage loans throughout the United States. The occurrence of a major natural or environmental disaster, terrorist attack, cyber attack, pandemic, or similar event (a "major disruptive event") in a regional geographic area of the United States could negatively impact our credit losses and credit-related expenses in the affected area or, depending on the nature of the event, nationally.

The occurrence of a major disruptive event could negatively impact a geographic area in a number of different ways, depending on the nature of the event. A major disruptive event that either damages or destroys residential or multifamily real estate securing mortgage loans in our book of business or negatively impacts the ability of borrowers to continue to make principal and interest payments on mortgage loans in our book of business could increase our delinquency rates, default rates and average loan loss severity of our book of business in the affected region or regions, which could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth. While we attempt to create a geographically diverse mortgage credit book of business, there can be no assurance that a major disruptive event, depending on its magnitude, scope and nature, will not generate significant credit losses and credit-related expenses.

In addition, as described in a risk factor above, although we have business continuity plans and facilities in place, the occurrence of a catastrophic event could overwhelm our recovery capabilities, which could materially adversely affect our ability to conduct our business and lead to financial losses.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own our principal office, which is located at 3900 Wisconsin Avenue, NW, Washington, DC. We also own or lease nine additional office facilities in the Washington, DC area. The total square footage of our ten owned and leased facilities in the Washington, DC area is approximately 2,161,000 square feet.

We maintain approximately 691,000 square feet of office space in leased premises in Pasadena, California; Atlanta, Georgia; Chicago, Illinois; Philadelphia, Pennsylvania; and Dallas, Texas.

In January 2015, we entered into a lease for a future principal office in a building to be built at 1100 15th Street, NW, Washington, DC. The lease provides that the building will be delivered in phases in 2017 and 2018. Accordingly, we intend to sell our current principal office located at 3900 Wisconsin Ave, NW, Washington, DC, as well as two other Washington, DC office facilities.

Item 3. Legal Proceedings

This item describes our material legal proceedings. We describe additional material legal proceedings in "Note 18, Commitments and Contingencies," which is incorporated herein by reference. In addition to the matters specifically described or incorporated by reference in this item, we are involved in a number of legal and regulatory proceedings that arise in the ordinary course of business that do not have a material impact on our business. Litigation claims and proceedings of all types are subject to many factors that generally cannot be predicted accurately.

We record accruals for legal claims when losses associated with those claims become probable and the amounts can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts accrued for those claims. For matters where the likelihood or extent of a loss is not probable or cannot be reasonably estimated, we do not recognize in our consolidated financial statements the potential liability that may result from these matters. We presently cannot determine the ultimate resolution of the matters described below or incorporated by reference into this item. If certain of these matters are determined against us, it could have a material adverse effect on our results of operations, liquidity and financial condition, including our net worth.

FHFA Private-Label Mortgage-Related Securities Litigation

In the third quarter of 2011, FHFA, as conservator, filed 16 lawsuits on behalf of both Fannie Mae and Freddie Mac against various financial institutions, their officers and affiliated and unaffiliated underwriters that were responsible for marketing and selling private-label mortgage-related securities to us. Fourteen of these lawsuits were resolved during 2013 and 2014, and two remain pending.

These two remaining lawsuits, which were both filed on September 2, 2011, seek to recover losses we and Freddie Mac incurred on the private-label mortgage-related securities the defendants sold to us and Freddie Mac. The lawsuits allege that the defendants violated federal and state securities laws by making material misstatements and omissions regarding the characteristics of the loans underlying the securities in the offering documents for the securities that were sold to Fannie Mae and Freddie Mac. The complaints seek, among other things, rescission and recovery of consideration paid for the securities at issue in the lawsuits and interest.

One of the remaining lawsuits is against Nomura Holding America Inc., RBS Securities Inc. and certain related entities and individuals. On May 15, 2015, the U.S. District Court for the Southern District of New York entered a final judgment in the Nomura action, holding the defendants liable for claims brought under state and federal securities laws. On June 10, 2015, defendants in the Nomura action appealed this judgment to the U.S. Court of Appeals for the Second Circuit. The judgment, if affirmed in full, requires defendants to pay Fannie Mae $27 million and Freddie Mac $779 million, and requires Fannie Mae and Freddie Mac to deliver the securities at issue in the complaint to the defendants. In addition, if the judgment is affirmed in full, defendants are required to pay $33 million to cover attorneys' fees and costs for both us and Freddie Mac.

The other remaining lawsuit is against The Royal Bank of Scotland Group PLC and certain related entities and individuals, and is pending in the U.S. District Court for the District of Connecticut.

Senior Preferred Stock Purchase Agreements Litigation

Between June 2013 and February 2016, several lawsuits were filed by preferred and common stockholders of Fannie Mae and Freddie Mac in the U.S. Court of Federal Claims, the U.S. District Court for the District of Columbia, the U.S. District Court for the Southern District of Iowa, the U.S. District Court for the Northern District of Iowa, the U.S. District Court for the District of Delaware, the U.S. District Court for the Eastern District of Kentucky and the U.S. District Court for the Northern District of Illinois against the United States, Treasury and/or FHFA, challenging actions taken by the defendants relating to the senior preferred stock purchase agreements and the conservatorships of Fannie Mae and Freddie Mac. Some of these lawsuits also contain claims against Fannie Mae and Freddie Mac. The legal claims being advanced by one or more of these lawsuits include challenges to the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to the August 2012 amendments to the agreements, as well as to FHFA's decision to require Fannie Mae and Freddie Mac to draw funds from Treasury in order to pay dividends to Treasury during conservatorship. The plaintiffs seek various forms of equitable and injunctive relief, including rescission of the August 2012 amendments, as well as damages.

On September 30, 2014, the U.S. District Court for the District of Columbia dismissed all but one of the cases pending before that court. The plaintiffs in each of the dismissed cases filed a notice of appeal and on October 27, 2014, the U.S. Court of Appeals for the D.C. Circuit consolidated these appeals. The plaintiffs in the case that was not dismissed by the court voluntarily dismissed their lawsuit on October 31, 2014. On February 3, 2015, the U.S. District Court for the Southern District of Iowa dismissed the case pending before it. The matters where Fannie Mae is a named defendant are described below or in "Note 18, Commitments and Contingencies."

Fannie Mae is a nominal defendant in two actions filed against the United States in the U.S. Court of Federal Claims: *Fisher v. United States of America*, filed on December 2, 2013, and *Rafter v. United States of America*, filed on August 14, 2014. Plaintiffs in these cases allege that the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to the August 2012 amendment to the senior preferred stock purchase agreement constitute a taking of Fannie Mae's property without just compensation in violation of the U.S. Constitution. The *Fisher* plaintiffs are pursuing this claim derivatively on behalf of Fannie Mae, while the *Rafter* plaintiffs are pursing the claim directly against the United States. Plaintiffs in *Rafter* also allege a derivative claim that the government breached an implied contract with Fannie Mae's Board of Directors by implementing the net worth sweep dividend provisions. Plaintiffs in *Fisher* request just compensation to Fannie Mae in an unspecified amount. Plaintiffs in *Rafter* seek just compensation to themselves on their constitutional claim and payment of damages to Fannie Mae on their derivative claim for breach of an implied contract. The United States filed a motion to dismiss the *Fisher* case on January 23, 2014; however, the court has stayed proceedings in this case until discovery in a related case, *Fairholme Funds v. United States*, is complete and the court sets a date for the *Fairholme Funds* plaintiffs to respond to the government's motion to dismiss filed in that case. In the *Rafter* case, the court has ordered the government to file a response to the complaint within sixty days after discovery is complete in the *Fairholme Funds* case.

Fannie Mae is also a nominal defendant in a case filed against FHFA and Treasury in the U.S. District Court for the District of Delaware: *Jacobs v. FHFA, et al.*, filed on August 17, 2015. The plaintiffs allege that the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to the August 2012 amendments to the agreements violate Delaware law. The plaintiffs are pursuing this claim derivatively on behalf of Fannie Mae and directly against the government. The plaintiffs have also alleged direct breach of contract claims and breach of fiduciary duty claims against the government. The government filed motions to dismiss the case on November 13, 2015.

LIBOR Lawsuit

On October 31, 2013, Fannie Mae filed a lawsuit in the U.S. District Court for the Southern District of New York against Barclays Bank PLC, UBS AG, The Royal Bank of Scotland Group PLC, The Royal Bank of Scotland PLC, Deutsche Bank AG, Credit Suisse Group AG, Credit Suisse International, Bank of America Corp., Bank of America, N.A., Citigroup Inc., Citibank, N.A., J.P. Morgan Chase & Co., J.P. Morgan Chase Bank, N.A., Coöperative Centrale Raiffeisen-Boerenleenbank B.A., the British Bankers Association (the "BBA") and BBA LIBOR Ltd. alleging they manipulated LIBOR. On October 6, 2014, Fannie Mae filed an amended complaint alleging, among other things, that the banks submitted false borrowing costs to the BBA in order to suppress LIBOR. The amended complaint seeks compensatory and punitive damages based on claims for breach of contract, breach of the implied duty of good faith and fair dealing, unjust enrichment, fraud and conspiracy to commit fraud. The defendants filed motions to dismiss the lawsuit on November 5, 2014. On August 4, 2015, the court decided defendants' motions to dismiss, granting in part and denying in part the relief sought. The court ruled that Fannie Mae had adequately pled its fraud, breach of contract and unjust enrichment claims against the defendants, but that the applicable statute of limitations periods precluded some of our contract and unjust enrichment claims against the defendants from proceeding. In addition, the court dismissed the BBA and Credit Suisse Group AG from the lawsuit.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded in the over-the-counter market and quoted on the OTC Bulletin Board under the ticker symbol "FNMA." The transfer agent and registrar for our common stock is Computershare Trust Company, N.A., P.O. Box 30170, College Station, TX 77842-3170.

Common Stock Data

The following table displays, for the periods indicated, the high and low prices per share of our common stock as reported in the Bloomberg Financial Markets service. These prices represent high and low trade prices. No dividends were declared on shares of our common stock during the periods indicated.

Quarter	High	Low
2014		
First Quarter	$ 6.35	$ 2.76
Second Quarter	4.80	3.57
Third Quarter	4.64	2.54
Fourth Quarter	2.61	1.43
2015		
First Quarter	$ 3.51	$ 2.05
Second Quarter	2.96	2.27
Third Quarter	2.72	2.00
Fourth Quarter	2.70	1.58

Dividends

Our payment of dividends is subject to the following restrictions:

Restrictions Relating to Conservatorship. Our conservator announced on September 7, 2008 that we would not pay any dividends on the common stock or on any series of preferred stock, other than the senior preferred stock. In addition, FHFA's regulations relating to conservatorship and receivership operations prohibit us from paying any dividends while in conservatorship unless authorized by the Director of FHFA. The Director of FHFA directs us to make dividend payments on the senior preferred stock on a quarterly basis.

Restrictions Under Senior Preferred Stock Purchase Agreement. The senior preferred stock purchase agreement prohibits us from declaring or paying any dividends on Fannie Mae equity securities (other than the senior preferred stock) without the prior written consent of Treasury. In addition, in 2012 the terms of the senior preferred stock purchase agreement and the senior preferred stock were amended to ultimately require the payment of our entire net worth to Treasury. As a result, our net income is not available to common stockholders. For more information on the terms of the senior preferred stock purchase agreement and senior preferred stock, see "Business—Conservatorship and Treasury Agreements—Treasury Agreements—Senior Preferred Stock Purchase Agreement and Related Issuance of Senior Preferred Stock and Common Stock Warrant."

Additional Restrictions Relating to Preferred Stock. Payment of dividends on our common stock is also subject to the prior payment of dividends on our preferred stock and our senior preferred stock. Payment of dividends on all outstanding preferred stock, other than the senior preferred stock, is also subject to the prior payment of dividends on the senior preferred stock.

Statutory Restrictions. Under the GSE Act, FHFA has authority to prohibit capital distributions, including payment of dividends, if we fail to meet our capital requirements. If FHFA classifies us as significantly undercapitalized, approval of the Director of FHFA is required for any dividend payment. Under the GSE Act, we are not permitted to make a capital distribution if, after making the distribution, we would be undercapitalized, except the Director of FHFA may permit us to repurchase shares if the repurchase is made in connection with the issuance of additional shares or obligations in at least an equivalent amount and will reduce our financial obligations or otherwise improve our financial condition.

Holders

As of January 31, 2016, we had approximately 12,000 registered holders of record of our common stock. In addition, as of January 31, 2016, Treasury held a warrant giving it the right to purchase shares of our common stock equal to 79.9% of the total number of shares of our common stock outstanding on a fully diluted basis on the date of exercise.

Recent Sales of Unregistered Securities

Under the terms of our senior preferred stock purchase agreement with Treasury, we are prohibited from selling or issuing our equity interests, other than as required by (and pursuant to) the terms of a binding agreement in effect on September 7, 2008, without the prior written consent of Treasury. During the quarter ended December 31, 2015, we did not issue any equity securities.

Information about Certain Securities Issuances by Fannie Mae

Pursuant to SEC regulations, public companies are required to disclose certain information when they incur a material direct financial obligation or become directly or contingently liable for a material obligation under an off-balance sheet arrangement. The disclosure must be made in a current report on Form 8-K under Item 2.03 or, if the obligation is incurred in connection with certain types of securities offerings, in prospectuses for that offering that are filed with the SEC.

Because the securities we issue are exempted securities under the Securities Act of 1933, we do not file registration statements or prospectuses with the SEC with respect to our securities offerings. To comply with the disclosure requirements of Form 8-K relating to the incurrence of material financial obligations, we report our incurrence of these types of obligations either in offering circulars or prospectuses (or supplements thereto) that we post on our website or in a current report on Form 8-K that we file with the SEC, in accordance with a “no-action” letter we received from the SEC staff in 2004. In cases where the information is disclosed in a prospectus or offering circular posted on our website, the document will be posted on our website within the same time period that a prospectus for a non-exempt securities offering would be required to be filed with the SEC.

The website address for disclosure about our debt securities is www.fanniemae.com/debtsearch. From this address, investors can access the offering circular and related supplements for debt securities offerings under Fannie Mae’s universal debt facility, including pricing supplements for individual issuances of debt securities.

Disclosure about our obligations pursuant to some of the MBS we issue, some of which may be off-balance sheet obligations, can be found at www.fanniemae.com/mbsdisclosure. From this address, investors can access information and documents about our MBS, including prospectuses and related prospectus supplements.

We are providing our website address solely for your information. Information appearing on our website is not incorporated into this report.

Our Purchases of Equity Securities

We did not repurchase any of our equity securities during the fourth quarter of 2015.

Item 6. Selected Financial Data

The selected consolidated financial data displayed below are summarized from our results of operations for the five-year period ended December 31, 2015, as well as selected consolidated balance sheet data as of the end of each year within this five-year period. This data should be reviewed in conjunction with the audited consolidated financial statements and related notes and with the MD&A included in this annual report on Form 10-K.

	For the Year Ended December 31,				
	2015	2014	2013	2012	2011
			(Dollars in millions)		
Statement of operations data:					
Net revenues[1]	$ 22,757	$ 25,855	$ 26,334	$ 22,988	$ 20,444
Net income (loss) attributable to Fannie Mae	10,954	14,208	83,963	17,224	(16,855)
New business purchase data:					
New business purchases[2]	$515,541	$409,834	$759,535	$867,387	$580,574
Performance ratios:					
Net interest yield[3]	0.68 %	0.63 %	0.70 %	0.68 %	0.60 %
Credit loss ratio (in basis points)[4]	35.0 bps	19.4 bps	14.7 bps	48.2 bps	61.3 bps

	As of December 31,				
	2015	2014	2013	2012	2011
			(Dollars in millions)		
Balance sheet data:					
Investments in securities	$ 60,138	$ 62,158	$ 68,939	$ 103,876	$ 151,780
Mortgage loans, net of allowance[5]	3,019,644	3,019,494	3,026,240	2,949,406	2,898,621
Total assets	3,221,917	3,248,176	3,270,108	3,222,422	3,211,484
Short-term debt	71,950	106,572	74,449	108,716	151,725
Long-term debt	3,125,721	3,115,583	3,160,074	3,080,801	3,038,147
Total liabilities	3,217,858	3,244,456	3,260,517	3,215,198	3,216,055
Senior preferred stock	117,149	117,149	117,149	117,149	112,578
Preferred stock	19,130	19,130	19,130	19,130	19,130
Total Fannie Mae stockholders' equity (deficit)	4,030	3,680	9,541	7,183	(4,624)
Net worth surplus (deficit)	4,059	3,720	9,591	7,224	(4,571)

	As of December 31,				
	2015	2014	2013	2012	2011
	(Dollars in millions)				
Book of business data:					
Mortgage credit book of business[6]	$ 3,065,955	$3,091,102	$3,136,765	$3,116,842	$3,127,634
Guaranty book of business[7]	3,043,141	3,056,219	3,090,538	3,039,457	3,037,549
Credit quality:					
Total troubled debt restructurings on accrual status	$ 140,964	$ 145,294	$ 141,227	$ 136,064	$ 108,797
Total nonaccrual loans[8]	49,412	64,959	83,606	114,833	143,152
Total loss reserves	28,774	38,173	47,290	62,629	76,938
Total loss reserves as a percentage of total guaranty book of business	0.95 %	1.25 %	1.53 %	2.06 %	2.53 %
Total loss reserves as a percentage of total nonaccrual loans	58.23	58.76	56.56	54.54	53.75

(1) Consists of net interest income and fee and other income.

(2) New business purchases consist of single-family and multifamily whole mortgage loans purchased during the period and single-family and multifamily mortgage loans underlying Fannie Mae MBS issued during the period pursuant to lender swaps.

(3) Calculated based on net interest income for the reporting period divided by the average balance of total interest-earning assets during the period, expressed as a percentage.

(4) Consists of (a) charge-offs, net of recoveries and (b) foreclosed property expense (income) for the reporting period (adjusted to exclude the impact of fair value losses resulting from credit-impaired loans acquired from MBS trusts) divided by the average guaranty book of business during the period, expressed in basis points. See "MD&A—Consolidated Results of Operations—Credit-Related Income (Expense)—Credit Loss Performance Metrics" for a discussion of how our credit loss metrics are calculated. Our credit loss ratio in 2015 was impacted by charge-offs of (1) $1.8 billion in loans held for investment and $724 million in preforeclosure property taxes and insurance receivable that we recognized on January 1, 2015 upon our adoption of the Advisory Bulletin and (2) $1.1 billion in accrued interest receivable that we recognized on January 1, 2015 upon our adoption of a change in accounting policy related to loans placed on nonaccrual status. See "Note 1, Summary of Significant Accounting Policies" for additional information.

(5) Mortgage loans consist solely of domestic residential real-estate mortgages.

(6) Refers to the sum of the unpaid principal balance of: (a) mortgage loans of Fannie Mae; (b) mortgage loans underlying Fannie Mae MBS; (c) non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio; and (d) other credit enhancements that we provide on mortgage assets.

(7) Reflects mortgage credit book of business less non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio for which we do not provide a guaranty.

(8) We generally classify single-family loans as nonaccrual when the payment of principal or interest on the loan is 60 days or more past due. See "Note 1, Summary of Significant Accounting Policies" for more information about our policies on nonaccrual loans.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read this MD&A in conjunction with our consolidated financial statements as of December 31, 2015 and related notes to the consolidated financial statements, and with "Business—Executive Summary." Please also see "Glossary of Terms Used in This Report."

This report contains forward-looking statements that are based upon management's current expectations and are subject to significant uncertainties and changes in circumstances. Please review "Business—Forward-Looking Statements" for more information on the forward-looking statements in this report and "Risk Factors" for a discussion of factors that could cause our actual results to differ, perhaps materially, from our forward-looking statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make a number of judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in the consolidated financial statements. Understanding our accounting policies and the extent to which we use management judgment and estimates in applying these policies is integral to understanding our financial statements. We describe our most significant accounting policies in "Note 1, Summary of Significant Accounting Policies."

We evaluate our critical accounting estimates and judgments required by our policies on an ongoing basis and update them as necessary based on changing conditions. Management has discussed any significant changes in judgments and assumptions in applying our critical accounting policies with the Audit Committee of our Board of Directors. See "Risk Factors" for a discussion of the risks associated with the need for management to make judgments and estimates in applying our accounting policies and methods. We have identified two of our accounting policies as critical because they involve significant judgments and assumptions about highly complex and inherently uncertain matters, and the use of reasonably different estimates and assumptions could have a material impact on our reported results of operations or financial condition: fair value measurement and combined loss reserves.

Fair Value Measurement

The use of fair value to measure our assets and liabilities is fundamental to our financial statements and our fair value measurement is a critical accounting estimate because we account for and record a portion of our assets and liabilities at fair value. In determining fair value, we use various valuation techniques. We describe the valuation techniques and inputs used to determine the fair value of our assets and liabilities and disclose their carrying value and fair value in "Note 17, Fair Value."

The fair value accounting rules provide a three-level fair value hierarchy for classifying financial instruments. This hierarchy is based on whether the inputs to the valuation techniques used to measure fair value are observable or unobservable. Each asset or liability is assigned to a level based on the lowest level of any input that is significant to its fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs, other than quoted prices in active markets for identical assets or liabilities.

Level 3: Unobservable inputs.

The majority of the financial instruments that we report at fair value in our consolidated financial statements fall within the Level 2 category and are valued primarily utilizing inputs and assumptions that are observable in the marketplace, that can be derived from observable market data or that can be corroborated by recent trading activity of similar instruments with similar characteristics. For example, we generally request non-binding prices from at least three independent pricing services to estimate the fair value of our trading and available-for-sale securities at an individual security level. We use the average of these prices to determine the fair value.

In the absence of such information or if we are not able to corroborate these prices by other available, relevant market information, we estimate their fair values based on single source quotations from brokers or dealers or by using internal calculations or discounted cash flow techniques that incorporate inputs, such as prepayment rates, discount rates and delinquency, default and cumulative loss expectations, that are implied by market prices for similar securities and collateral structure types. Because these valuation techniques rely on significant unobservable inputs, the fair value estimation is classified as Level 3. The process for determining fair value using unobservable inputs is generally more subjective and involves a high degree of management judgment and assumptions. These assumptions may have a significant effect on our estimates of fair value, and the use of different assumptions as well as changes in market conditions could have a material effect on our results of operations or financial condition.

Fair Value Hierarchy—Level 3 Assets and Liabilities

The assets and liabilities that we have classified as Level 3 consist primarily of financial instruments for which there is limited market activity and therefore little or no price transparency. As a result, the valuation techniques that we use to estimate the fair value of Level 3 instruments involve significant unobservable inputs, which generally are more subjective and involve a high degree of management judgment and assumptions. Our Level 3 assets and liabilities consist of certain mortgage-backed securities and residual interests, certain mortgage loans, acquired property, certain long-term debt arrangements and certain highly structured, complex derivative instruments. We provide a detailed discussion of our Level 3 assets and liabilities, including the valuation techniques and significant unobservable inputs used to measure the fair value of these instruments, in "Note 17, Fair Value."

Valuation Control Processes

We have control processes that are designed to ensure that our fair value measurements are appropriate and reliable, that they are based on observable inputs wherever possible and that our valuation approaches are consistently applied and the assumptions used are reasonable. Our control processes consist of a framework that provides for a segregation of duties and oversight of our fair value methodologies and valuations, as well as validation procedures. We provide a detailed discussion of our valuation control processes in "Note 17, Fair Value."

Combined Loss Reserves

Our combined loss reserves consist of the following components:

- Allowance for loan losses
- Reserve for guaranty losses

These components can be further allocated into our single-family and multifamily loss reserves.

We maintain an allowance for loan losses for loans classified as held for investment, including both loans we hold in our portfolio and loans held in consolidated Fannie Mae MBS trusts. We maintain a reserve for guaranty losses for loans held in unconsolidated Fannie Mae MBS trusts we guarantee and loans we have guaranteed under long-term standby commitments and other credit enhancements we have provided. These amounts, which we collectively refer to as our combined loss reserves, represent probable losses incurred related to loans in our guaranty book of business, including concessions granted to borrowers upon modifications of their loans, as of the balance sheet date.

The allowance for loan losses is a valuation allowance that reflects an estimate of incurred credit losses related to our loans held for investment. The reserve for guaranty losses is a liability account in our consolidated balance sheets that reflects an estimate of incurred credit losses related to our guaranty to each unconsolidated Fannie Mae MBS trust that we will supplement amounts received by the Fannie Mae MBS trust as required to permit timely payments of principal and interest on the related Fannie Mae MBS. As a result, the guaranty reserve considers not only the principal and interest due on the loan at the current balance sheet date, but also an estimate of any additional interest payments due to the trust from the current balance sheet date until the point of loan acquisition or foreclosure. Our loss reserves consist of a specific loss reserve for individually impaired loans and a collective loss reserve for all other loans.

We have an established process, using analytical tools, benchmarks and management judgment, to determine our loss reserves. Our process for determining our loss reserves is complex and involves significant management judgment. Although our loss reserve process benefits from extensive historical loan performance data, this process is subject to risks and uncertainties, including a reliance on historical loss information that may not be representative of current conditions. We continually monitor prepayment, delinquency, modification, default and loss severity trends and periodically make changes in our historically developed assumptions and estimates as necessary to better reflect present conditions, including current trends in borrower risk and/or general economic trends, changes in risk management practices, and changes in public policy and the regulatory environment. We also consider the recoveries that we expect to receive on mortgage insurance and other loan-specific credit enhancements entered into contemporaneously with and in contemplation of a guaranty or loan purchase transaction, as such recoveries reduce the severity of the loss associated with defaulted loans.

We provide more detailed information on our accounting for the allowance for loan losses in "Note 1, Summary of Significant Accounting Policies."

Single-Family Loss Reserves

We establish a specific single-family loss reserve for individually impaired loans, which includes loans we restructure in TDRs, certain nonperforming loans in MBS trusts and acquired credit-impaired loans that have been further impaired subsequent to acquisition. The single-family loss reserve for individually impaired loans represents the majority of our single-family loss reserves due to the high volume of restructured loans. We typically measure impairment based on the difference between our recorded investment in the loan and the present value of the estimated cash flows we expect to receive, which we calculate using the effective interest rate of the original loan or the effective interest rate at acquisition for an acquired credit-impaired loan. However, when foreclosure is probable on an individually impaired loan, we measure impairment based on the difference between our recorded investment in the loan and the fair value of the underlying property, adjusted for the estimated discounted costs to sell the property and estimated insurance or other proceeds we expect to receive.

We establish a collective single-family loss reserve for all other single-family loans in our single-family guaranty book of business using a model that estimates the probability of default of loans to derive a loss reserve estimate given multiple factors such as: origination year, mark-to-market LTV ratio, delinquency status and loan product type. The loss severity estimates we use in determining our loss reserves reflect current available information on actual events and conditions as of each balance sheet date, including current home prices. Our loss severity estimates do not incorporate assumptions about future changes in home prices. We do, however, use recent regional historical sales and appraisal information, including the sales of our own foreclosed properties, to develop our loss severity estimates for all loan categories.

Multifamily Loss Reserves

We establish a collective multifamily loss reserve for all loans in our multifamily guaranty book of business that are not individually impaired using an internal model that applies loss factors to loans in similar risk categories. Our loss factors are developed based on our historical default and loss severity experience. Management may also apply judgment to adjust the loss factors derived from our models, taking into consideration model imprecision and specific, known events, such as current credit conditions, that may affect the credit quality of our multifamily loan portfolio but are not yet reflected in our model-generated loss factors.

We establish a specific multifamily loss reserve for multifamily loans that we determine are individually impaired. We identify multifamily loans for evaluation for impairment through a credit risk assessment process. As part of this assessment process, we stratify multifamily loans into different internal risk categories based on the credit risk inherent in each individual loan and management judgment. We categorize loan credit risk, taking into consideration available operating statements and expected cash flows from the underlying property, the estimated value of the property, the historical loan payment experience and current relevant market conditions that may impact credit quality. If we conclude that a multifamily loan is impaired, we measure the impairment based on the difference between our recorded investment in the loan and the fair value of the underlying property less the estimated discounted costs to sell the property and any lender loss sharing or other proceeds we expect to receive. When a multifamily loan is deemed individually impaired because we have modified it, we measure the impairment based on the difference between our recorded investment in the loan and the present value of expected cash flows discounted at the loan's original interest rate unless foreclosure is probable, at which time we measure impairment the same way we measure it for other individually impaired multifamily loans.

CONSOLIDATED RESULTS OF OPERATIONS

This section provides a discussion of our consolidated results of operations for the periods indicated and should be read together with our consolidated financial statements, including the accompanying notes.

Table 7: Summary of Consolidated Results of Operations

	For the Year Ended December 31,			Variance	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(Dollars in millions)				
Net interest income	$ 21,409	$ 19,968	$ 22,404	$ 1,441	$ (2,436)
Fee and other income	1,348	5,887	3,930	(4,539)	1,957
Net revenues	22,757	25,855	26,334	(3,098)	(479)
Investment gains, net	1,336	936	1,127	400	(191)
Fair value gains (losses), net	(1,767)	(4,833)	2,959	3,066	(7,792)
Administrative expenses	(3,050)	(2,777)	(2,545)	(273)	(232)
Credit-related income (expense):					
Benefit for credit losses	795	3,964	8,949	(3,169)	(4,985)
Foreclosed property income (expense)	(1,629)	(142)	2,839	(1,487)	(2,981)
Total credit-related income (expense)	(834)	3,822	11,788	(4,656)	(7,966)
Temporary Payroll Tax Cut Continuation Act of 2011 ("TCCA") fees	(1,621)	(1,375)	(1,001)	(246)	(374)
Other expenses, net	(613)	(478)	(95)	(135)	(383)
Income before federal income taxes	16,208	21,150	38,567	(4,942)	(17,417)
Benefit (provision) for federal income taxes	(5,253)	(6,941)	45,415	1,688	(52,356)
Net income	10,955	14,209	83,982	(3,254)	(69,773)
Less: Net income attributable to noncontrolling interest	(1)	(1)	(19)	—	18
Net income attributable to Fannie Mae	$ 10,954	$ 14,208	$ 83,963	$ (3,254)	$ (69,755)
Total comprehensive income attributable to Fannie Mae	$ 10,628	$ 14,738	$ 84,782	$ (4,110)	$ (70,044)

Net Interest Income

We currently have two primary sources of net interest income: (1) the guaranty fees we receive for managing the credit risk on loans underlying Fannie Mae MBS held by third parties; and (2) the difference between interest income earned on the assets in our retained mortgage portfolio and the interest expense associated with the debt that funds those assets. We recognize almost all of our guaranty fee revenue in net interest income due to the consolidation of the substantial majority of loans underlying our Fannie Mae MBS in consolidated trusts on our balance sheet. Those guaranty fees are the primary component of the difference between the interest income on loans in consolidated trusts and the interest expense on the debt of consolidated trusts.

Table 8 displays an analysis of our net interest income, average balances, and related yields earned on assets and incurred on liabilities for the periods indicated. For most components of the average balances, we use a daily weighted average of amortized cost. When daily average balance information is not available, such as for mortgage loans, we use monthly averages. Table 9 displays the change in our net interest income between periods and the extent to which that variance is attributable to: (1) changes in the volume of our interest-earning assets and interest-bearing liabilities or (2) changes in the interest rates of these assets and liabilities.

Table 8: Analysis of Net Interest Income and Yield

	For the Year Ended December 31,								
	2015			2014			2013		
	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid
	(Dollars in millions)								
Interest-earning assets:									
Mortgage loans of Fannie Mae	$ 257,870	$ 9,728	3.77%	$ 286,042	$ 10,285	3.60%	$ 326,399	$ 12,790	3.92%
Mortgage loans of consolidated trusts	2,794,050	97,971	3.51	2,769,418	101,835	3.68	2,710,838	101,448	3.74
Total mortgage loans[1]	3,051,920	107,699	3.53	3,055,460	112,120	3.67	3,037,237	114,238	3.76
Mortgage-related securities	109,749	4,880	4.45	143,934	6,713	4.66	203,514	9,330	4.58
Elimination of Fannie Mae MBS held in retained mortgage portfolio	(76,250)	(3,351)	4.39	(98,778)	(4,572)	4.63	(133,243)	(6,236)	4.68
Total mortgage-related securities, net	33,499	1,529	4.56	45,156	2,141	4.74	70,271	3,094	4.40
Non-mortgage-related securities[2]	46,498	71	0.15	35,184	34	0.10	41,484	42	0.10
Federal funds sold and securities purchased under agreements to resell or similar arrangements	31,173	60	0.19	33,631	32	0.10	61,644	68	0.11
Advances to lenders	4,063	83	2.04	3,454	78	2.26	5,115	107	2.09
Total interest-earning assets	$3,167,153	$109,442	3.46%	$3,172,885	$114,405	3.61%	$3,215,751	$117,549	3.66%
Interest-bearing liabilities:									
Short-term funding debt	$ 88,885	$ 145	0.16%	$ 86,866	$ 92	0.11%	$ 95,098	$ 128	0.13%
Long-term funding debt	339,181	7,561	2.23	398,876	8,508	2.13	498,735	10,263	2.06
Total funding debt	428,066	7,706	1.80	485,742	8,600	1.77	593,833	10,391	1.75
Debt securities of consolidated trusts	2,845,123	83,678	2.94	2,824,638	90,409	3.20	2,783,622	90,990	3.27
Elimination of Fannie Mae MBS held in retained mortgage portfolio	(76,250)	(3,351)	4.39	(98,778)	(4,572)	4.63	(133,243)	(6,236)	4.68
Total debt securities of consolidated trusts held by third parties	2,768,873	80,327	2.90	2,725,860	85,837	3.15	2,650,379	84,754	3.20
Total interest-bearing liabilities	$3,196,939	$ 88,033	2.75%	$3,211,602	$ 94,437	2.94%	$3,244,212	$ 95,145	2.93%
Net interest income/net interest yield		$ 21,409	0.68%		$ 19,968	0.63%		$ 22,404	0.70%

	As of December 31,		
	2015	2014	2013
Selected benchmark interest rates:			
3-month LIBOR	0.61 %	0.26 %	0.25 %
2-year swap rate	1.18	0.90	0.49
5-year swap rate	1.74	1.77	1.79
10-year swap rate	2.19	2.28	3.09
30-year Fannie Mae MBS par coupon rate	3.00	2.83	3.61

(1) Average balance includes mortgage loans on nonaccrual status. Interest income on nonaccrual mortgage loans is recognized when cash is received. Interest income not recognized for loans on nonaccrual status was $1.6 billion, $1.8 billion and $2.8 billion for the years ended December 31, 2015, 2014 and 2013, respectively. Effective January 1, 2015, we changed our policy for the treatment of interest previously accrued, but not collected, at the date loans are placed on nonaccrual status. See "Note 1, Summary of Significant Accounting Policies" for information on this policy change.

(2) Includes cash equivalents.

Table 9: Rate/Volume Analysis of Changes in Net Interest Income

	2015 vs. 2014			2014 vs. 2013		
	Total Variance	Variance Due to:[1] Volume	Variance Due to:[1] Rate	Total Variance	Variance Due to:[1] Volume	Variance Due to:[1] Rate
	(Dollars in millions)					
Interest income:						
Mortgage loans of Fannie Mae	$ (557)	$ (1,046)	$ 489	$ (2,505)	$ (1,503)	$ (1,002)
Mortgage loans of consolidated trusts	(3,864)	899	(4,763)	387	2,171	(1,784)
Total mortgage loans	(4,421)	(147)	(4,274)	(2,118)	668	(2,786)
Total mortgage-related securities, net	(612)	(532)	(80)	(953)	(1,180)	227
Non-mortgage-related securities[2]	37	13	24	(8)	(6)	(2)
Federal funds sold and securities purchased under agreements to resell or similar arrangements	28	(2)	30	(36)	(28)	(8)
Advances to lenders	5	13	(8)	(29)	(37)	8
Total interest income	$ (4,963)	$ (655)	$ (4,308)	$ (3,144)	$ (583)	$ (2,561)
Interest expense:						
Short-term funding debt	$ 53	$ 2	$ 51	$ (36)	$ (10)	$ (26)
Long-term funding debt	(947)	(1,317)	370	(1,755)	(2,118)	363
Total funding debt	(894)	(1,315)	421	(1,791)	(2,128)	337
Total debt securities of consolidated trusts held by third parties	(5,510)	1,651	(7,161)	1,083	2,925	(1,842)
Total interest expense	$ (6,404)	$ 336	$ (6,740)	$ (708)	$ 797	$ (1,505)
Net interest income	$ 1,441	$ (991)	$ 2,432	$ (2,436)	$ (1,380)	$ (1,056)

(1) Combined rate/volume variances are allocated to both rate and volume based on the relative size of each variance.

(2) Includes cash equivalents.

Net interest income and net interest yield increased in 2015 compared with 2014 due to an increase in amortization income as a lower interest rate environment in the first half of 2015 increased prepayments on mortgage loans of consolidated trusts, which accelerated the amortization of cost basis adjustments on the loans and related debt. Higher guaranty fee income also contributed to the increase in net interest income as loans with higher guaranty fees became a larger part of our guaranty book of business in 2015. The increase in net interest income was partially offset by a decline in the average balance of our retained mortgage portfolio, as we continued to reduce this portfolio pursuant to the requirements of our senior preferred stock purchase agreement with Treasury and FHFA's additional portfolio cap. The average balance of our retained mortgage portfolio was 15% lower in 2015 than in 2014. The increase in net interest yield was partially offset by the decline in the percentage of net interest income from our retained mortgage portfolio, which has a higher net interest yield than the net interest yield from guaranty fees. See "Business Segment Results—The Capital Markets Group's Mortgage Portfolio" for more information about our retained mortgage portfolio.

Net interest income decreased in 2014 compared with 2013, primarily due to a decline in the average balance of our retained mortgage portfolio as we continued to reduce this portfolio pursuant to the requirements of our senior preferred stock purchase agreement with Treasury and FHFA's additional portfolio cap. The average balance of our retained mortgage portfolio was 19% lower in 2014 than in 2013. The decrease in net interest income was partially offset by increased guaranty fee revenue, as loans with higher guaranty fees became a larger part of our guaranty book of business in 2014. Net interest yield decreased in 2014 compared with 2013 due to the decline in the percentage of net interest income from our retained mortgage portfolio, which has a higher net interest yield than the net interest yield from guaranty fees.

We initially recognize mortgage loans and debt of consolidated trusts in our consolidated balance sheets at fair value. We recognize the difference between: (1) the initial fair value of the consolidated trust's mortgage loans and debt and (2) the unpaid principal balance of these mortgage loans and debt as cost basis adjustments in our consolidated balance sheets. We amortize cost basis adjustments, including premiums and discounts on mortgage loans and securities, as a yield adjustment over the contractual life of the loan or security as a component of net interest income. Net unamortized premiums on debt of consolidated trusts exceeded net unamortized premiums on the related mortgage loans of consolidated trusts by $31.3 billion as of December 31, 2015, compared with $29.3 billion as of December 31, 2014. This net premium position represents deferred revenue, which is amortized within net interest income. This deferred revenue primarily relates to loan level pricing adjustments we charge at the time of acquisition and other upfront payments we receive from lenders to adjust the monthly contractual guaranty fee rate on Fannie Mae MBS so that the pass-through coupon rate on the MBS is in a tradable increment of a whole or half percent.

We had $11.8 billion in net unamortized discounts and other cost basis adjustments on mortgage loans of Fannie Mae included in our consolidated balance sheets as of December 31, 2015, compared with $13.0 billion as of December 31, 2014. These discounts and other cost basis adjustments were primarily recorded upon the acquisition of credit-impaired loans and the extent to which we may record them as income in future periods will be based on the actual performance of the loans.

For a discussion of the interest income from the assets we have purchased and the interest expense from the debt we have issued, see the discussion of our net interest income in "Business Segment Results—Capital Markets Group Results."

Fee and Other Income

Fee and other income includes transaction fees, multifamily fees, technology fees and other miscellaneous income. Fee and other income decreased in 2015 compared with 2014 primarily due to higher revenue recognized in 2014 as a result of settlement agreements resolving certain lawsuits relating to PLS sold to us. Starting in June 2015, we eliminated fees charged to customers for using our proprietary Desktop Underwriter and Desktop Originator systems, which is expected to allow more lenders to access these systems in their underwriting process. The elimination of these fees resulted in lower technology fees in 2015 compared with 2014 and we expect it to further reduce our technology fees in 2016 as compared with 2015.

Fee and other income was higher in 2014 compared with 2013 primarily due to an increase in income recognized as a result of settlement agreements resolving certain lawsuits relating to PLS sold to us.

Investment Gains, Net

Investment gains, net primarily includes gains and losses recognized from the sale of available-for-sale ("AFS") securities, gains and losses from securitizations, gains and losses recognized on the consolidation and deconsolidation of securities, and net other-than-temporary impairments recognized on our investments. Investment gains increased in 2015 compared with 2014 primarily due to higher sales volume of non-agency mortgage-related securities in 2015.

Investment gains decreased in 2014 compared with 2013 primarily due to a significantly lower volume of sales of non-agency mortgage-related securities in 2014 as compared with 2013. See "Business Segment Results—The Capital Markets Group's Mortgage Portfolio" and "Consolidated Balance Sheet Analysis—Investments in Securities" for additional information on our mortgage-related securities portfolio.

Fair Value Gains (Losses), Net

Table 10 displays the components of our fair value gains and losses.

Table 10: Fair Value Gains (Losses), Net

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Risk management derivatives fair value gains (losses) attributable to:			
Net contractual interest expense accruals on interest rate swaps	$ (960)	$ (1,062)	$ (767)
Net change in fair value during the period	(160)	(3,562)	3,546
Total risk management derivatives fair value gains (losses), net	(1,120)	(4,624)	2,779
Mortgage commitment derivatives fair value gains (losses), net	(393)	(1,140)	501
Total derivatives fair value gains (losses), net	(1,513)	(5,764)	3,280
Trading securities gains (losses), net	(368)	485	260
Other, net[1]	114	446	(581)
Fair value gains (losses), net	$ (1,767)	$ (4,833)	$ 2,959

(1) Consists of debt fair value gains (losses), net, which includes gains (losses) on CAS; debt foreign exchange gains (losses), net; and mortgage loans fair value gains (losses), net.

We expect volatility from period to period in our financial results from a number of factors, particularly changes in market conditions that result in fluctuations in the estimated fair value of the financial instruments that we mark to market through our earnings. These instruments include derivatives and certain securities. The estimated fair value of our derivatives and securities may fluctuate substantially from period to period because of changes in interest rates, the yield curve, mortgage and credit spreads, and implied volatility, as well as activity related to these financial instruments. We use derivatives to manage the interest rate risk exposure of our net portfolio, which consists of our retained mortgage portfolio, cash and other investments portfolio, and our outstanding debt of Fannie Mae. Some of these financial instruments in our net portfolio are not recorded at fair value in our consolidated financial statements, and as a result we may experience accounting gains or losses due to changes in interest rates or other market conditions that may not be indicative of the economic interest rate risk exposure of our net portfolio.

Risk Management Derivatives Fair Value Gains (Losses), Net

Risk management derivative instruments are an integral part of our interest rate risk management strategy. We supplement our issuance of debt securities with derivative instruments to further reduce duration risk, which includes prepayment risk. We purchase option-based risk management derivatives to economically hedge prepayment risk. In cases where options obtained through callable debt issuances are not needed for risk management derivative purposes, we may sell options in the over-the-counter derivatives market in order to offset the options obtained in the callable debt. Our principal purpose in using derivatives is to manage our aggregate interest rate risk profile within prescribed risk parameters. We generally use only derivatives that are relatively liquid and straightforward to value. We consider the cost of derivatives used in our management of interest rate risk to be an inherent part of the cost of funding and hedging our mortgage investments and economically similar to the interest expense that we recognize on the debt we issue to fund our mortgage investments.

We present, by derivative instrument type, the fair value gains and losses on our derivatives in "Note 9, Derivative Instruments."

The primary factors that may affect the fair value of our risk management derivatives include the following:

- *Changes in interest rates*: Our derivatives, in combination with our issuances of debt securities, are intended to offset changes in the fair value of our mortgage assets. Mortgage assets tend to increase in value when interest rates decrease and, conversely, decrease in value when interest rates rise. Pay-fixed swaps decrease in value and receive-fixed swaps increase in value as swap rates decrease (with the opposite being true when swap rates increase). Because the composition of our pay-fixed and receive-fixed derivatives varies across the yield curve, different yield curve changes (*e.g*., parallel, steepening or flattening) will generate different gains and losses.
- *Changes in our derivative activity*: As interest rates change, we are likely to rebalance our portfolio to manage our interest rate exposure. As interest rates decrease, expected mortgage prepayments are likely to increase, which reduces the duration of our mortgage investments. In this scenario, we generally will rebalance our existing portfolio to manage this risk by adding receive-fixed swaps, which shortens the duration of our liabilities. Conversely, when interest rates increase and the duration of our mortgage assets increases, we are likely to add pay-fixed swaps, which have the effect of extending the duration of our liabilities. We use derivatives to rebalance our portfolio when the duration of our mortgage assets changes as the result of mortgage purchases or sales. We also use foreign-currency swaps to manage the foreign exchange impact of our foreign currency-denominated debt issuances.
- *Implied interest rate volatility*: Our derivatives portfolio includes option-based derivatives, which we purchase to economically hedge the prepayment option embedded in our mortgage investments and sell to offset the options obtained through callable debt issuances when those options are not needed for risk management purposes. A key variable in estimating the fair value of option-based derivatives is implied volatility, which reflects the market's expectation of the magnitude of future changes in interest rates. Assuming all other factors are held equal, including interest rates, a decrease in implied volatility would reduce the fair value of our purchased options and an increase in implied volatility would increase the fair value of our purchased options, while having the opposite effect on the options that we have sold.
- *Time value of purchased options*: Intrinsic value and time value are the two primary components of an option's price. The intrinsic value is determined by the amount by which the market rate exceeds or is below the exercise, or strike rate, such that the option is in-the-money. The time value of an option is the amount by which the price of an option exceeds its intrinsic value. Time decay refers to the diminishing value of an option over time as less time remains to exercise the option.

We recognized risk management derivative fair value losses in 2015 and 2014 primarily as a result of decreases in the fair value of our pay-fixed derivatives due to declines in longer-term swap rates during the year. We recognized risk management derivative fair value gains in 2013 primarily as a result of increases in the fair value of our pay-fixed derivatives due to increases in longer-term swap rates during the year.

Because risk management derivatives are an important part of our interest rate risk management strategy, it is important to evaluate the impact of our derivatives in the context of our interest rate risk profile and in conjunction with the other mark-to-market gains and losses presented in Table 10. For additional information on our use of derivatives to manage interest rate risk, see "Risk Management—Market Risk Management, Including Interest Rate Risk Management—Interest Rate Risk Management."

Mortgage Commitment Derivatives Fair Value Gains (Losses), Net

Certain commitments to purchase or sell mortgage-related securities and to purchase single-family mortgage loans are generally accounted for as derivatives. For open mortgage commitment derivatives, we include changes in their fair value in our consolidated statements of operations and comprehensive income. When derivative purchase commitments settle, we include the fair value of the commitment on the settlement date in the cost basis of the loan or security we purchase. When derivative commitments to sell securities settle, we include the fair value of the commitment on the settlement date in the cost basis of the security we sell. Purchases of securities issued by our consolidated MBS trusts are treated as extinguishments of debt; we recognize the fair value of the commitment on the settlement date as a component of debt extinguishment gains and losses. Sales of securities issued by our consolidated MBS trusts are treated as issuances of consolidated debt; we recognize the fair value of the commitment on the settlement date as a component of debt in the cost basis of the debt issued.

We recognized fair value losses on our mortgage commitments in 2015 and 2014 primarily due to losses on commitments to sell mortgage-related securities driven by an increase in prices as interest rates decreased during the commitment periods. We recognized fair value gains on our mortgage commitments in 2013 primarily due to gains on commitments to sell mortgage-related securities driven by a decrease in prices as interest rates increased during the commitment period.

Trading Securities Gains (Losses), Net

Losses from trading securities in 2015 were primarily driven by lower pricing on Fannie Mae MBS backed by PLS, which we refer to as "wraps."

Gains from trading securities in 2014 were primarily driven by higher prices on our trading investments resulting from lower long-term interest rates, in addition to a narrowing of credit spreads on PLS.

Gains from trading securities in 2013 were primarily driven by higher prices on Alt-A and subprime PLS due to narrowing of credit spreads on these securities, as well as improvements in the credit outlook of certain financial guarantors of these securities. These gains were partially offset by losses on commercial mortgage-backed securities ("CMBS") and agency securities due to lower prices resulting from higher interest rates.

Administrative Expenses

Administrative expenses increased in 2015 compared with 2014 primarily due to the recognition of expenses related to the settlement of our defined benefit pension plan obligations. We transferred plan assets to an annuity provider and distributed lump sum payments to participants. The actuarial losses of $305 million, previously recorded in "Accumulated other comprehensive income," were recognized in "Administrative expenses" and the associated tax amounts were recognized in "Provision for federal income taxes" in our consolidated statements of operations and comprehensive income for the year ended December 31, 2015. We expect administrative expenses to be lower in 2016 compared with 2015.

Administrative expenses increased in 2014 compared with 2013 driven by costs related to the execution of FHFA's 2014 conservatorship scorecard objectives and additional related initiatives. These costs more than offset reductions in ongoing operating costs.

Credit-Related Income (Expense)

We refer to our provision (benefit) for loan losses and provision (benefit) for guaranty losses collectively as our "provision (benefit) for credit losses." Credit-related income (expense) consists of our provision (benefit) for credit losses and foreclosed property expense (income).

Provision (Benefit) for Credit Losses

Our total loss reserves provide for an estimate of credit losses incurred in our guaranty book of business, including concessions we granted borrowers upon modification of their loans. We establish our loss reserves through our provision for credit losses for losses that we believe have been incurred and will eventually be realized over time in our financial statements. When we reduce our loss reserves, we recognize a benefit for credit losses. When we determine that a loan is uncollectible, typically upon foreclosure or completion of a short sale, we recognize a charge-off against our loss reserves.

Additionally, we record charge-offs pursuant to the Advisory Bulletin and upon the redesignation of nonperforming loans from HFI to HFS. We record recoveries of previously charged-off amounts as a reduction to charge-offs.

Table 11 displays the components of our total loss reserves and our total fair value losses previously recognized on loans purchased out of unconsolidated MBS trusts reflected in our consolidated balance sheets. Because these fair value losses lowered our recorded loan balances, we have fewer inherent losses in our guaranty book of business and consequently require lower total loss reserves. For these reasons, we consider these fair value losses as an "effective reserve," apart from our total loss reserves, to the extent that we expect to realize these amounts as credit losses on the acquired loans in the future. The fair value losses shown in Table 11 represent credit losses we expect to realize in the future or amounts that will eventually be recovered, either through net interest income for loans that cure or through foreclosed property income for loans where the sale of the collateral exceeds our recorded investment in the loan. We exclude these fair value losses from our credit loss calculation as described in "Credit Loss Performance Metrics."

Table 11: Total Loss Reserves

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Allowance for loan losses	$27,951	$35,541
Reserve for guaranty losses	639	1,246
Combined loss reserves	28,590	36,787
Other[1]	184	1,386
Total loss reserves	28,774	38,173
Fair value losses previously recognized on acquired credit impaired loans[2]	8,083	9,864
Total loss reserves and fair value losses previously recognized on acquired credit-impaired loans	$36,857	$48,037

(1) Includes allowance for preforeclosure property taxes and insurance receivable. As of December 31, 2014, the balance also includes allowance for accrued interest receivable. Effective January 1, 2015, we charged off accrued interest receivable associated with loans on nonaccrual status and eliminated the related allowance in connection with our change in accounting policy related to the treatment of interest previously accrued, but not collected, at the date that loans are placed on nonaccrual status. See "Note 1, Summary of Significant Accounting Policies" for additional information.

(2) Represents the fair value losses on loans purchased out of unconsolidated MBS trusts reflected in our consolidated balance sheets.

Table 12: Changes in Combined Loss Reserves

	For the Year Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in millions)				
Changes in combined loss reserves:					
Beginning balance	$ 36,787	$ 45,295	$ 60,026	$ 73,150	$ 61,879
Provision (benefit) for credit losses	(795)	(3,964)	(8,949)	(852)	26,718
Charge-offs[1]	(9,864)	(6,589)	(9,017)	(15,313)	(21,308)
Recoveries	1,260	1,436	2,627	1,856	5,277
Other[2]	1,202	609	608	1,185	584
Ending balance	$ 28,590	$ 36,787	$ 45,295	$ 60,026	$ 73,150
Allocation of combined loss reserves:					
Balance at end of each period attributable to:					
Single-family	$ 28,325	$ 36,383	$ 44,705	$ 58,809	$ 71,512
Multifamily	265	404	590	1,217	1,638
Total	$ 28,590	$ 36,787	$ 45,295	$ 60,026	$ 73,150
Single-family and multifamily combined loss reserves as a percentage of applicable guaranty book of business:					
Single-family	1.00%	1.28%	1.55%	2.08%	2.52%
Multifamily	0.12	0.20	0.29	0.59	0.84
Combined loss reserves as a percentage of:					
Total guaranty book of business	0.94%	1.20%	1.47%	1.97%	2.41%
Recorded investment in nonaccrual loans	57.86	56.63	54.20	52.31	51.15
Certain higher risk loan categories as a percentage of single-family combined loss reserves:					
2005-2008 loan vintages	81%	81%	84%	85%	88%
Alt-A loans	23	25	26	27	29

(1) Includes, for the year ended December 31, 2015, charge-offs of (1) $1.8 billion in loans held for investment and $724 million in preforeclosure property taxes and insurance receivable in connection with our adoption of the Advisory Bulletin on January 1, 2015 and (2) $1.1 billion in accrued interest receivable in connection with our adoption of a change in accounting policy on January 1, 2015 related to the treatment of interest previously accrued, but not collected, at the date that loans are placed on nonaccrual status. See "Note 1, Summary of Significant Accounting Policies" for additional information.

(2) Amounts represent changes in other loss reserves which are reflected in benefit for credit losses, charge-offs and recoveries.

The amount of our provision or benefit for credit losses may vary from period to period based on factors such as changes in actual and expected home prices, borrower payment behavior, the types and volumes of our loss mitigation activities, the volumes of foreclosures completed, redesignations of loans from HFI to HFS, and fluctuations in mortgage interest rates. In addition, our benefit or provision for credit losses and our loss reserves can be impacted by updates to the models, assumptions and data used in determining our allowance for loan losses.

The following factors impacted our benefit for credit losses in 2015:

- Home prices increased in 2015, which contributed to our benefit for credit losses in 2015. Higher home prices decrease the likelihood that loans will default and reduce the amount of credit loss on loans that do default, which impacts our estimate of losses and ultimately reduces our total loss reserves and provision for credit losses.
- We redesignated certain nonperforming single-family loans with an aggregate unpaid principal balance of $9.3 billion from HFI to HFS in 2015. Those loans were adjusted to the lower of cost or fair value, which reduced our benefit for credit losses by approximately $900 million. Those nonperforming single-family loans were redesignated to HFS as we intend to sell or have sold them. As described in "Executive Summary—Helping to Build a Sustainable Housing Finance System," we plan to complete additional sales of nonperforming loans.

As we continue to reduce the number of single-family nonperforming loans held for investment in our book of business, we expect changes in home prices will have a lesser impact on our provision for credit losses.

We recognized a benefit for credit losses in 2014 primarily due to increases in home prices. In addition, mortgage interest rates declined in 2014 resulting in higher discounted cash flow projections on our individually impaired loans. Lower mortgage interest rates shorten the expected lives of modified loans, which reduces the impairment on these loans and results in a decrease in the provision for credit losses. In addition, we updated the model and the assumptions used to estimate cash flows for individually impaired single-family loans within our allowance for loan losses, which resulted in a decrease to our allowance for loan losses and an incremental benefit for credit losses.

We recognized a benefit for credit losses in 2013 primarily due to increases in home prices, as well as higher sales prices of our REO properties as a result of strong demand. In addition, we updated the assumptions and data used to estimate our allowance for loan losses for individually impaired single-family loans, which resulted in a decrease to our allowance for loan losses and an incremental benefit for credit losses.

We discuss our expectations regarding our future loss reserves in "Business—Executive Summary—Outlook—Loss Reserves."

Troubled Debt Restructurings and Nonaccrual Loans

Table 13 displays the composition of loans restructured in a TDR that are on accrual status and loans on nonaccrual status. The table includes our recorded investment in HFI and HFS mortgage loans. For information on the impact of TDRs and other individually impaired loans on our allowance for loan losses, see "Note 3, Mortgage Loans." For activity related to our single-family TDRs, see "Table 39: Single-Family Troubled Debt Restructuring Activity" in "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management."

Table 13: Troubled Debt Restructurings and Nonaccrual Loans

	As of December 31,				
	2015	2014	2013	2012	2011
	(Dollars in millions)				
TDRs on accrual status:					
Single-family	$140,588	$144,649	$140,512	$135,196	$107,991
Multifamily	376	645	715	868	806
Total TDRs on accrual status	$140,964	$145,294	$141,227	$136,064	$108,797
Nonaccrual loans:					
Single-family	$ 48,821	$ 64,136	$ 81,355	$112,555	$140,234
Multifamily	591	823	2,209	2,206	2,764
Total nonaccrual loans	$ 49,412	$ 64,959	$ 83,564	$114,761	$142,998
Accruing on-balance sheet loans past due 90 days or more[(1)]	$ 499	$ 585	$ 719	$ 3,580	$ 768

	For the Year Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in millions)				
Interest related to on-balance sheet TDRs and nonaccrual loans:					
Interest income forgone[(2)]	$5,227	$5,945	$6,805	$7,554	$8,224
Interest income recognized[(3)]	6,511	6,886	6,710	7,425	7,912

(1) Includes loans that, as of the end of each period, are 90 days or more past due and continuing to accrue interest. The majority of these amounts consists of loans insured or guaranteed by the U.S. government and loans for which we have recourse against the seller in the event of a default. Amount as of December 31, 2012 includes loans of $2.8 billion which were repurchased by the lender in January 2013 pursuant to a resolution agreement.

(2) Represents the amount of interest income we did not recognize, but would have recognized during the period for nonaccrual loans and TDRs on accrual status as of the end of each period had the loans performed according to their original contractual terms.

(3) Represents interest income recognized during the period, including the amortization of any deferred cost basis adjustments, for loans classified as either nonaccrual loans or TDRs on accrual status as of the end of each period. Includes primarily amounts accrued while the loans were performing and cash payments received on nonaccrual loans.

Foreclosed Property Expense (Income)

Foreclosed property expense increased in 2015 compared with 2014 primarily due to higher operating expenses relating to property tax and insurance costs on our single-family foreclosed properties and a decrease in the amount of income from the resolution of compensatory fees and representation and warranty matters. Compensatory fees are amounts we charge our primary servicers to reimburse us for damages and losses related to certain violations of our Servicing Guide, which sets forth our policies and procedures related to servicing our single-family mortgages.

We recognized foreclosed property expense in 2014 compared with foreclosed property income in 2013 primarily due to a decrease in the amount of compensatory fee income recognized related to servicing matters and a decrease in the gains resulting from resolution agreements reached related to representation and warranty matters.

Credit Loss Performance Metrics

Our credit-related expense (income) should be considered in conjunction with our credit loss performance metrics. Our credit loss performance metrics, however, are not defined terms within GAAP and may not be calculated in the same manner as similarly titled measures reported by other companies. Because management does not view changes in the fair value of our mortgage loans as credit losses, we adjust our credit loss performance metrics for the impact associated with our acquisition of credit-impaired loans from unconsolidated MBS trusts. We also exclude interest forgone on nonaccrual loans and TDRs, other-than-temporary impairment losses resulting from deterioration in the credit quality of our mortgage-related securities and accretion of interest income on acquired credit-impaired loans from credit losses. We believe that credit loss performance metrics may be useful to investors as the losses are presented as a percentage of our book of business and have historically been used by analysts, investors and other companies within the financial services industry. Moreover, by presenting credit losses with and without the effect of fair value losses associated with the acquisition of credit-impaired loans, investors are able to evaluate our credit performance on a more consistent basis among periods. Table 14 displays the components of our credit loss performance metrics as well as our single-family and multifamily initial charge-off severity rates.

Table 14: Credit Loss Performance Metrics

	For the Year Ended December 31,					
	2015		2014		2013	
	Amount	Ratio[1]	Amount	Ratio[1]	Amount	Ratio[1]
	(Dollars in millions)					
Charge-offs, net of recoveries	$ 5,049	16.6 bps	$ 5,153	16.8 bps	$ 6,390	20.9 bps
Adoption of Advisory Bulletin and change in accounting policy[2]	3,555	11.7	—	—	—	—
Foreclosed property expense (income)	1,629	5.3	142	0.5	(2,839)	(9.3)
Credit losses including the effect of fair value losses on acquired credit-impaired loans	10,233	33.6	5,295	17.3	3,551	11.6
Plus: Impact of acquired credit-impaired loans on charge-offs and foreclosed property expense[3]	442	1.4	637	2.1	953	3.1
Credit losses and credit loss ratio	$10,675	35.0 bps	$ 5,932	19.4 bps	$ 4,504	14.7 bps
Credit losses attributable to:						
Single-family	$10,731		$ 5,978		$ 4,452	
Multifamily[4]	(56)		(46)		52	
Total	$10,675		$ 5,932		$ 4,504	
Single-family initial charge-off severity rate[5]		15.91 %		19.60 %		24.22 %
Multifamily initial charge-off severity rate[5]		22.51 %		25.08 %		23.56 %

(1) Basis points are based on the amount for each line item presented divided by the average guaranty book of business during the period.

(2) Includes, for the year ended December 31, 2015, charge-offs of (1) $1.8 billion in loans held for investment and $724 million in preforeclosure property taxes and insurance receivable in connection with our adoption of the Advisory Bulletin on January 1, 2015 and (2) $1.1 billion in accrued interest receivable in connection with our adoption of a change in accounting policy on January 1, 2015 related to the treatment of interest previously accrued, but not collected, at the date that loans are placed on nonaccrual status. See "Note 1, Summary of Significant Accounting Policies" for additional information.

(3) Includes fair value losses from acquired credit-impaired loans.

(4) Negative credit losses are the result of recoveries on previously charged-off amounts.

(5) Single-family and multifamily rates exclude fair value losses on credit-impaired loans acquired from MBS trusts and any costs, gains or losses associated with REO after initial acquisition through final disposition. Single-family rate excludes charge-offs from short sales and third-party sales. Multifamily rate is net of risk sharing agreements.

Our credit losses and credit loss ratio increased in 2015 compared with 2014 primarily due to our approach to adopting the charge-off provisions of the Advisory Bulletin on January 1, 2015, a change in our accounting policy for nonaccrual loans, the recognition of losses associated with the redesignation of certain nonperforming single-family loans from HFI to HFS and an increase in operating expenses on our single-family foreclosed properties. See "Note 1, Summary of Significant Accounting Policies" for additional information on our approach to implementing the charge-off provisions of the Advisory Bulletin.

Credit losses increased in 2014 compared with 2013 primarily due to a lower level of recoveries resulting from repurchase and compensatory fee resolution agreements in 2014 compared with 2013. The amounts we recognized in 2013 pursuant to a number of these resolution agreements significantly reduced our credit losses in 2013. We recognized less income as a result of resolution agreements in 2014. This increase in our credit losses was partially offset by lower REO acquisitions in 2014, driven by lower delinquencies and the slow pace of foreclosures in certain areas of the country. For additional information on our single-family REO inventory, refer to "Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management."

We discuss our expectations regarding our future credit losses in "Business—Executive Summary—Outlook—Credit Losses."

Table 15 displays concentrations of our single-family credit losses based on geography, credit characteristics and loan vintages.

Table 15: Credit Loss Concentration Analysis

	Percentage of Single-Family Conventional Guaranty Book of Business Outstanding(1)			Percentage of Single-Family Credit Losses(2)		
	As of December 31,			For the Year Ended December 31,		
	2015	2014	2013	2015	2014	2013
Geographical Distribution:						
California(3)	20%	20%	20%	1%	(1)%	5%
Florida	6	6	6	21	33	29
New Jersey	4	4	4	22	7	4
New York	5	5	5	16	5	2
All other states	65	65	65	40	56	60
Select higher-risk product features(4)	22	22	23	59	51	55
Vintages:(5)						
2004 and prior	5	7	9	12	12	12
2005 - 2008	10	12	15	78	75	78
2009 - 2015	85	81	76	10	13	10

(1) Calculated based on the unpaid principal balance of loans, where we have detailed loan-level information, for each category divided by the unpaid principal balance of our single-family conventional guaranty book of business as of the end of each period.

(2) Excludes the impact of recoveries resulting from resolution agreements related to representation and warranty matters and compensatory fee income related to servicing matters that have not been allocated to specific loans.

(3) Negative credit losses in 2014 are the result of recoveries on previously recognized credit losses.

(4) Includes Alt-A loans, subprime loans, interest-only loans, loans with original LTV ratios greater than 90% and loans with FICO credit scores less than 620.

(5) Credit losses on mortgage loans typically do not peak until the third through sixth years following origination; however, this range can vary based on many factors, including changes in macroeconomic conditions and foreclosure timelines.

As shown in Table 15, the majority of our credit losses in 2015 continued to be driven by loans originated in 2005 through 2008. Our credit losses increased in New York and New Jersey in 2015 compared with 2014 primarily because, pursuant to the revised charge-off policy we implemented in 2015, we charged off a portion of a large number of excessively delinquent loans in these states that remained in the foreclosure process. We provide more detailed single-family credit performance information, including serious delinquency rates share and foreclosure activity, in “Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management.”

Temporary Payroll Tax Cut Continuation Act of 2011 (“TCCA”) Fees

Pursuant to the TCCA, which was enacted by Congress in December 2011, FHFA directed us to increase our single-family guaranty fees by 10 basis points and remit this increase to Treasury. This TCCA-related revenue is included in “Net interest income” and the expense is recognized as “TCCA fees.” TCCA fees increased in 2015 compared with 2014, and in 2014 compared with 2013 as our book of business subject to the TCCA continued to grow. We expect the guaranty fees collected and expenses incurred under the TCCA to continue to increase in the future.

Federal Income Taxes

We recognized a provision for federal income taxes of $5.3 billion in 2015 and $6.9 billion in 2014. Our effective tax rates, which were 32.4% in 2015 and 32.8% in 2014, were different from the federal statutory rate of 35% primarily due to the benefits of our investments in housing projects eligible for low-income housing tax credits. We recognized a benefit for federal income taxes of $58.3 billion in 2013 related to the release of the valuation allowance against our deferred tax assets, partially offset by our 2013 provision for federal income taxes, resulting in a net tax benefit of $45.4 billion in 2013. See “Note 10, Income Taxes” for information on our income taxes.

BUSINESS SEGMENT RESULTS

We provide a more complete description of our business segments in “Business—Business Segments.” Results of our three business segments are intended to reflect each segment as if it were a stand-alone business. Under our segment reporting structure, the sum of the results for our three business segments does not equal our consolidated results of operations as we separate the activity related to our consolidated trusts from the results generated by our three segments. In addition, because we apply accounting methods that differ from our consolidated results for segment reporting purposes, we reconcile the activity related to our consolidated trusts and other differences to our consolidated results of operations. We describe the management reporting and allocation process used to generate our segment results and provide a reconciliation of our segment results to our consolidated results in “Note 12, Segment Reporting.”

In this section, we provide a comparative discussion of our segment results for the years ended December 31, 2015, 2014 and 2013. This section should be read together with our comparative discussion of our consolidated results of operations in “Consolidated Results of Operations.”

Single-Family Business Results

Table 16 displays the financial results of our Single-Family business for the periods indicated. For a discussion of single-family credit risk management, including information on serious delinquency rates and loan workouts, see “Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management.” The primary source of revenue for our Single-Family business is guaranty fee income. Expenses and other items that impact income or loss primarily include credit-related income (expense), TCCA fees and administrative expenses.

Table 16: Single-Family Business Results

	For the Year Ended December 31,			Variance	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(Dollars in millions)				
Guaranty fee income[1]	$ 12,476	$ 11,702	$ 10,468	$ 774	$ 1,234
Credit-related income (expense)[2]	(1,035)	3,625	11,205	(4,660)	(7,580)
TCCA fees[1]	(1,621)	(1,375)	(1,001)	(246)	(374)
Other expenses[3]	(2,197)	(1,977)	(1,506)	(220)	(471)
Income before federal income taxes	7,623	11,975	19,166	(4,352)	(7,191)
Benefit (provision) for federal income taxes	(2,491)	(3,496)	29,110	1,005	(32,606)
Net income attributable to Fannie Mae	$ 5,132	$ 8,479	$ 48,276	$ (3,347)	$ (39,797)
Other key performance data:					
Securitization Activity/New Business					
Single-family Fannie Mae MBS issuances	$ 472,471	$ 375,676	$ 733,111		
Credit Guaranty Activity					
Average single-family guaranty book of business[4]	$ 2,836,447	$ 2,867,787	$ 2,855,821		
Single-family effective guaranty fee rate:					
Total rate, net of TCCA fee (in basis points)[5][7]	38.3	36.0	33.1		
Total rate (in basis points)[5]	44.0	40.8	36.7		
Single-family average charged guaranty fee on new acquisitions:					
Total fee, net of TCCA fee (in basis points)[6][7]	50.5	52.9	47.4		
Total fee (in basis points)[6]	60.5	62.9	57.4		
Single-family serious delinquency rate, at end of period[8]	1.55 %	1.89 %	2.38 %		
Market					
Single-family mortgage debt outstanding, at end of period (total U.S. market)[9]	$ 9,952,018	$ 9,881,157	$ 9,876,643		
30-year mortgage rate, at end of period[10]	4.01 %	3.87 %	4.48 %		

(1) Reflects the impact of a 10 basis point guaranty fee increase implemented in 2012 pursuant to the TCCA, the incremental revenue from which is remitted to Treasury. The resulting revenue is included in guaranty fee income and the expense is recognized as "TCCA fees."

(2) Consists of the benefit (provision) for credit losses and foreclosed property income (expense).

(3) Consists of net interest income (loss), investment gains (losses), net, fair value gains (losses), net, gains (losses) from partnership investments, fee and other income (expense), administrative expenses and other expenses.

(4) Our single-family guaranty book of business consists of (a) single-family mortgage loans of Fannie Mae, (b) single-family mortgage loans underlying Fannie Mae MBS, and (c) other credit enhancements that we provide on single-family mortgage assets, such as long-term standby commitments. It excludes non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio for which we do not provide a guaranty.

(5) Calculated based on Single-Family segment guaranty fee income divided by the average single-family guaranty book of business.

(6) Calculated based on the average contractual fee rate for our single-family guaranty arrangements entered into during the period plus the recognition of any upfront cash payments ratably over an estimated average life.

(7) Excludes the impact of a 10 basis point guaranty fee increase implemented in 2012 pursuant to the TCCA, the incremental revenue from which is remitted to Treasury and not retained by us.

(8) Calculated based on the number of single-family conventional loans that are 90 days or more past due or in the foreclosure process, divided by the number of loans in our single-family conventional guaranty book of business.

(9) Information labeled as of December 31, 2015 is as of September 30, 2015 and is based on the Federal Reserve's December 2015 mortgage debt outstanding release, the latest date for which the Federal Reserve has estimated mortgage debt outstanding for single-family residences. Prior period amounts have been changed to reflect revised historical data from the Federal Reserve.

(10) Based on Freddie Mac's Primary Mortgage Market Survey® rate for the last week in the period, which represents the national average mortgage commitment rate to a qualified borrower exclusive of any fees and points required by the lender.

2015 compared with 2014

Pre-tax income decreased in 2015 compared with 2014 primarily due to credit-related expense in 2015 compared with credit-related income in 2014, partially offset by the recognition of higher guaranty fee income in 2015 compared with 2014.

We recognized credit-related expense in 2015 compared with credit-related income in 2014. This shift was primarily driven by a lower benefit for credit losses and higher foreclosed property expense in 2015. The reduction in our benefit for credit losses in 2015 as compared with 2014 was primarily driven by decreases in mortgage interest rates in 2014, which decreased the impairment on our individually impaired loans related to concessions provided on our modified loans and resulted in an increase in our benefit for credit losses in 2014. Changes in interest rates were not a primary driver of our 2015 benefit for credit losses. In addition, although home prices increased in both 2014 and 2015, home price increases had a smaller impact on our benefit for credit losses in 2015 compared with 2014, primarily due to the smaller number of nonperforming loans held for investment in our guaranty book of business in 2015 as compared with 2014. Also contributing to our lower benefit for credit losses in 2015 was our redesignation of certain nonperforming single-family loans from HFI to HFS in connection with our plans to sell these loans.

Guaranty fee income and our effective guaranty fee rate increased in 2015 compared with 2014 as loans with higher guaranty fees became a larger part of our single-family guaranty book of business in 2015 primarily due to the cumulative impact of guaranty fee price increases implemented in 2012.

TCCA fees increased in 2015 compared with 2014, as single-family loans acquired since the implementation of the TCCA-related guaranty fee increased in 2012 constituted a larger portion of our single-family guaranty book of business in 2015.

Other expenses increased in 2015 compared with 2014 primarily as a result of the recognition of administrative expenses related to the settlement of our defined benefit pension plan obligations in 2015.

Our single-family acquisition volume and single-family Fannie Mae MBS issuances increased in 2015 compared with 2014, driven primarily by an increase in refinance activity. Higher refinance activity also drove an increase in liquidations of loans from our single-family guaranty book of business in 2015 compared with 2014. Accordingly, the size of our single-family guaranty book of business remained relatively flat.

Our average charged guaranty fee on newly acquired single-family loans decreased in 2015 compared with 2014 primarily as the result of a decrease in loan level price adjustments charged on our acquisitions in 2015 and by changes we made in our contractual fee rates. See "Business—Executive Summary—Single-Family Guaranty Book of Business—Recently Acquired Single-Family Loans" for a discussion of the factors that affect the amount of loan-level price adjustments that we charge from period to period.

2014 compared with 2013

Pre-tax income decreased in 2014 compared with 2013 primarily due to a decrease in credit-related income, partially offset by an increase in guaranty fee income.

Our single-family credit-related income decreased in 2014 compared with 2013 primarily due to home prices increasing at a slower pace in 2014 as compared with 2013. In addition, 2013 single-family credit-related income benefited from foreclosed property income primarily due to the recognition of income related to compensatory fee arrangements.

Guaranty fee income and our effective guaranty fee rate increased in 2014 compared with 2013 as loans with higher guaranty fees became a larger part of our single-family guaranty book of business in 2014 due to the cumulative impact of guaranty fee price increases implemented in 2012.

TCCA fees increased in 2014 compared with 2013, as single-family loans acquired since the implementation of the TCCA-related guaranty fee increased in 2012 constituted a larger portion of our single-family guaranty book of business in 2014.

We recognized a provision for federal income taxes in 2014 compared with a benefit for federal income taxes in 2013. The benefit for federal income taxes in 2013 primarily represented the release in the first quarter of 2013 of the substantial majority of the valuation allowance against the portion of our deferred tax assets that we attributed to our Single-Family segment.

Our single-family acquisition volume and single-family Fannie Mae MBS issuances decreased significantly in 2014 compared with 2013; however, liquidations of loans from our single-family guaranty book of business also declined due to lower refinance activity. Accordingly, the size of our single-family guaranty book of business remained relatively flat.

Our average charged guaranty fee on newly acquired single-family loans increased in 2014 compared with 2013 primarily as the result of an increase in loan level price adjustments charged on our acquisitions in 2014, as these acquisitions included a higher proportion of loans with higher LTV ratios and a higher proportion of loans with lower FICO credit scores than our acquisitions in 2013.

Multifamily Business Results

Multifamily business results primarily reflect our multifamily guaranty business. Our multifamily business results also include activity relating to our low-income housing tax credit ("LIHTC") investments and equity investments. Although we are not currently making new LIHTC or equity investments, we continue to make contractually required contributions for our legacy investments. Activity from multifamily products is also reflected in the Capital Markets group results, which include net interest income related to multifamily loans and securities held in our retained mortgage portfolio, gains and losses from the sale of multifamily Fannie Mae MBS, mortgage loans and re-securitizations, and other miscellaneous income.

Table 17 displays the financial results of our Multifamily business. The primary sources of revenue for our Multifamily business are guaranty fee income and fee and other income, which includes yield maintenance income. Other items that affect income or loss primarily include credit-related income, gains from partnership investments and administrative expenses.

Table 17: Multifamily Business Results

	For the Year Ended December 31,			Variance	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
			(Dollars in millions)		
Guaranty fee income	$ 1,439	$ 1,297	$ 1,217	$ 142	$ 80
Fee and other income	265	166	182	99	(16)
Gains from partnership investments[(1)]	282	299	498	(17)	(199)
Credit-related income[(2)]	201	197	583	4	(386)
Other expenses[(3)]	(433)	(338)	(335)	(95)	(3)
Income before federal income taxes	1,754	1,621	2,145	133	(524)
(Provision) benefit for federal income taxes	(247)	(158)	7,924	(89)	(8,082)
Net income attributable to Fannie Mae	$ 1,507	$ 1,463	$ 10,069	$ 44	$(8,606)
Other key performance data:					
Securitization Activity/New Business					
Multifamily new business volume[(4)]	$ 42,342	$ 28,908	$ 28,752		
Multifamily units financed from new business volume	569,000	446,000	507,000		
Multifamily Fannie Mae MBS issuances[(5)]	$ 43,923	$ 31,997	$ 31,403		
Multifamily Fannie Mae structured securities issuances (issued by Capital Markets group)	$ 11,685	$ 12,040	$ 10,185		
Multifamily Fannie Mae MBS outstanding, at end of period[(6)]	$188,212	$167,010	$148,724		
Credit Guaranty Activity					
Average multifamily guaranty book of business[(7)]	$209,747	$200,150	$204,284		
Multifamily effective guaranty fee rate (in basis points)[(8)]	68.6	64.8	59.6		
Multifamily credit loss ratio (in basis points)[(9)]	(2.7)	(2.3)	2.5		
Multifamily serious delinquency rate, at end of period	0.07 %	0.05 %	0.10 %		
Percentage of multifamily guaranty book of business with credit enhancement, at end of period	94 %	93 %	91 %		
Fannie Mae percentage of total multifamily mortgage debt outstanding, at end of period[(10)]	19 %	19 %	20 %		
Portfolio Data					
Average Fannie Mae multifamily mortgage loans and Fannie Mae MBS in Capital Markets group's portfolio[(11)]	$ 33,404	$ 49,677	$ 74,613		
Additional net interest income and yield maintenance income earned on Fannie Mae multifamily mortgage loans and MBS (included in Capital Markets group's results)[(12)]	$ 693	$ 757	$ 1,360		

(1) Gains from partnership investments are included in other expenses, net in our consolidated statements of operations and comprehensive income. Gains from partnership investments are reported using the equity method of accounting. As a result, net income attributable to noncontrolling interest from partnership investments is not included in income for the Multifamily segment.

(2) Consists of the benefit (provision) for credit losses and foreclosed property income (expense).

(3) Consists of net interest income (loss), investment gains (losses), net, administrative expenses and other expenses.

(4) Reflects unpaid principal balance of multifamily Fannie Mae MBS issued (excluding portfolio securitizations), multifamily loans purchased, and credit enhancements provided during the period.

(5) Reflects unpaid principal balance of multifamily Fannie Mae MBS issued during the period. Includes: (a) issuances of new MBS, (b) Fannie Mae portfolio securitization transactions of $1.8 billion, $3.4 billion and $2.9 billion for the years ended December 31, 2015,

2014 and 2013, respectively, and (c) conversions of adjustable-rate loans to fixed-rate loans and discount MBS ("DMBS") to MBS of $60 million, $3 million and $68 million for the years ended December 31, 2015, 2014 and 2013, respectively.

(6) Includes $10.9 billion and $18.7 billion of Fannie Mae multifamily MBS held in the retained mortgage portfolio, the vast majority of which have been consolidated to loans in our consolidated balance sheets as of December 31, 2015 and 2014, respectively.

(7) Our multifamily guaranty book of business consists of: (a) multifamily mortgage loans of Fannie Mae, (b) multifamily mortgage loans underlying Fannie Mae MBS, and (c) other credit enhancements that we provide on multifamily mortgage assets. It excludes non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio for which we do not provide a guaranty.

(8) Calculated based on Multifamily segment guaranty fee income divided by the average multifamily guaranty book of business, expressed in basis points.

(9) Calculated based on Multifamily segment credit losses divided by the average multifamily guaranty book of business, expressed in basis points. Negative credit losses are the result of recoveries on previously charged-off amounts.

(10) Includes mortgage loans and Fannie Mae MBS guaranteed by the Multifamily segment. Information labeled as of December 31, 2015 is as of September 30, 2015 and is based on the Federal Reserve's December 2015 mortgage debt outstanding release, the latest date for which the Federal Reserve has estimated mortgage debt outstanding for multifamily residences. Prior period amounts may have been changed to reflect revised historical data from the Federal Reserve.

(11) Based on unpaid principal balance.

(12) Interest expense estimate is based on allocated duration-matched funding costs. Net interest income was reduced by guaranty fees allocated to Multifamily from the Capital Markets group on multifamily loans in our retained mortgage portfolio. Yield maintenance income represents the investor portion of fees earned as a result of prepayments of multifamily loans and MBS in our retained mortgage portfolio. A portion of yield maintenance income is reported in Multifamily business results to the extent attributable to our multifamily guaranty business.

2015 compared with 2014

Pre-tax income increased in 2015 compared with 2014 primarily due to increases in guaranty fee income and fee and other income, partially offset by an increase in other expenses.

Guaranty fee income increased in 2015 compared with 2014 as loans with higher guaranty fees have become a larger part of our multifamily guaranty book of business, while loans with lower guaranty fees continue to liquidate.

Fee and other income increased in 2015 compared with 2014 as a result of an increase in yield maintenance income driven by higher prepayment volumes in 2015 compared with 2014.

Credit-related income remained relatively consistent in 2015 compared with 2014 as both years were driven by gains on the disposition of REO properties and improvements in the allowance for loan losses as a result of the continued stability of multifamily market fundamentals.

Gains from partnership investments decreased in 2015 compared with 2014 as a result of lower sales activity.

Other expenses increased in 2015 compared with 2014 primarily as a result of the recognition of administrative expenses related to the settlement of our defined benefit pension plan obligations in 2015.

Multifamily new business volume increased in 2015 compared with 2014 driven by substantial growth in the overall multifamily market. FHFA's 2015 conservatorship scorecard included an objective to maintain the dollar volume of new multifamily business at or below $30 billion excluding certain targeted business segments. Approximately 68% of our 2015 multifamily business volume of $42.3 billion counted towards FHFA's 2015 multifamily volume cap.

Similar to the 2015 scorecard, FHFA's 2016 conservatorship scorecard includes an objective to maintain the dollar volume of new multifamily business at $31 billion or below, with similar excluded business segments.

2014 compared with 2013

Pre-tax income decreased in 2014 compared with 2013 primarily due to decreases in credit-related income and gains on partnership investments, partially offset by an increase in guaranty fee income.

Credit-related income decreased in 2014 compared with 2013 primarily as a result of smaller improvements in property valuations in 2014 compared with 2013, as well as improvements in loss severity trends in 2013.

Guaranty fee income increased in 2014 compared with 2013 as loans with higher guaranty fees have become a larger part of our multifamily guaranty book of business, while loans with lower guaranty fees continue to liquidate.

Gains from partnership investments decreased in 2014 compared with 2013 primarily as a result of lower sales activity.

We recognized a provision for federal income taxes in 2014 compared with a benefit for federal income taxes in 2013. The benefit for federal income taxes in 2013 primarily represented the release in the first quarter of 2013 of the substantial majority of the valuation allowance against the portion of our deferred tax assets that we attributed to our Multifamily segment.

Capital Markets Group Results

Table 18 displays the financial results of our Capital Markets group. For a discussion of the debt issued by the Capital Markets group to fund its investment activities, see “Liquidity and Capital Management.” For a discussion of the derivative instruments that the Capital Markets group uses to manage interest rate risk, see “Risk Management—Market Risk Management, Including Interest Rate Risk Management” and “Note 9, Derivative Instruments.” The primary sources of revenue for our Capital Markets group are net interest income and fee and other income. Other items that impact income or loss primarily include fair value gains and losses, investment gains and losses, as well as allocated guaranty fee expense and administrative expenses.

Table 18: Capital Markets Group Results

	For the Year Ended December 31,			Variance	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(Dollars in millions)				
Net interest income[1]	$ 5,828	$ 7,243	$ 9,764	$ (1,415)	$ (2,521)
Investment gains, net[2]	5,539	6,378	4,847	(839)	1,531
Fair value gains (losses), net[3]	(2,049)	(5,476)	3,148	3,427	(8,624)
Fee and other income	209	4,894	3,010	(4,685)	1,884
Other expenses[4]	(1,528)	(1,638)	(1,627)	110	(11)
Income before federal income taxes	7,999	11,401	19,142	(3,402)	(7,741)
(Provision) benefit for federal income taxes	(2,515)	(3,287)	8,381	772	(11,668)
Net income attributable to Fannie Mae	$ 5,484	$ 8,114	$ 27,523	$ (2,630)	$ (19,409)

(1) Includes contractual interest income, excluding recoveries, on nonaccrual loans received from the Single-Family segment of $2.0 billion, $2.6 billion and $3.8 billion for the years ended December 31, 2015, 2014 and 2013, respectively. The Capital Markets group’s net interest income is reported based on the mortgage-related assets held in the segment’s retained mortgage portfolio and excludes interest income on mortgage-related assets held by consolidated MBS trusts that are owned by third parties and the interest expense on the corresponding debt of such trusts.

(2) We include the securities we own regardless of whether the trust has been consolidated in reporting of gains and losses on securitizations and sales of available-for-sale securities.

(3) Includes fair value gains (losses) on derivatives and trading securities that we own regardless of whether the trust has been consolidated.

(4) Includes allocated guaranty fee expense, debt extinguishment gains (losses), net, administrative expenses, and other expenses. Gains or losses related to the extinguishment of debt issued by consolidated trusts are excluded from the Capital Markets group’s results because purchases of securities are recognized as such.

2015 compared with 2014

Pre-tax income decreased in 2015 compared with 2014 primarily due to decreases in fee and other income, net interest income and investment gains in 2015, partially offset by lower fair value losses in 2015 compared with 2014.

Fee and other income decreased in 2015 compared with 2014 primarily due to higher revenue recognized in 2014 as a result of settlement agreements resolving certain lawsuits relating to PLS sold to us.

The decrease in net interest income in 2015 compared with 2014 was primarily due to a decline in the average balance of our retained mortgage portfolio as we continued to reduce this portfolio pursuant to the requirements of our senior preferred stock purchase agreement with Treasury and FHFA’s additional portfolio cap. See “The Capital Markets Group’s Mortgage Portfolio” for additional information on our retained mortgage portfolio.

Investment gains decreased in 2015 compared with 2014 primarily due to lower gains on the sale of Fannie Mae MBS designated as AFS securities as a result of an increase in interest rates in 2015.

Fair value losses in 2015 were primarily due to fair value losses on our risk management derivatives. The derivatives fair value losses that are reported for the Capital Markets group are consistent with the losses reported in our consolidated statements of operations and comprehensive income. We discuss our derivatives fair value gains and losses in "Consolidated Results of Operations—Fair Value Gains (Losses), Net."

We supplement our issuance of debt securities with derivative instruments to further reduce interest rate risk. The effect of these derivatives, in particular the periodic net interest expense accruals on interest rate swaps, is not reflected in the Capital Markets group's net interest income but is included in our results as a component of "Fair value gains (losses), net" and is displayed in "Table 10: Fair Value Gains (Losses), Net."

2014 compared with 2013

Pre-tax income decreased in 2014 compared with 2013 primarily due to the recognition of fair value losses in 2014 compared with fair value gains recognized in 2013 and a decrease in net interest income. The decrease in pre-tax income in 2014 compared with 2013 was partially offset by increases in fee and other income and investment gains.

Fair value losses in 2014 were primarily due to fair value losses on our risk management derivatives.

The decrease in net interest income in 2014 compared with 2013 was primarily due to a decline in the average balance of our retained mortgage portfolio as we continued to reduce this portfolio pursuant to the requirements of our senior preferred stock purchase agreement with Treasury and FHFA's additional portfolio cap.

Fee and other income increased in 2014 compared with 2013 due to an increase in income recognized as a result of settlement agreements resolving certain lawsuits relating to PLS sold to us from $2.2 billion in 2013 to $4.8 billion in 2014.

Investment gains increased in 2014 compared with 2013 primarily due to higher gains on the sale of Fannie Mae MBS designated as AFS securities as a result of a decline in interest rates in 2014. During 2013, we had lower gains on the sale of Fannie Mae MBS designated as AFS securities due to an increase in interest rates in 2013.

We recognized a provision for federal income taxes in 2014 compared with a benefit for federal income taxes in 2013. The benefit for federal income taxes in 2013 primarily represented the release in the first quarter of 2013 of the substantial majority of the valuation allowance against the portion of our deferred tax assets that we attributed to our Capital Markets group.

The Capital Markets Group's Mortgage Portfolio

The Capital Markets group's mortgage portfolio, which we also refer to as our retained mortgage portfolio, consists of mortgage loans and mortgage-related securities that we own. Mortgage-related securities held by the Capital Markets group include Fannie Mae MBS and non-Fannie Mae mortgage-related securities. The Fannie Mae MBS that we own are maintained as securities on the Capital Markets group's balance sheets. The portion of assets held by consolidated MBS trusts that back mortgage-related securities owned by third parties are not included in the Capital Markets group's mortgage portfolio.

The amount of mortgage assets that we may own is restricted by our senior preferred stock purchase agreement with Treasury. By December 31 of each year, we are required to reduce our mortgage assets to 85% of the maximum allowable amount that we were permitted to own as of December 31 of the immediately preceding calendar year, until the amount of our mortgage assets reaches $250 billion in 2018. Under the agreement, the maximum allowable amount of mortgage assets we were permitted to own as of December 31, 2015 was $399.2 billion and will be $339.3 billion as of December 31, 2016.

In 2014, FHFA requested that we submit a revised portfolio plan outlining how we will reduce the portfolio each year to 90% of the annual limit under our senior preferred stock purchase agreement with Treasury. FHFA's request noted that we may seek FHFA permission to increase this cap up to 95% of the annual limit under our senior preferred stock purchase agreement with Treasury upon written request and with a documented basis for exception, such as changed market conditions. Accordingly, under our revised portfolio plan, we reduced our retained mortgage portfolio to $345.1 billion as of December 31, 2015, below the $359.3 billion cap, in compliance with FHFA's request. We are required to reduce our retained mortgage portfolio to no more than $305.4 billion as of December 31, 2016.

As we continue to reduce the size of our retained mortgage portfolio, our revenues generated by our retained mortgage portfolio will continue to decrease. For additional information on the terms of the senior preferred stock purchase agreement with Treasury, see "Business—Conservatorship and Treasury Agreements—Treasury Agreements."

Table 19 displays our Capital Markets group's mortgage portfolio activity based on unpaid principal balance.

Table 19: Capital Markets Group's Mortgage Portfolio Activity

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Mortgage loans:			
Beginning balance	$ 285,610	$ 314,664	$ 371,708
Purchases	202,642	153,430	232,582
Securitizations[1]	(188,273)	(131,576)	(207,437)
Sales	(3,586)	(1,879)	(1,246)
Liquidations[2]	(42,801)	(49,029)	(80,943)
Mortgage loans, ending balance	253,592	285,610	314,664
Mortgage securities:			
Beginning balance	127,703	176,037	261,346
Purchases[3]	49,554	24,885	36,848
Securitizations[1]	188,273	131,576	207,437
Sales	(253,438)	(177,883)	(278,421)
Liquidations[2]	(20,581)	(26,912)	(51,173)
Mortgage securities, ending balance	91,511	127,703	176,037
Total Capital Markets group's mortgage portfolio	$ 345,103	$ 413,313	$ 490,701

(1) Includes portfolio securitization transactions that do not qualify for sale treatment under GAAP.

(2) Includes scheduled repayments, prepayments, foreclosures, and lender repurchases.

(3) Includes purchases of Fannie Mae MBS issued by consolidated trusts.

Table 20 displays the composition of the unpaid principal balance of the Capital Markets group's mortgage portfolio and our assessment of the liquidity of these assets. Our assessment is based on the liquidity within the markets in which the assets are traded, the issuer of the asset and the nature of the collateral underlying the asset. Our unsecuritized mortgage loans, PLS and other non-agency securities are considered less liquid. Fannie Mae securities that are collateralized by non-agency mortgage-related securities are also considered to be less liquid.

Table 20: Capital Markets Group's Mortgage Portfolio Composition

	As of December 31,					
	2015			2014		
	More Liquid	Less Liquid	Total	More Liquid	Less Liquid	Total
	(Dollars in millions)					
Mortgage loans:						
Single-family loans:						
Government insured or guaranteed	$ —	$ 33,376	$ 33,376	$ —	$ 36,442	$ 36,442
Conventional	—	206,851	206,851	—	225,800	225,800
Total single-family loans	—	240,227	240,227	—	262,242	262,242
Multifamily loans:						
Government insured or guaranteed	—	224	224	—	243	243
Conventional	—	13,141	13,141	—	23,125	23,125
Total multifamily loans	—	13,365	13,365	—	23,368	23,368
Total mortgage loans	—	253,592	253,592	—	285,610	285,610
Mortgage-related securities:						
Fannie Mae	57,185	11,512	68,697	80,377	12,442	92,819
Freddie Mac	5,232	—	5,232	6,368	—	6,368
Ginnie Mae	748	—	748	572	—	572
Alt-A private-label securities	—	3,481	3,481	—	7,745	7,745
Subprime private-label securities	—	5,212	5,212	—	8,913	8,913
Commercial mortgage-backed securities ("CMBS")	—	3,515	3,515	—	3,686	3,686
Mortgage revenue bonds	—	3,105	3,105	—	4,556	4,556
Other mortgage-related securities	—	1,521	1,521	—	3,044	3,044
Total mortgage-related securities[1]	63,165	28,346	91,511	87,317	40,386	127,703
Total Capital Markets group's mortgage portfolio	$63,165	$281,938	$345,103	$ 87,317	$325,996	$413,313

[1] The fair value of these mortgage-related securities was $96.0 billion and $133.5 billion as of December 31, 2015 and 2014, respectively.

The Capital Markets group's mortgage portfolio decreased 17% during 2015. Higher sales volumes drove the decrease in the portfolio compared with 2014. This activity was partially offset by increased purchases as a result of higher mortgage originations. We continued to reduce the size of our retained mortgage portfolio to comply with the requirements of our senior preferred stock purchase agreement with Treasury and FHFA's request to further cap our portfolio.

As described in "Executive Summary—Helping to Build a Sustainable Housing Finance System," in 2015 we completed three sales of nonperforming loans with an aggregate unpaid principal balance of $2.1 billion, which contributed to the reduction in our less liquid assets as of December 31, 2015.

The loans we purchased in 2015 included $13.2 billion in delinquent loans we purchased from our single-family MBS trusts. We expect to continue purchasing loans from MBS trusts as they become four or more consecutive monthly payments delinquent subject to market conditions, economic benefit, servicer capacity and other factors, including the limit on the amount of mortgage assets that we may own pursuant to the senior preferred stock purchase agreement and FHFA's portfolio plan requirements. Table 21 displays the composition of loans restructured in a TDR that were on accrual status, loans on nonaccrual status and all other mortgage-related assets in our Capital Markets group's mortgage portfolio.

Table 21: Capital Markets Group's Mortgage Portfolio

	As of December 31,			
	2015		2014	
	Unpaid Principal Balance	Percent of Total	Unpaid Principal Balance	Percent of Total
	(Dollars in millions)			
TDRs on accrual status	$ 137,117	40%	$ 140,828	34%
Nonaccrual loans	47,000	13	58,597	14
All other mortgage-related assets	160,986	47	213,888	52
Total Capital Markets group's mortgage portfolio	$ 345,103	100%	$ 413,313	100%

CONSOLIDATED BALANCE SHEET ANALYSIS

We seek to structure the composition of our balance sheet and manage its size to comply with our regulatory requirements, to provide adequate liquidity to meet our needs, and to mitigate our interest rate risk and credit risk exposure. The major asset components of our consolidated balance sheets include our mortgage investments and our cash and other investments portfolio. We fund and manage the interest rate risk on these investments through the issuance of debt securities and the use of derivatives. Our debt securities and derivatives represent the major liability components of our consolidated balance sheets.

This section provides a discussion of our consolidated balance sheets as of the dates indicated and should be read together with our consolidated financial statements, including the accompanying notes.

Table 22: Summary of Consolidated Balance Sheets

	As of December 31,		
	2015	2014	Variance
	(Dollars in millions)		
Assets			
Cash and cash equivalents and federal funds sold and securities purchased under agreements to resell or similar arrangements	$ 42,024	$ 52,973	$ (10,949)
Restricted cash	30,879	32,542	(1,663)
Investments in securities[(1)]	60,138	62,158	(2,020)
Mortgage loans:			
Of Fannie Mae	238,397	272,666	(34,269)
Of consolidated trusts	2,809,198	2,782,369	26,829
Allowance for loan losses	(27,951)	(35,541)	7,590
Mortgage loans, net of allowance for loan losses	3,019,644	3,019,494	150
Deferred tax assets, net	37,187	42,206	(5,019)
Other assets	32,045	38,803	(6,758)
Total assets	$ 3,221,917	$ 3,248,176	$ (26,259)
Liabilities and equity			
Debt:			
Of Fannie Mae	$ 386,135	$ 460,443	$ (74,308)
Of consolidated trusts	2,811,536	2,761,712	49,824
Other liabilities	20,187	22,301	(2,114)
Total liabilities	3,217,858	3,244,456	(26,598)
Equity	4,059	3,720	339
Total liabilities and equity	$ 3,221,917	$ 3,248,176	$ (26,259)

(1) Includes $29.5 billion as of December 31, 2015 and $19.5 billion as of December 31, 2014 of U.S. Treasury securities that are included in our other investments portfolio, which we present in "Table 28: Cash and Other Investments Portfolio."

Cash and Other Investments Portfolio

Our cash and other investments portfolio consists of cash and cash equivalents, securities purchased under agreements to resell or similar arrangements, and investments in U.S. Treasury securities. See "Liquidity and Capital Management—Liquidity Management—Cash and Other Investments Portfolio" for additional information on our cash and other investments portfolio.

Investments in Securities

Our investments in mortgage-related securities are classified in our consolidated balance sheets as either trading or available-for-sale and are measured at fair value. Table 23 displays the fair value of our investments in mortgage-related securities, including trading and available-for-sale securities. We classify private-label securities as Alt-A, subprime or CMBS if the securities were labeled as such when issued. We have also invested in subprime private-label mortgage-related securities that we have resecuritized to include our guaranty.

Table 23: Summary of Mortgage-Related Securities at Fair Value

	As of December 31,		
	2015	2014	2013
	(Dollars in millions)		
Mortgage-related securities:			
Fannie Mae	$ 9,034	$ 10,579	$ 12,443
Freddie Mac	5,613	6,897	8,681
Ginnie Mae	817	642	995
Alt-A private-label securities	3,114	6,598	8,865
Subprime private-label securities	3,925	6,547	8,516
CMBS	3,596	3,912	4,324
Mortgage revenue bonds	3,150	4,745	5,821
Other mortgage-related securities	1,404	2,772	2,988
Total	$ 30,653	$ 42,692	$ 52,633

The decrease in mortgage-related securities at fair value in 2015 was primarily driven by higher sales volumes, as well as liquidations, partially offset by increased purchases as a result of higher mortgage originations. We continue to reduce the size of our retained mortgage portfolio to comply with the requirements of our senior preferred stock purchase agreement with Treasury and FHFA's request to further cap our portfolio. See "Business Segment Results—The Capital Markets Group's Mortgage Portfolio" for additional information related to the reduction in our retained mortgage portfolio.

See "Note 5, Investments in Securities" for additional information on our investments in mortgage-related securities, including the composition of our trading and available-for-sale securities at amortized cost and fair value and the gross unrealized gains and losses related to our available-for-sale securities as of December 31, 2015 and 2014.

Mortgage Loans

The mortgage loans reported in our consolidated balance sheets include loans owned by Fannie Mae and loans held in consolidated trusts and are classified as either HFS or HFI. Mortgage loans, net of allowance, remained relatively flat as of December 31, 2015 compared with December 31, 2014. This resulted primarily from a decrease in our allowance for loan losses and an increase in mortgage loans of consolidated trusts due to securitization activity from our lender swap and portfolio securitization programs. Offsetting these factors was a decline in mortgage loans of Fannie Mae resulting from liquidations outpacing acquisitions. For additional information on our mortgage loans, see "Note 3, Mortgage Loans," and for changes in our allowance for loan losses, see "Note 4, Allowance for Loan Losses." For additional information on the mortgage loan purchase and sale activities reported by our Capital Markets group, see "Business Segment Results—Capital Markets Group Results."

The decrease in our allowance for loan losses during 2015 was primarily driven by our approach to adopting the charge-off provisions of the Advisory Bulletin on January 1, 2015, the change in accounting policy related to the treatment of accrued interest receivable, improvement in home prices, liquidations of mortgage loans and the redesignation of certain nonperforming single-family loans from HFI to HFS, which relieved the allowance on these loans. For information on our benefit for credit losses, see "Consolidated Results of Operations—Credit-Related Income (Expense)—Provision (Benefit) for Credit Losses."

Other Assets

Other assets consist of accrued interest receivable, net; acquired property, net; and other miscellaneous assets. The decrease in other assets was primarily due to acquired property dispositions outpacing the number of properties acquired through foreclosure, which resulted in a reduction in the number of acquired properties held in 2015.

Debt

Debt of Fannie Mae is the primary means of funding our mortgage investments. Debt of consolidated trusts represents the amount of Fannie Mae MBS issued from consolidated trusts and held by third-party certificateholders. We provide a summary of the activity of the debt of Fannie Mae and a comparison of the mix between our outstanding short-term and long-term debt in "Liquidity and Capital Management—Liquidity Management—Debt Funding." Also see "Note 8, Short-Term Borrowings and Long-Term Debt" for additional information on our outstanding debt.

The decrease in debt of Fannie Mae in 2015 was primarily driven by lower funding needs, as our retained mortgage portfolio decreased. The increase in the balance of debt of consolidated trusts during 2015 was primarily driven by sales of Fannie Mae MBS, which are accounted for as reissuances of debt of consolidated trusts in our consolidated balance sheets, since the MBS certificate ownership is transferred from us to a third party.

Stockholders' Equity

Our net equity increased as of December 31, 2015 compared with December 31, 2014 primarily due to our comprehensive income recognized during the year, partially offset by the payment of senior preferred stock dividends to Treasury during the year.

LIQUIDITY AND CAPITAL MANAGEMENT

Liquidity Management

Our business activities require that we maintain adequate liquidity to fund our operations. Our liquidity risk management framework is designed to address our liquidity risk. Liquidity risk is the risk that we will not be able to meet our funding obligations in a timely manner. Liquidity risk management involves forecasting funding requirements, maintaining sufficient capacity to meet our needs based on our ongoing assessment of financial market liquidity and adhering to our regulatory requirements.

Our treasury group is responsible for implementing our liquidity and contingency planning strategies. See "Liquidity Risk Management Practices and Contingency Planning" for a discussion of our liquidity contingency plans. Also see "Risk Factors" for a description of the risks associated with our liquidity risk and liquidity contingency planning.

Primary Sources and Uses of Funds

Our primary source of funds is proceeds from the issuance of short-term and long-term debt securities. Accordingly, our liquidity depends largely on our ability to issue unsecured debt in the capital markets. Our status as a GSE and federal government support of our business continue to be essential to maintaining our access to the unsecured debt markets.

In addition to funding we obtain from the issuance of debt securities, our other sources of cash include:

- principal and interest payments received on mortgage loans, mortgage-related securities and non-mortgage investments we own;
- proceeds from the sale of mortgage-related securities, mortgage loans and non-mortgage assets, including proceeds from the sales of foreclosed real estate assets;
- guaranty fees received on Fannie Mae MBS;
- payments received from mortgage insurance counterparties and other providers of credit enhancement;
- net receipts on derivative instruments;
- receipt of cash collateral; and
- borrowings under a secured intraday funding line of credit and borrowings against mortgage-related securities and other investment securities we hold pursuant to repurchase agreements and loan agreements.

Our primary funding needs include:

- the repayment of matured, redeemed and repurchased debt;
- the purchase of mortgage loans (including delinquent loans from MBS trusts), mortgage-related securities and other investments;
- interest payments on outstanding debt;
- dividend payments made to Treasury on the senior preferred stock;
- net payments on derivative instruments;
- the pledging of collateral under derivative instruments;
- administrative expenses;
- losses incurred in connection with our Fannie Mae MBS guaranty obligations;

- payments of federal income taxes;
- payments to specified HUD and Treasury funds; and
- payments of TCCA fees to Treasury.

Liquidity Risk Management Practices and Contingency Planning

Our liquidity position could be adversely affected by many factors, both internal and external to our business, including: actions taken by FHFA, the Federal Reserve, Treasury or other government agencies; legislation relating to us or our business; a U.S. government payment default on its debt obligations; a downgrade in the credit ratings of our senior unsecured debt or the U.S. government's debt from the major ratings organizations; a systemic event leading to the withdrawal of liquidity from the market; an extreme market-wide widening of credit spreads; public statements by key policy makers; a significant decline in our net worth; potential investor concerns about the adequacy of funding available to us under the senior preferred stock purchase agreement; loss of demand for our debt, or certain types of our debt, from a major group of investors; a significant credit event involving one of our major institutional counterparties; a sudden catastrophic operational failure in the financial sector; or elimination of our GSE status. See "Risk Factors" for a discussion of factors that could adversely affect our liquidity.

We conduct liquidity contingency planning to prepare for an event in which our access to the unsecured debt markets becomes limited. We plan for alternative sources of liquidity that are designed to allow us to meet our cash obligations without relying upon the issuance of unsecured debt for specific periods of time.

Our liquidity management framework and practices require that we maintain:

- a portfolio of highly liquid securities to cover a minimum of 30 calendar days of net cash needs, assuming no access to the short- and long-term unsecured debt markets;
- within our cash and other investments portfolio a daily balance of U.S. Treasury securities and/or cash with the Federal Reserve Bank of New York that has a redemption amount of at least 50% of our average projected 30-day cash needs over the previous three months; and
- a liquidity profile that meets or exceeds our projected 365-day net cash needs with liquidity holdings and unencumbered agency mortgage securities.

As of December 31, 2015, we were in compliance with our liquidity risk management framework and practices set forth above.

We run routine operational testing of our ability to rely upon mortgage and U.S. Treasury collateral to obtain financing. We enter into relatively small repurchase agreements in order to confirm that we have the operational and systems capability to do so. In addition, we have provided collateral in advance to a number of clearing banks in the event we seek to enter into repurchase agreements in the future. We do not, however, have committed repurchase agreements with specific counterparties, as historically we have not relied on this form of funding. As a result, our use of such facilities and our ability to enter into them in significant dollar amounts may be challenging in a stressed market environment. See "Risk Factors" for the risks associated with our ability to fund operations.

See "Cash and Other Investments Portfolio" and "Unencumbered Mortgage Portfolio" for further discussions of our alternative sources of liquidity if our access to the debt markets were to become limited.

While our liquidity contingency planning attempts to address stressed market conditions and our status under conservatorship and Treasury arrangements, we believe that our liquidity contingency plans may be difficult or impossible to execute for a company of our size in our circumstances. See "Risk Factors" for a description of the risks associated with our liquidity contingency planning.

Debt Funding

We separately present the debt from consolidations ("debt of consolidated trusts") and the debt issued by us ("debt of Fannie Mae") in our consolidated balance sheets and in the debt tables below. Our discussion regarding debt funding in this section focuses on the debt of Fannie Mae. We fund our business primarily through the issuance of short-term and long-term debt securities in the domestic and international capital markets. Because debt issuance is our primary funding source, we are subject to "roll-over," or refinancing, risk on our outstanding debt.

We have a diversified funding base of domestic and international investors. Purchasers of our debt securities are geographically diversified and include fund managers, commercial banks, pension funds, insurance companies, foreign central banks, corporations, state and local governments, and other municipal authorities.

Our debt funding needs and debt funding activity may vary from quarter to quarter depending on market conditions and are influenced by anticipated liquidity needs, the size of our retained mortgage portfolio and our dividend payment obligations to Treasury. See "Business Segment Results—Capital Markets Group Results—The Capital Markets Group's Mortgage Portfolio" for information about our retained mortgage portfolio, our requirement to reduce the size of our retained mortgage portfolio and our portfolio reduction plan.

Fannie Mae Debt Funding Activity

Table 24 displays the activity in debt of Fannie Mae. This activity excludes the debt of consolidated trusts and intraday loans. The reported amounts of debt issued and paid off during the period represent the face amount of the debt at issuance and redemption, respectively. Activity for short-term debt of Fannie Mae relates to borrowings with an original contractual maturity of one year or less while activity for long-term debt of Fannie Mae relates to borrowings with an original contractual maturity of greater than one year.

Table 24: Activity in Debt of Fannie Mae

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Issued during the period:			
Short-term:			
Amount	$ 182,358	$ 213,683	$ 216,475
Weighted-average interest rate	0.16%	0.08%	0.11%
Long-term:[1]			
Amount	$ 76,268	$ 45,805	$ 138,404
Weighted-average interest rate	1.48%	1.79%	1.07%
Total issued:			
Amount	$ 258,626	$ 259,488	$ 354,879
Weighted-average interest rate	0.55%	0.38%	0.49%
Paid off during the period:[2]			
Short-term:			
Amount	$ 216,340	$ 180,920	$ 249,357
Weighted-average interest rate	0.10%	0.09%	0.12%
Long-term:			
Amount	$ 117,350	$ 148,186	$ 192,861
Weighted-average interest rate	1.39%	1.80%	1.72%
Total paid off:			
Amount	$ 333,690	$ 329,106	$ 442,218
Weighted-average interest rate	0.55%	0.86%	0.82%

(1) Includes credit risk-sharing securities issued under our CAS series. For additional information on our credit risk-sharing transactions, see "Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Transfer of Mortgage Credit Risk—Credit Risk-Sharing Transactions."

(2) Consists of all payments on debt, including regularly scheduled principal payments, payments at maturity, payments resulting from calls and payments for any other repurchases. Repurchases of debt and early retirements of zero-coupon debt are reported at original face value, which does not equal the amount of actual cash payment.

Many factors could affect the amount, mix and cost of our debt funding, reduce demand for our debt securities, increase our liquidity or roll-over risk, or have a material adverse impact on our liquidity, financial condition and results of operations, including:

- changes or perceived changes in federal government support of our business;
- our status as a GSE;
- future changes or disruptions in the financial markets;

- a change or perceived change in the creditworthiness of the U.S. government, due to our reliance on the U.S. government's support; or
- a downgrade in our credit ratings.

We believe that continued federal government support of our business, as well as our status as a GSE, are essential to maintaining our access to debt funding. See "Risk Factors" for a discussion of the risks we face relating to: (1) the uncertain future of our company; (2) our reliance on the issuance of debt securities to obtain funds for our operations and the relative cost to obtain these funds; (3) our liquidity contingency plans; and (4) our credit ratings. Also see "Business—Housing Finance Reform" for more information on GSE reform.

Outstanding Debt

Total outstanding debt of Fannie Mae includes short-term and long-term debt, excluding debt of consolidated trusts. Short-term debt of Fannie Mae consists of borrowings with an original contractual maturity of one year or less and, therefore, does not include the current portion of long-term debt. Long-term debt of Fannie Mae consists of borrowings with an original contractual maturity of greater than one year.

Our outstanding short-term debt, based on its original contractual maturity, as a percentage of our total outstanding debt was 18% as of December 31, 2015 compared with 23% as of December 31, 2014. The weighted-average interest rate on our long-term debt, based on its original contractual maturity, increased to 2.41% as of December 31, 2015 from 2.24% as of December 31, 2014.

Our outstanding debt maturing within one year, including the current portion of our long-term debt and amounts we have announced for early redemption, as a percentage of our total outstanding debt, excluding debt of consolidated trusts, was 32% as of December 31, 2015 and 37% as of December 31, 2014. The weighted-average maturity of our outstanding debt that is maturing within one year was 125 days as of December 31, 2015, compared with 131 days as of December 31, 2014. The weighted-average maturity of our outstanding debt maturing in more than one year was approximately 57 months as of December 31, 2015 and approximately 61 months as of December 31, 2014. For information on the maturity profile of our outstanding long-term debt for each of the years 2016 through 2020 and thereafter, see "Note 8, Short-Term Borrowings and Long-Term Debt."

We intend to repay our short-term and long-term debt obligations as they become due primarily through proceeds from the issuance of additional debt securities. We also may use proceeds from our mortgage assets to pay our debt obligations.

Pursuant to the terms of the senior preferred stock purchase agreement, we are prohibited from issuing debt without the prior consent of Treasury if it would result in our aggregate indebtedness exceeding our outstanding debt limit, which is 120% of the amount of mortgage assets we were allowed to own under the senior preferred stock purchase agreement on December 31 of the immediately preceding calendar year. Our debt limit under the senior preferred stock purchase agreement was reduced to $563.6 billion in 2015. As of December 31, 2015, our aggregate indebtedness totaled $389.5 billion, which was $174.1 billion below our debt limit. Our debt limit in 2016 is $479.0 billion. The calculation of our indebtedness for purposes of complying with our debt limit reflects the unpaid principal balance and excludes debt basis adjustments and debt of consolidated trusts. Because of our debt limit, we may be restricted in the amount of debt we issue to fund our operations.

Table 25 displays information as of the dates indicated on our outstanding short-term and long-term debt based on its original contractual terms.

Table 25: Outstanding Short-Term Borrowings and Long-Term Debt[1]

	As of December 31,					
	2015			2014		
	Maturities	Outstanding	Weighted-Average Interest Rate	Maturities	Outstanding	Weighted-Average Interest Rate
	(Dollars in millions)					
Federal funds purchased and securities sold under agreements to repurchase[2]	—	$ 62	—%	—	$ 50	—%
Short-term debt:						
Debt of Fannie Mae	—	$ 71,007	0.26%	—	$ 105,012	0.11%
Debt of consolidated trusts	—	943	0.19	—	1,560	0.09
Total short-term debt		$ 71,950	0.26%		$ 106,572	0.11%
Long-term debt:						
Senior fixed:						
Benchmark notes and bonds	2016 - 2030	$ 154,057	2.49%	2015 - 2030	$ 173,010	2.41%
Medium-term notes[3]	2016 - 2025	96,997	1.53	2015 - 2024	114,556	1.42
Other[4]	2016 - 2038	27,772	4.88	2015 - 2038	32,941	4.65
Total senior fixed		278,826	2.39		320,507	2.29
Senior floating:						
Medium-term notes[3]	2016 - 2019	20,791	0.27	2015 - 2019	24,469	0.15
Connecticut Avenue Securities[5]	2023 - 2028	10,764	3.84	2023 - 2024	6,041	2.97
Other[6]	2020 - 2037	368	10.46	2020 - 2037	363	8.71
Total senior floating		31,923	1.58		30,873	0.81
Subordinated debentures	2019	4,227	9.93	2019	3,849	9.93
Secured borrowings[7]	2021 - 2022	152	1.47	2021 - 2022	202	1.90
Total long-term debt of Fannie Mae		315,128	2.41		355,431	2.24
Debt of consolidated trusts	2016 - 2054	2,810,593	2.94	2015 - 2054	2,760,152	3.02
Total long-term debt		$ 3,125,721	2.88%		$ 3,115,583	2.93%
Outstanding callable debt of Fannie Mae[8]		$ 96,199	1.92%		$ 114,990	1.79%

(1) Outstanding debt amounts and weighted-average interest rates reported in this table include the effects of discounts, premiums and other cost basis adjustments. Reported outstanding amounts include fair value gains and losses associated with debt that we elected to carry at fair value. Reported amounts for total debt of Fannie Mae include unamortized discounts and premiums, other cost basis adjustments and fair value adjustments of $3.2 billion and $4.1 billion as of December 31, 2015 and 2014, respectively.

(2) Represents agreements to repurchase securities for a specified price, with repayment generally occurring on the following day.

(3) Includes long-term debt with an original contractual maturity of greater than 1 year and up to 10 years, excluding zero-coupon debt.

(4) Includes other long-term debt and foreign exchange bonds.

(5) Credit risk-sharing securities that transfer a portion of the credit risk on specified pools of mortgage loans in our single-family guaranty book of business to the investors in these securities. Connecticut Avenue Securities are reported at fair value. For additional information on our credit risk-sharing transactions, see "Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Transfer of Mortgage Credit Risk—Credit Risk-Sharing Transactions."

(6) Consists of structured debt instruments that are reported at fair value.

(7) Represents remaining liability resulting from the transfer of financial assets from our consolidated balance sheets that did not qualify as a sale.

(8) Consists of the unpaid principal balance of long-term callable debt of Fannie Mae that can be paid off in whole or in part at our option at any time on or after a specified date.

Table 26 below displays additional information for each category of our short-term borrowings.

Table 26: Outstanding Short-Term Borrowings[(1)]

	2015				
	As of December 31		Average During the Year		
	Outstanding	Weighted-Average Interest Rate	Outstanding[(2)]	Weighted-Average Interest Rate	Maximum Outstanding[(3)]
	(Dollars in millions)				
Federal funds purchased and securities sold under agreements to repurchase	$ 62	—%	$ 42	—%	$ 271
Total short-term debt of Fannie Mae	$ 71,007	0.26%	$ 88,842	0.17%	$ 107,690

	2014				
	As of December 31		Average During the Year		
	Outstanding	Weighted-Average Interest Rate	Outstanding[(2)]	Weighted-Average Interest Rate	Maximum Outstanding[(3)]
	(Dollars in millions)				
Federal funds purchased and securities sold under agreements to repurchase	$ 50	—%	$ 28	—%	$ 273
Total short-term debt of Fannie Mae	$ 105,012	0.11%	$ 86,839	0.11%	$ 114,741

	2013				
	As of December 31		Average During the Year		
	Outstanding	Weighted-Average Interest Rate	Outstanding[(2)]	Weighted-Average Interest Rate	Maximum Outstanding[(3)]
	(Dollars in millions)				
Federal funds purchased and securities sold under agreements to repurchase	$ —	—%	$ 15	—%	$ 218
Total short-term debt of Fannie Mae	$ 72,295	0.13%	$ 95,082	0.13%	$ 128,419

(1) Includes the effects of discounts, premiums and other cost basis adjustments.

(2) Average amount outstanding has been calculated using daily balances.

(3) Maximum outstanding represents the highest daily outstanding balance during the year.

Contractual Obligations

Table 27 displays, by remaining maturity, our future cash obligations related to our long term debt, announced calls, operating leases, purchase obligations and other material non-cancelable contractual obligations.

Table 27: Contractual Obligations

	Payment Due by Period as of December 31, 2015				
	Total	Less than 1 Year	1 to < 3 Years	3 to 5 Years	More than 5 Years
	(Dollars in millions)				
Long-term debt obligations[1]	$ 315,128	$ 52,829	$ 137,525	$ 59,785	$ 64,989
Contractual interest on long-term obligations[2]	41,794	6,416	9,244	6,414	19,720
Operating lease obligations[3]	942	44	78	102	718
Purchase obligations:					
Mortgage commitments[4]	58,715	58,715	—	—	—
Other purchase obligations[5]	94	59	26	9	—
Other liabilities reflected in the consolidated balance sheet[6]	409	371	24	14	—
Total contractual obligations	$ 417,082	$ 118,434	$ 146,897	$ 66,324	$ 85,427

(1) Represents the carrying amount of our long-term debt assuming payments are made in full at maturity. Amounts exclude $2.8 trillion in long-term debt of consolidated trusts. Amounts include a net unamortized discount, fair value adjustments and other cost basis adjustments of $3.2 billion.

(2) Excludes contractual interest on long-term debt from consolidations.

(3) Includes amounts related to office buildings and equipment leases.

(4) Includes on- and off-balance sheet commitments to purchase mortgage loans and mortgage-related securities.

(5) Includes only unconditional purchase obligations that are subject to a cancellation penalty for certain telecommunications services, software and computer services, and other agreements. Excludes arrangements that may be canceled without penalty.

(6) Excludes risk management derivative transactions that may require cash settlement in future periods and our obligations to stand ready to perform under our guarantees relating to Fannie Mae MBS and other financial guarantees, because the amount and timing of payments under these arrangements are generally contingent upon the occurrence of future events. For a description of the amount of our on- and off-balance sheet Fannie Mae MBS and other financial guarantees as of December 31, 2015, see "Off-Balance Sheet Arrangements." Includes cash received as collateral and future cash payments due under our contractual obligations to fund LIHTC and other partnerships that are unconditional and legally binding, which are included in our consolidated balance sheets under "Other liabilities."

Equity Funding

As a result of the covenants under the senior preferred stock purchase agreement, Treasury's ownership of the warrant to purchase up to 79.9% of the total shares of our common stock outstanding and the uncertainty regarding our future, we effectively no longer have access to equity funding except through draws under the senior preferred stock purchase agreement. For a description of the funding available and the covenants under the senior preferred stock purchase agreement, see "Business—Conservatorship and Treasury Agreements—Treasury Agreements."

Cash and Other Investments Portfolio

Table 28 displays information on the composition of our cash and other investments portfolio. The balance of our cash and other investments portfolio fluctuates based on changes in our cash flows, liquidity in the fixed income markets and our liquidity risk management framework and practices. See "Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Counterparty Credit Exposure of Investments Held in our Cash and Other Investments Portfolio" for additional information on the risks associated with the assets in our cash and other investments portfolio.

Table 28: Cash and Other Investments Portfolio

	As of December 31,		
	2015	2014	2013
	(Dollars in millions)		
Cash and cash equivalents	$ 14,674	$ 22,023	$ 19,228
Federal funds sold and securities purchased under agreements to resell or similar arrangements	27,350	30,950	38,975
U.S. Treasury securities	29,485	19,466	16,306
Total cash and other investments	$ 71,509	$ 72,439	$ 74,509

Unencumbered Mortgage Portfolio

Another potential source of liquidity in the event our access to the unsecured debt market becomes impaired is the unencumbered mortgage assets in our retained mortgage portfolio, which could be sold or used as collateral for secured borrowing. We believe that the amount of mortgage-related assets that we could successfully sell or borrow against in the event of a liquidity crisis or significant market disruption is substantially lower than the amount of mortgage-related assets we hold. Our ability to sell whole loans from our retained mortgage portfolio is limited due to the credit-related issues of these loans, as well as operational constraints. See "Risk Factors" for a discussion of the limitations on our ability to successfully sell or borrow against the unencumbered mortgage assets in our retained mortgage portfolio in the event of a liquidity crisis.

Credit Ratings

Our credit ratings from the major credit ratings organizations, as well as the credit ratings of the U.S. government, are primary factors that could affect our ability to access the capital markets and our cost of funds. In addition, our credit ratings are important when we seek to engage in certain long-term transactions, such as derivative transactions. S&P, Moody's and Fitch have all indicated that, if they were to lower the sovereign credit ratings on the U.S., they would likely lower their ratings on the debt of Fannie Mae and certain other government-related entities. We cannot predict whether one or more of these ratings agencies will lower our debt ratings in the future. See "Risk Factors" for a discussion of the risks to our business relating to a decrease in our credit ratings, which could include an increase in our borrowing costs, limits on our ability to issue debt, and additional collateral requirements under our derivatives contracts.

Table 29 displays the credit ratings issued by the three major credit rating agencies.

Table 29: Fannie Mae Credit Ratings

	As of December 31, 2015		
	S&P	Moody's	Fitch
Long-term senior debt	AA+	Aaa	AAA
Short-term senior debt	A-1+	P-1	F1+
Subordinated debt	AA-	Aa2	AA-
Preferred stock	D	Ca	C/RR6
Outlook	Stable	Stable	Stable
	(for Long-Term Senior Debt and Subordinated Debt)	(for Long-Term Senior Debt and Preferred Stock)	(for AAA rated Long-Term Issuer Default Ratings)

We have no covenants in our existing debt agreements that would be violated by a downgrade in our credit ratings. However, in connection with certain derivatives counterparties, we could be required to provide additional collateral to or terminate transactions with certain counterparties in the event that our senior unsecured debt ratings are downgraded. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount, the market value of the exposure, or both. See "Note 9, Derivative Instruments" and "Risk Factors" for additional information on collateral we would be required to provide to our derivatives counterparties in the event of downgrades in our credit ratings.

Cash Flows

Year Ended December 31, 2015. Cash and cash equivalents decreased by $7.3 billion from $22.0 billion as of December 31, 2014 to $14.7 billion as of December 31, 2015. The decrease was primarily driven by cash outflows from (1) the redemption of funding debt, which outpaced issuances, due to lower funding needs, (2) the acquisition of delinquent loans out of MBS trusts and (3) the payment of dividends to Treasury under our senior preferred stock purchase agreement.

Partially offsetting these cash outflows were cash inflows from (1) the sale of Fannie Mae MBS to third parties, (2) proceeds from repayments and sales of loans of Fannie Mae, (3) the sale of our acquired property and (4) proceeds from the sale and liquidation of mortgage-related securities.

Year Ended December 31, 2014. Cash and cash equivalents increased by $2.8 billion from $19.2 billion as of December 31, 2013 to $22.0 billion as of December 31, 2014. This increase in the balance was primarily driven by cash inflows from (1) the sale of Fannie Mae MBS to third parties, (2) proceeds from repayments and sales of loans of Fannie Mae, (3) the sale of our acquired property, (4) proceeds from the sale and liquidation of mortgage-related securities and (5) proceeds from resolution and settlement agreements related to PLS sold to us.

Partially offsetting these cash inflows were cash outflows from (1) the redemption of funding debt, which outpaced issuances, due to lower funding needs, (2) the payment of dividends to Treasury under our senior preferred stock purchase agreement and (3) the acquisition of delinquent loans out of MBS trusts.

Capital Management

Regulatory Capital

FHFA stated that, during conservatorship, our existing statutory and FHFA-directed regulatory capital requirements will not be binding and that FHFA will not issue quarterly capital classifications. We submit capital reports to FHFA and FHFA monitors our capital levels. We report GAAP net worth and the deficit of our core capital over statutory minimum capital in our periodic reports on Form 10-Q and Form 10-K. FHFA has stated that it does not intend to report our critical, risk-based capital or subordinated debt levels during the conservatorship. For information on our minimum capital requirements see “Note 14, Regulatory Capital Requirements.”

Capital Activity

The Director of FHFA directs us to make dividend payments on the senior preferred stock on a quarterly basis. Our fourth quarter 2015 dividend of $2.2 billion was declared by FHFA and subsequently paid by us on December 31, 2015, bringing our senior preferred stock dividends paid in 2015 to $10.3 billion. Based on the terms of the senior preferred stock, we expect to pay Treasury a dividend for the first quarter of 2016 of $2.9 billion by March 31, 2016.

The terms of our senior preferred stock provide for dividends to accrue at a rate equal to our net worth less a capital reserve amount, which continues to decrease annually. The capital reserve amount was $1.8 billion for dividend periods in 2015, decreased to $1.2 billion for dividend periods in 2016, and will continue to be reduced by $600 million each year until it reaches zero on January 1, 2018. As a result of the “net worth sweep” dividend we pay to Treasury each quarter, we cannot retain capital from the earnings generated by our business operations.

We are effectively unable to raise equity capital from private sources at this time and, therefore, are reliant on the funding available under our senior preferred stock purchase agreement with Treasury to address any net worth deficit. Under our senior preferred stock purchase agreement, Treasury made a commitment to provide funding, under certain conditions, to eliminate deficiencies in our net worth. As of the date of this filing, the amount of remaining available funding under our senior preferred stock purchase agreement is $117.6 billion. If we were to draw additional funds from Treasury under the agreement in a future period, the amount of remaining funding under the agreement would be reduced by the amount of our draw. Dividend payments we make to Treasury do not restore or increase the amount of funding available to us from Treasury under the agreement. See “Business—Conservatorship and Treasury Agreements—Treasury Agreements” for more information on the terms of our senior preferred stock and our senior preferred stock purchase agreement with Treasury. See “Risk Factors” for a discussion of the risks relating to our dividend obligations to Treasury on our senior preferred stock.

OFF-BALANCE SHEET ARRANGEMENTS

We enter into certain business arrangements to facilitate our statutory purpose of providing liquidity to the secondary mortgage market and to reduce our exposure to interest rate fluctuations. Some of these arrangements are not recorded in our consolidated balance sheets or may be recorded in amounts different from the full contract or notional amount of the transaction, depending on the nature or structure of, and accounting required to be applied to, the arrangement. These arrangements are commonly referred to as "off-balance sheet arrangements" and expose us to potential losses in excess of the amounts recorded in our consolidated balance sheets.

Our off-balance sheet arrangements result primarily from the following:

- our guaranty of mortgage loan securitization and resecuritization transactions over which we do not have control;
- other guaranty transactions;
- liquidity support transactions; and
- partnership interests.

Our maximum potential exposure to credit losses relating to our outstanding and unconsolidated Fannie Mae MBS and other financial guarantees is primarily represented by the unpaid principal balance of the mortgage loans underlying outstanding and unconsolidated Fannie Mae MBS and other financial guarantees of $27.5 billion as of December 31, 2015 and $31.7 billion as of December 31, 2014.

For more information on the mortgage loans underlying both our on- and off-balance sheet Fannie Mae MBS, as well as whole mortgage loans that we own, see "Risk Management—Credit Risk Management."

Partnership Investment Interests

For partnership investments where we have determined that we are the primary beneficiary, we have consolidated these investments and recorded all of the partnership assets and liabilities in our consolidated balance sheet. Our partnership investments primarily consist of investments in affordable rental and for-sale housing partnerships. The carrying value of our partnership investments, including those we have consolidated, totaled $516 million as of December 31, 2015, compared to $721 million as of December 31, 2014.

LIHTC Partnership Interests

In most instances, we are not the primary beneficiary of our LIHTC partnership investments, and therefore our consolidated balance sheets reflect only our investment in the LIHTC partnership, rather than the full amount of the LIHTC partnership's assets and liabilities. FHFA informed us in 2009 that, after consultation with Treasury, generally we are not authorized to sell or transfer our LIHTC partnership interests. Some exceptions to this rule exist in very limited circumstances and, in most cases, only with FHFA consent. In 2009, we reduced the carrying value of our LIHTC partnership investments to zero, as we no longer had both the intent and ability to sell or otherwise transfer our LIHTC investments for value. However, we still have an obligation to fund our LIHTC partnership investments and have recorded such obligation as a liability in our financial statements. We did not make any LIHTC investments in 2015, other than pursuant to existing prior commitments.

Treasury Housing Finance Agency Initiative

During 2009, we entered into a memorandum of understanding with Treasury, FHFA and Freddie Mac pursuant to which we agreed to provide assistance to state and local housing finance agencies ("HFAs") through two primary programs, which together comprise what we refer to as the HFA initiative.

In November 2011, we entered into an Omnibus Consent to HFA Initiative Program Modifications with Treasury, Freddie Mac and FHFA pursuant to which the parties agreed to specified modifications to the HFA initiative programs, including a three-year extension of the expiration date for the temporary credit and liquidity facilities ("TCLFs") from December 2012 to December 2015. See "Certain Relationships and Related Transactions, and Director Independence—Transactions with Related Persons—Transactions with Treasury—Treasury Housing Finance Agency Initiative" for a discussion of the HFA initiative.

Pursuant to the TCLF program that we describe in "Related Parties" in "Note 1, Summary of Significant Accounting Policies," Treasury had purchased participation interests in TCLFs provided by us and Freddie Mac to the HFAs. These facilities created a credit and liquidity backstop for the HFAs. We had $390 million in outstanding commitments under the

TCLF program as of December 31, 2014. As of December 31, 2015, we did not have any outstanding commitments under the TCLF program as the program ended as scheduled.

Multifamily Bond Credit Enhancement Liquidity Commitments

Our total outstanding liquidity commitments to advance funds for securities backed by multifamily housing revenue bonds totaled $11.4 billion as of December 31, 2015 and $12.3 billion as of December 31, 2014. These commitments require us to advance funds to third parties that enable them to repurchase tendered bonds or securities that are unable to be remarketed. We hold cash and cash equivalents in our cash and other investments portfolio in excess of these commitments to advance funds.

RISK MANAGEMENT

Our business activities expose us to the following three major categories of risk: credit risk, market risk (including interest rate and liquidity risk) and operational risk. We seek to actively monitor and manage these risks by using an established risk management framework. Our risk management framework is intended to provide the basis for the principles that govern our risk management activities.

- ***Credit Risk.*** Credit risk is the potential for financial loss resulting from the failure of a borrower or institutional counterparty to honor its financial or contractual obligations, resulting in a potential loss of earnings. In regards to financial securities or instruments, credit risk is the risk of not receiving principal, interest or any other financial obligation on a timely basis, for any reason. Credit risk exists primarily in connection with our mortgage credit book of business and our institutional counterparties.
- ***Market Risk.*** Market risk is the exposure generated by adverse changes in the value of financial instruments caused by a change in market prices or interest rates. Two significant market risks we face and actively manage are interest rate risk and liquidity risk. Interest rate risk is the risk of changes in our long-term earnings or in the value of our assets due to fluctuations in interest rates. Liquidity risk is our potential inability to meet our funding obligations in a timely manner.
- ***Operational Risk.*** Operational risk is the loss or harm resulting from inadequate or failed internal processes, people, systems or from external events.

In addition to our exposure to credit, market and operational risks, there is significant uncertainty regarding the future of our company, including how long we will continue to be in existence, which we discuss in more detail in "Business—Housing Finance Reform" and in "Risk Factors." This uncertainty, along with limitations on our employee compensation arising from our conservatorship, could adversely affect our ability to retain and hire qualified employees. We are also subject to a number of other risks that could adversely impact our business, financial condition and earnings, including human capital, legal, regulatory and compliance, reputational, technological and cybersecurity, strategic and execution risks. These risks may arise due to a failure to comply with laws, regulations or ethical standards and codes of conduct applicable to our business activities and functions. These risks are typically brought to the attention of our Management Committee, our Board of Directors or one or more of the Board's committees and, in some cases, FHFA for discussion.

Another risk that can impact our financial condition and earnings is model risk, which is defined as the potential for model errors to adversely affect the company. This risk exists because of our use of modeled estimations of future economic environments, borrower behavior and valuation methodologies. See "Risk Factors" for a discussion of the risks associated with our reliance on models.

Our risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of the major risks inherent in our business activities. Our ability to identify, assess, mitigate and control, and report and monitor risk is crucial to our safety and soundness.

- ***Risk Identification.*** Risk identification is the process of finding, recognizing and describing risk. The identification of risk facilitates effective risk management by achieving awareness of the sources, impact and magnitude of risk.
- ***Risk Assessment.*** We assess risk using a variety of methodologies, such as calculation of potential losses from loans and stress tests relating to interest rate sensitivity. When we assess risk, we look at metrics such as frequency, severity, concentration, correlation, volatility and loss. Information obtained from these assessments is reviewed on a regular basis to ensure that our risk assumptions are reasonable and reflect our current positions.

- ***Risk Mitigation & Control.*** We proactively develop appropriate mitigation strategies to prevent excessive risk exposure, address risks that exceed established tolerances and address risks that create unanticipated business impact. Mitigation strategies and controls can be in the form of reduction, transference, acceptance or avoidance of the identified risk.
- ***Risk Reporting & Monitoring.*** Our business units actively monitor emerging and identified risks that are taken when executing our strategies. Risks and concerns are reported to the appropriate level of management to ensure that action is taken to mitigate the risk.

We manage risk by using a "three lines of defense" structure which distinguishes between functions that own and manage risks, functions that oversee risks, and functions that provide independent assurance. The first line of defense is comprised of the business units, operations and support functions. The first line of defense is accountable for the ownership and management of the risk created by its operations or activities and is charged with conforming to the risk guidelines, risk appetite, risk policies and limits approved by the Board of Directors and/or appropriate management-level risk committee. The second line of defense is comprised of Enterprise Risk Management, Compliance and Ethics, and the Enterprise Project Management Office, and is responsible for the independent oversight and monitoring of risk management and control activities. The third line of defense is the Internal Audit group, which is responsible for ensuring all parties are performing the actions for which they are accountable and for identifying any omissions or potential process improvements.

Enterprise Risk Governance

Our enterprise risk management structure consists of the Board of Directors, executive leadership, including the Chief Risk Officer, Deputy Chief Risk Officer and Chief Credit Officer, and the Enterprise Risk Management division, designated officers responsible for managing our financial risks, business unit chief risk officers and management-level risk committees. This structure is designed to encourage a culture of accountability within the divisions and promote effective risk management throughout the company.

Our organizational structure and risk management framework work in conjunction with each other to identify risk-related trends with respect to customers, products or portfolios and external events and to develop appropriate strategies to mitigate emerging and identified risks.

Under our enterprise risk management framework, each business unit is responsible for managing its risks but is subject to an oversight process that includes independent oversight functions, management-level risk committees and Board-level engagement.

Board of Directors

The Risk Policy & Capital Committee of the Board, pursuant to its Charter and FHFA regulations, assists the Board in overseeing our management of risk and recommends for Board approval enterprise risk governance policy and limits. In addition, the Audit Committee reviews the system of internal controls that we rely upon to provide reasonable assurance of compliance with our enterprise risk management processes.

The Board of Directors delegates certain authorities to the Chief Executive Officer and management-level committees. Responsibility for setting appropriate controls such as management limits and policies is delegated to the management-level risk committees. In addition, certain activities require the approval of our conservator. See "Directors, Executive Officers and Corporate Governance—Corporate Governance—Conservatorship and Delegation of Authority to Board of Directors" for information about these activities.

Our Board of Directors has established and maintains oversight of our enterprise-wide risk management program, in accordance with FHFA regulations. The regulations specify that our enterprise-wide risk management program must include certain risk limitations, appropriate policies and procedures, provisions for monitoring compliance, as well as effective and timely implementation of corrective actions. See "Directors, Executive Officers and Corporate Governance—Corporate Governance—Board Leadership Structure; Risk Management Oversight" for information about these responsibilities.

Enterprise Risk Management Division

Our Enterprise Risk Management division reports directly to the Chief Risk Officer who reports directly to the Chief Executive Officer. The Chief Risk Officer also reports independently to the Board's Risk Policy & Capital Committee and may be removed only upon Board approval. Enterprise Risk Management is responsible for the identification of emerging risks, the monitoring and reporting of risk within the existing policies and limits, and independent oversight of risk management across the company.

Risk Committees

We use our management-level risk committees as a forum for establishing corporate risk policies and risk parameters within which the business must operate. They are also used to discuss emerging risks and risk mitigation strategies and to communicate across business lines. Risk committees enhance the risk management framework by reinforcing our risk management culture and providing accountability for the resolution of key risk issues and decisions. Committees are populated with key business and risk leaders.

The primary management-level business risk committees include the Asset and Liability Committee, the Enterprise Risk Committee, the Model Risk Oversight Committee, the Operational Risk Committee, the Capital Committee, the Third Party Risk Committee, the Multifamily Risk Committee and the Single-Family Risk Committee. On a periodic basis, the Chief Risk Officer prepares a detailed summary of current and emerging risks and compliance with risk limits and other risk reports, and reports on these matters to the Risk Policy & Capital Committee of the Board. The Chief Risk Officer also reports periodically on issues that are escalated from the management-level risk committees and on other topics to the Risk Policy & Capital Committee of the Board, as appropriate.

In addition to the risk committees, the Management Committee is typically notified of risks that could adversely impact our business, financial condition and earnings, including human capital, legal, regulatory and compliance, reputational, technological and cybersecurity, strategic and execution risks.

Internal Audit

Our Internal Audit group, under the direction of the Chief Audit Executive, provides an objective assessment of the design and execution of our internal control system, including our management systems, risk governance and policies and procedures. The Chief Audit Executive reports directly and independently to the Audit Committee of the Board of Directors, and audit personnel are compensated based on objectives set for the group by the Audit Committee rather than corporate financial results or goals. The Chief Audit Executive reports administratively to the Chief Executive Officer and may be removed only upon approval by the Board's Audit Committee. Internal audit activities are designed to provide reasonable assurance that resources are safeguarded; that significant financial, managerial and operating information is complete, accurate and reliable; and that employee actions comply with our policies and applicable laws and regulations.

Compliance and Ethics

The Compliance and Ethics division, under the direction of the Chief Compliance Officer, is dedicated to developing and maintaining policies and procedures to help ensure that Fannie Mae and its employees comply with the law, our Code of Conduct and all regulatory obligations. The Chief Compliance Officer reports directly to our Chief Executive Officer and independently to the Audit Committee of the Board of Directors, and Compliance and Ethics personnel are compensated on objectives set for the group by the Audit Committee of the Board of Directors rather than corporate financial results or goals. The Chief Compliance Officer may be removed only upon Board approval. The Chief Compliance Officer is responsible for overseeing our compliance activities; developing and promoting a code of ethical conduct; evaluating and investigating any allegations of misconduct; and overseeing and coordinating regulatory reporting and examinations.

Credit Risk Management

We are generally subject to two types of credit risk: mortgage credit risk and institutional counterparty credit risk. The metrics used to measure credit risk are generated using internal models. Our internal models require numerous assumptions and there are inherent limitations in any methodology used to estimate macroeconomic factors such as home prices, unemployment and interest rates, and their impact on borrower behavior. When market conditions change rapidly and dramatically, the assumptions of our models may no longer accurately capture or reflect the changing conditions. Management periodically makes judgments about the appropriateness of the risk assessments indicated by the models. See "Risk Factors" for a discussion of the risks associated with our use of models.

Mortgage Credit Risk Management

We are exposed to credit risk on our mortgage credit book of business because we either hold mortgage assets, have issued a guaranty in connection with the creation of Fannie Mae MBS backed by mortgage assets or provided other credit enhancements on mortgage assets. While our mortgage credit book of business includes all of our mortgage-related assets, both on- and off-balance sheet, our guaranty book of business excludes non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio for which we do not provide a guaranty. See "Glossary of Terms Used in This Report" for more detail.

Mortgage Credit Book of Business

Table 30 displays the composition of our mortgage credit book of business based on unpaid principal balance. Our single-family mortgage credit book of business accounted for 93% of our mortgage credit book of business as of December 31, 2015 and 2014.

Table 30: Composition of Mortgage Credit Book of Business

	As of December 31,					
	2015			2014		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
	(Dollars in millions)					
Mortgage loans and Fannie Mae MBS(1)	$ 2,817,251	$ 198,342	$ 3,015,593	$ 2,837,211	$ 187,300	$ 3,024,511
Unconsolidated Fannie Mae MBS, held by third parties(2)	9,818	1,226	11,044	11,660	1,267	12,927
Other credit guarantees(3)	2,652	13,852	16,504	4,033	14,748	18,781
Guaranty book of business	$ 2,829,721	$ 213,420	$ 3,043,141	$ 2,852,904	$ 203,315	$ 3,056,219
Agency mortgage-related securities(4)	5,973	7	5,980	6,932	8	6,940
Other mortgage-related securities(5)	10,365	6,469	16,834	19,973	7,970	27,943
Mortgage credit book of business	$ 2,846,059	$ 219,896	$ 3,065,955	$ 2,879,809	$ 211,293	$ 3,091,102
Guaranty Book of Business Detail:						
Conventional Guaranty Book of Business(6)	$ 2,778,254	$ 211,975	$ 2,990,229	$ 2,795,666	$ 201,763	$ 2,997,429
Government Guaranty Book of Business(7)	$ 51,467	$ 1,445	$ 52,912	$ 57,238	$ 1,552	$ 58,790

(1) Consists of mortgage loans and Fannie Mae MBS recognized in our consolidated balance sheets. The principal balance of resecuritized Fannie Mae MBS is included only once in the reported amount.

(2) The principal balance of resecuritized Fannie Mae MBS is included only once in the reported amount.

(3) Consists of single-family and multifamily credit enhancements that we have provided and that are not otherwise reflected in the table.

(4) Consists of mortgage-related securities issued by Freddie Mac and Ginnie Mae.

(5) Primarily includes mortgage revenue bonds, Alt-A and subprime PLS and CMBS.

(6) Refers to mortgage loans and mortgage-related securities that are not guaranteed or insured, in whole or in part, by the U.S. government or one of its agencies.

(7) Refers to mortgage loans and mortgage-related securities guaranteed or insured, in whole or in part, by the U.S. government or one of its agencies.

The GSE Act requires us to set aside each year an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of our total new business purchases and to pay this amount to specified HUD and Treasury funds. New business purchases consist of single-family and multifamily whole mortgage loans purchased during the period and single-family and multifamily mortgage loans underlying Fannie Mae MBS issued during the period pursuant to lender swaps. Our new business purchases were $515.5 billion for the year ended December 31, 2015. Accordingly, we recognized an expense of $217 million related to this obligation for the year ended December 31, 2015. We expect to pay this amount to the funds on or before February 29, 2016. See "Business—Our Charter and Regulation of Our Activities—The GSE Act—Affordable Housing Allocations" for more information regarding this obligation.

In the following sections, we discuss the mortgage credit risk of the single-family and multifamily loans in our guaranty book of business. The credit statistics reported below, unless otherwise noted, pertain generally to the portion of our guaranty book of business for which we have access to detailed loan-level information, which constituted approximately 99% of each of our single-family conventional guaranty book of business and our multifamily guaranty book of business, excluding defeased loans, as of December 31, 2015 and 2014. We typically obtain this data from the sellers or servicers of the mortgage loans in our guaranty book of business and receive representations and warranties from them as to the accuracy of the information. While we perform various quality assurance checks by sampling loans to assess compliance with our underwriting and eligibility criteria, we do not independently verify all reported information and we rely on lender representations regarding the accuracy of the characteristics of loans in our guaranty book of business. See "Risk Factors" for a discussion of the risk that we could experience mortgage fraud as a result of this reliance on lender representations.

Single-Family Mortgage Credit Risk Management

Our strategy in managing single-family mortgage credit risk consists of five primary components: (1) our acquisition and servicing policies along with our underwriting and servicing standards; (2) the transfer of credit risk through risk-sharing transactions and the use of credit enhancements; (3) portfolio diversification and monitoring; (4) management of problem loans; and (5) REO management. We provide information on our credit-related income and credit losses in "Consolidated Results of Operations—Credit-Related Income (Expense)."

In evaluating our single-family mortgage credit risk, we closely monitor changes in housing and economic conditions and the impact of those changes on the credit risk profile and performance of our single-family mortgage credit book of business. We regularly review and provide updates to our underwriting standards and eligibility guidelines that take into consideration changing market conditions. The credit risk profile of our single-family mortgage credit book of business is influenced by, among other things, the credit profile of the borrower, features of the loan, such as the loan product type and the type of property securing the loan, the housing market and the general economy. We focus more on those loans that we believe pose a higher risk of default, which typically have been loans associated with higher mark-to-market LTV ratios, loans to borrowers with lower FICO credit scores and certain higher risk loan product categories, such as Alt-A loans. These and other factors affect both the amount of expected credit loss on a given loan and the sensitivity of that loss to changes in the economic environment.

The single-family credit statistics we focus on and report in the sections below generally relate to our single-family conventional guaranty book of business, which represents the substantial majority of our total single-family guaranty book of business. We provide information on non-Fannie Mae mortgage-related securities held in our portfolio in "Note 5, Investments in Securities."

Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards

Our Single-Family business, with the oversight of our Enterprise Risk Management division, is responsible for pricing and managing credit risk relating to the portion of our single-family mortgage credit book of business consisting of single-family mortgage loans and Fannie Mae MBS backed by single-family mortgage loans (whether held in our portfolio or held by third parties). Desktop Underwriter, our proprietary automated underwriting system which measures credit risk by assessing the primary risk factors of a mortgage, is used to evaluate the majority of the loans we purchase or securitize. As part of our regular evaluation of Desktop Underwriter, we conduct periodic examinations of the underlying risk assessment models and recalibrate the models based on actual loan performance and market assumptions to improve Desktop Underwriter's ability to effectively analyze risk. Subject to our prior approval, we also may purchase and securitize mortgage loans that have been underwritten using other automated underwriting systems, as well as manually underwritten mortgage loans that meet our stated underwriting requirements or meet agreed-upon standards that differ from our standard underwriting and eligibility criteria. We periodically update Desktop Underwriter to reflect changes to both our underwriting and eligibility guidelines and to our Selling Guide, which sets forth our policies and procedures related to selling single-family mortgages to us.

We initiated underwriting and eligibility changes that became effective for deliveries in late 2008 and 2009 and that focused on strengthening our underwriting and eligibility standards to promote sustainable homeownership. The result of many of these changes is reflected in the substantially improved risk profile of our single-family loan acquisitions since 2009.

During 2015, we implemented a number of changes designed to help our customers originate mortgages with increased certainty, efficiency and lower costs, including making new verification tools such as Collateral Underwriter and Early Check available to lenders and eliminating fees charged to customers for using our Desktop Underwriter and Desktop Originator systems. We expect to implement a number of enhancements to Desktop Underwriter in 2016 to further help our lender customers originate mortgages with increased efficiency and lower costs and to help increase access to credit for creditworthy borrowers. For more information about the changes we implemented in 2015 and that we expect to implement in 2016 to provide value to our customers, see "Business—Executive Summary—Serving Customer Needs and Improving Our Business Efficiency."

Table 31 below displays information regarding the credit characteristics of the loans in our single-family conventional guaranty book of business by acquisition period. For additional information on HARP and other Refi Plus loans, see "Single-Family Portfolio Diversification and Monitoring—Credit Profile Summary—HARP and Refi Plus Loans."

Table 31: Selected Credit Characteristics of Single-Family Conventional Guaranty Book of Business, by Acquisition Period

	As of December 31, 2015			
	% of Single-Family Conventional Guaranty Book of Business[(1)]	Current Estimated Mark-to-Market LTV Ratio[(2)]	Current Estimated Mark-to-Market LTV Ratio >100%[(3)]	Serious Delinquency Rate[(4)]
2009-2015 acquisitions, excluding HARP and other Refi Plus loans	67 %	59 %	* %	0.24 %
HARP loans[(5)]	10	81	14	1.16
Other Refi Plus loans[(6)]	8	48	*	0.41
2005-2008 acquisitions	10	77	17	7.39
2004 and prior acquisitions	5	45	1	3.07
Total single-family conventional guaranty book of business	100 %	62 %	3 %	1.55 %

	As of December 31, 2014			
	% of Single-Family Conventional Guaranty Book of Business[(1)]	Current Estimated Mark-to-Market LTV Ratio[(2)]	Current Estimated Mark-to-Market LTV Ratio >100%[(3)]	Serious Delinquency Rate[(4)]
2009-2014 acquisitions, excluding HARP and other Refi Plus loans	62 %	60 %	* %	0.24 %
HARP loans[(5)]	11	86	19	1.04
Other Refi Plus loans[(6)]	8	51	*	0.37
2005-2008 acquisitions	12	81	22	8.17
2004 and prior acquisitions	7	48	2	3.28
Total single-family conventional guaranty book of business	100 %	64 %	5 %	1.89 %

* Represents less than 0.5%.

(1) Calculated based on the aggregate unpaid principal balance of single-family loans for each category divided by the aggregate unpaid principal balance of loans in our single-family conventional guaranty book of business as of December 31, 2015 and 2014.

(2) The aggregate estimated mark-to-market LTV ratio is based on the unpaid principal balance of the loans as of the end of the applicable period divided by the estimated current value of the properties, which we calculate using an internal valuation model that estimates periodic changes in home value. Excludes loans for which this information is not readily available.

(3) The current estimated mark-to-market LTV ratio greater than 100% is based on the unpaid principal balance of the loans with mark-to-market LTV ratios greater than 100% for each category as of the end of the applicable period divided by the aggregate unpaid principal balance of loans for each category in our single-family conventional guaranty book of business as of December 31, 2015 and 2014.

(4) The serious delinquency rates for loans acquired in more recent years will be higher after the loans have aged, but we do not expect them to approach the levels of the December 31, 2015 serious delinquency rates of loans acquired in 2005 through 2008.

(5) HARP loans, which we began to acquire in 2009, have LTV ratios at origination in excess of 80%.

(6) Other Refi Plus loans, which we began to acquire in 2009, includes all other Refi Plus loans that are not HARP loans.

Beginning with loans delivered in 2013, and in conjunction with our new representation and warranty framework, we have made changes in our quality control process that move the primary focus of our quality control review from the time a loan defaults to shortly after the loan is delivered to us. We have implemented new tools to help identify loans delivered to us that may not have met our underwriting or eligibility guidelines and use these tools to help select discretionary samples of performing loans for quality control review shortly after delivery. We also select random samples of performing loans for quality control review shortly after delivery. Our quality control includes reviewing and recording underwriting defects noted in the file, and determining if the loan met our underwriting and eligibility guidelines. We also use these reviews to provide lenders with earlier feedback on underwriting defects.

We derive an eligibility defect rate from our random reviews, which represents the proportion of loans in the sample population with underwriting defects that would make them potentially ineligible for delivery to us. The eligibility defect rate does not necessarily indicate how well the loans will ultimately perform. Instead, we use the eligibility defect rate to estimate the percentage of loans we acquired that potentially had a significant error in the underwriting process. As of December 31, 2015, the eligibility defect rate for our single-family non-Refi Plus loan acquisitions made during the twelve months ended April 30, 2015 was 1.16%. We continue to work with lenders to reduce the number of defects.

If we determine that a mortgage loan did not meet our underwriting or eligibility requirements, loan representations or warranties were violated or a mortgage insurer rescinded coverage, then our mortgage sellers and/or servicers are obligated to either repurchase the loan or foreclosed property, reimburse us for our losses or provide other remedies, unless the loan is eligible for representation and warranty relief under our new representation and warranty framework described below. We collectively refer to our demands that mortgage sellers and servicers meet these obligations as repurchase requests. The unpaid principal balance of single-family loans that are subject to a repurchase request has declined significantly since we strengthened our underwriting standards in late 2008 and 2009, implemented changes to our quality control process in 2013 and implemented our new representation and warranty framework described below. As of December 31, 2015, we had issued repurchase requests on approximately 0.35% of the $446.9 billion of unpaid principal balance of single-family loans delivered to us during the twelve months ended May 2015.

Our total outstanding repurchase requests as of December 31, 2015 were $696 million, compared with $1.0 billion as of December 31, 2014. The dollar amounts of our outstanding repurchase requests are based on the unpaid principal balance of the loans underlying the repurchase request, not the actual amount we have requested from the lenders. In some cases, we allow lenders to remit payment equal to our loss, including imputed interest, on the loan after we have disposed of the related REO, which is substantially less than the unpaid principal balance of the loan. As a result, we expect our actual cash receipts relating to these outstanding repurchase requests to be significantly lower than the unpaid principal balance of the loans. Amounts relating to repurchase requests originating from missing documentation or loan files where a full file review could not be completed are excluded from the total requests outstanding until we receive the missing documentation or loan files and a full underwriting review is completed. If we are unable to resolve our repurchase requests, either through collection or additional remedies, we will not recover the losses we have recognized on the associated loans.

Representation and Warranty Framework

Our representation and warranty framework for single-family mortgage loans delivered on or after January 1, 2013 seeks to provide lenders a higher degree of certainty and clarity regarding their repurchase exposure and liability on future deliveries, as well as consistency around repurchase timelines and remedies. Under the framework, lenders are relieved of repurchase liability for loans that meet specific requirements. For example, a lender would not be required to repurchase a mortgage loan in breach of certain underwriting and eligibility representations and warranties if the borrower has made timely payments for 36 months following the delivery date (or, for Refi Plus loans, including HARP loans, for 12 months following the delivery date), and the loan meets other specified eligibility requirements. For single-family loans delivered on or after July 1, 2014, the 36-month timely payment history requirement was relaxed to permit two instances of 30-day delinquency and to add an alternative path to relief if there is a satisfactory conclusion of a quality control review. Certain representations and warranties are “life of loan” representations and warranties, meaning that no relief from their enforcement is available to lenders regardless of the number of payments made by a borrower. Examples of life of loan representations and warranties include, but are not limited to, a lender’s representation and warranty that it has originated the loan in compliance with applicable laws and that the loan conforms to our charter requirements.

We have continued to enhance our representation and warranty framework. In November 2014, we issued a lender announcement updating and clarifying aspects of our new representation and warranty framework, particularly relating to the “life of loan” representations and warranties that are not eligible for repurchase relief. In October 2015, we issued a lender announcement on alternatives to repurchase that may be offered to lenders in the event of underwriting defects, including providing lenders with specific guidance on what types of loan defects could lead to a repurchase request or an alternative remedy. We believe the changes we have made to our representation and warranty framework, as well as to our quality control process as described above, have significantly reduced uncertainty surrounding lenders’ repurchase risk relating to loans they deliver to us. We continue to work with FHFA to identify opportunities to enhance our representation and warranty framework, providing the mortgage finance industry with more certainty and transparency regarding selling representation and warranty obligations. In February 2016, we announced a new independent dispute resolution process to resolve disagreements over repurchase requests in a timely fashion when needed. This independent dispute resolution process will be available for loans delivered on and after January 1, 2016.

As of December 31, 2015, approximately 38% of the outstanding loans in our single-family conventional guaranty book of business were acquired under the new representation and warranty framework, compared with 29% as of December 31, 2014. Table 32 below displays information regarding the relief status of single-family conventional loans, based on payment history or the satisfactory conclusion of a quality control review, delivered to us beginning in 2013 under the new representation and warranty framework.

Table 32: Representation and Warranty Status of Single-Family Conventional Loans Acquired in 2013-2015

	As of December 31, 2015					
	Refi Plus		Non-Refi Plus		Total	
	Unpaid Principal Balance	Number of Loans	Unpaid Principal Balance	Number of Loans	Unpaid Principal Balance	Number of Loans
	(Dollars in millions)					
Single-family conventional loans that:						
Obtained relief	$ 165,069	1,135,903	$ 21,924	97,199	$ 186,993	1,233,102
Remain eligible for relief	33,190	220,006	1,053,727	5,100,603	1,086,917	5,320,609
Are not eligible for relief	3,643	23,636	7,001	37,619	10,644	61,255
Total outstanding loans acquired under the new representation and warranty framework	$ 201,902	1,379,545	$1,082,652	5,235,421	$1,284,554	6,614,966

	As of December 31, 2014					
	Refi Plus		Non-Refi Plus		Total	
	Unpaid Principal Balance	Number of Loans	Unpaid Principal Balance	Number of Loans	Unpaid Principal Balance	Number of Loans
	(Dollars in millions)					
Single-family conventional loans that:						
Obtained relief	$ 141,393	927,345	$ —	—	$ 141,393	927,345
Remain eligible for relief	47,154	319,830	781,590	3,733,863	828,744	4,053,693
Are not eligible for relief	2,686	16,890	9,043	44,387	11,729	61,277
Total outstanding loans acquired under the new representation and warranty framework	$ 191,233	1,264,065	$ 790,633	3,778,250	$ 981,866	5,042,315

As of December 31, 2015, approximately 19% of loans acquired under the new representation and warranty framework had obtained relief. Providing lenders with relief from repurchasing loans for breaches of certain representations and warranties on loans acquired beginning in 2013 that meet specified eligibility requirements shifts some of the risk of non-compliance with our requirements back to us. However, we believe that we have taken appropriate steps to mitigate this risk, including moving the primary focus of our quality control reviews to shortly after the time the loans are delivered to us. We also retain the right to review any defaulted loans that were not previously reviewed and have not obtained relief, in addition to retaining the right to review all loans for any violations of life of loan representations and warranties.

<u>*Transfer of Mortgage Credit Risk*</u>

Credit Enhancements

As discussed in "Business—Our Charter and Regulation of Our Activities—Charter Act," our charter generally requires credit enhancement on any single-family conventional mortgage loan that we purchase or securitize if it has an LTV ratio over 80% at the time of purchase. However, under HARP, we allow our borrowers who have mortgage loans with current LTV ratios above 80% to refinance their mortgages without obtaining new mortgage insurance in excess of what was already in place. See "Credit Profile Summary—HARP and Refi Plus Loans" below for more discussion of HARP and its impact on our single-family conventional business volume and guaranty book of business.

Borrower-paid primary mortgage insurance is the most common type of credit enhancement in our single-family guaranty book of business. Primary mortgage insurance transfers varying portions of the credit risk associated with a mortgage loan to a third-party insurer. In order for us to receive a payment in settlement of a claim under a primary mortgage insurance policy, the insured loan must be in default and the borrower's interest in the property that secured the loan must have been extinguished, generally in a foreclosure action. The claims process for primary mortgage insurance typically takes three to six months after title to the property has been transferred.

Mortgage insurers may also provide pool mortgage insurance, which is insurance that applies to a defined group of loans. Pool mortgage insurance benefits typically are based on actual loss incurred and are subject to an aggregate loss limit. Under some of our pool mortgage insurance policies, we are required to meet specified loss deductibles before we can recover under the policy. We typically collect claims under pool mortgage insurance three to six months after disposition of the property that secured the loan. For a discussion of our aggregate mortgage insurance coverage as of December 31, 2015 and 2014, see "Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Credit Guarantors—Mortgage Insurers."

Credit Risk-Sharing Transactions

Our Single-Family business has developed risk-sharing capabilities to transfer portions of our single-family mortgage credit risk to the private market. The goal of these transactions is, to the extent economically sensible, to transfer a portion of the existing mortgage credit risk on a portion of recently acquired loans in our single-family guaranty book of business in order to reduce the economic risk to us and to taxpayers of future borrower defaults. Our primary method of achieving this objective has been through CAS and CIRT transactions. As of December 31, 2015, we had completed a total of nine CAS transactions since the CAS program began in 2013 and seven CIRT transactions since the CIRT program began in 2014. Approximately 15% of the loans in our single-family conventional guaranty book of business as of December 31, 2015, measured by unpaid principal balance, were included in a reference pool for a CAS or CIRT transaction. We have also executed other types of risk sharing transactions in addition to our CAS and CIRT transactions, including structures that transfer first loss risk. In the aggregate, our credit risk transfer transactions completed through December 31, 2015 transferred a significant portion of the mortgage credit risk on single-family mortgages with an unpaid principal balance of over $500 billion.

We have transferred a significant portion of the mortgage credit risk on over 95% of the single-family loans we acquired during the twelve months ended November 2014 that were in our targeted loan categories for our credit risk transfer transactions. Loan categories we have targeted for credit risk transactions generally consist of fixed-rate 30-year single-family conventional loans that meet certain credit performance characteristics, are non-Refi Plus and have LTV ratios between 60% and 97%. Based on their characteristics at the time we acquired them, over 50% of the single-family loans we acquired during the twelve months ended November 2014 were included in loan categories we have targeted for our credit risk transfer transactions. The portion of our single-family loan acquisitions we include in credit risk transfer transactions can vary from period to period based on market conditions and other factors.

In a CAS transaction, we transfer a portion of the mortgage credit risk associated with losses on a reference pool of mortgage loans to investors in these securities. We create a reference pool consisting of recently acquired single-family mortgage loans included in our guaranty book of business. We then create a hypothetical securitization structure with notional credit risk positions, or tranches (that is, first loss, mezzanine and senior). The mezzanine risk position included in a CAS transaction typically exceeds our estimated stress losses for the reference pool. We recognize CAS notes we issue to investors at fair value as "Debt of Fannie Mae" in our consolidated balance sheets, with gains and losses included as a component of "Fair value gains (losses), net" in our consolidated statements of operations and comprehensive income. The CAS notes are issued with a stated final maturity date of either 10 or 12.5 years from issuance.

We are obligated to make payments of principal and interest on the CAS notes we issue, and we recognize the interest paid as "Long-term debt interest expense" in our consolidated statements of operations and comprehensive income. The principal balance of CAS notes is reduced as a result of principal liquidations of loans in the reference pool. The principal balance is also reduced when specified credit events occur on the loans in the reference pool. These reductions in the principal balance reduce the total amount of payments we are obligated to make to investors on the CAS notes. Principal reductions resulting from credit events will first occur on the first loss tranches, which we retained for all CAS transactions completed through December 31, 2015, until the first loss tranches are reduced to zero, at which time the outstanding principal balance of CAS notes begin to be reduced. We have recognized minimal credit losses on the loans in reference pools underlying CAS issuances to date primarily because the loans were acquired in recent years, after we implemented improvements in our credit underwriting practices, and because recent macroeconomic factors such as unemployment rates and home prices have been favorable.

In our CAS transactions through the third quarter of 2015, the reduction in the principal balances of CAS notes as a result of credit events was based on a predefined formula. In October 2015, we completed our first CAS transaction that calculates credit event losses based on the actual loss experience associated with the reference pool of mortgage loans, generally following the final disposition of the underlying properties. We provide monthly disclosures to help investors monitor the ongoing performance of their investments in the CAS notes.

CIRT deals are insurance transactions whereby we obtain actual loss coverage on pools of loans either directly from an insurance provider who retains the risk, or from an insurance provider who simultaneously cedes all of its risk to one or more reinsurers. CIRT deals are structured so that we retain an aggregate amount of initial losses on the loans in the pool, typically 0.5% of the pool unpaid principal balance at the effective date of the coverage, before the insurance layer, typically 2.5% of the pool unpaid principal balance at the effective date of the coverage, attaches. The detachment point of the insurance layer typically exceeds our estimated stress losses for the pool. We currently retain the risk of any remaining losses. Insurance benefits are paid after the underlying property has been liquidated and all applicable proceeds, including private mortgage insurance benefits, have been applied to the loss. CIRT transactions completed to date have been written for a ten-year term. A portion of the insurers' or reinsurers' obligations is collateralized with highly-rated liquid assets held in a trust account. The required amount of collateral is initially determined according to the ratings of the counterparty. There are contractual provisions that require additional collateral to be posted in the event of adverse developments with the counterparty, such as a ratings downgrade. We make premium payments on CIRT deals that we recognize in "Other expenses, net" in our consolidated statements of operations and comprehensive income.

Table 33 displays the mortgage credit risk transferred to third parties and retained by Fannie Mae pursuant to our CAS and CIRT transactions.

Table 33: Credit Risk Transferred Pursuant to CAS and CIRT Transactions

	At Issuance					As of December 31, 2015
	Retained by Fannie Mae			Credit Risk Transferred to Third Parties		
	First Loss Position	Mezzanine Loss Position	Senior Loss Position	Mezzanine Loss Position[1]	Total Initial Reference Pool[2]	Total Outstanding Reference Pool[1][2]
	(Dollars in millions)					
CAS issuances:						
2015	$ 1,058	$ 312	$ 181,282	$ 5,921	$ 188,573	$ 167,529
2014	845	355	215,175	5,849	222,224	189,362
2013	80	47	25,954	675	26,756	21,630
Total CAS issuances	$ 1,983	$ 714	$ 422,411	$ 12,445	$ 437,553	$ 378,521
CIRT transactions:						
2015	$ 202		$ 39,104	$ 1,008	$ 40,314	$ 37,811
2014	32		6,195	192	6,419	4,679
Total CIRT transactions	$ 234		$ 45,299	$ 1,200	$ 46,733	$ 42,490
Total CAS and CIRT transactions					$ 484,286	$ 421,011
Total outstanding reference pool as a percentage of single-family conventional guaranty book of business						15.15 %

(1) Includes $12.2 billion outstanding for the mezzanine loss tranche transferred to third parties as of December 31, 2015.

(2) For CIRT transactions, "reference pool" reflects a pool of covered loans.

We intend to continue to engage in regular CAS and CIRT transactions on an ongoing basis, subject to market conditions. FHFA's 2016 conservatorship scorecard noted that, because Fannie Mae and Freddie Mac's single-family credit risk transfers have evolved into a core business practice, it is FHFA's current expectation that single-family credit risk transfers will continue to be an ongoing conservatorship requirement. Accordingly, FHFA's 2016 conservatorship scorecard includes several objectives relating to our single-family credit risk transfer transactions.

Although we have designed our CAS and CIRT transactions to mitigate some of our potential future credit losses, these transactions may provide less protection than we expect. In addition, these transactions are relatively new, and it is uncertain if there will be adequate demand for these products over the long term to meet our goals for these transactions.

Single-Family Portfolio Diversification and Monitoring

Diversification within our single-family mortgage credit book of business by product type, loan characteristics and geography is an important factor that influences credit quality and performance and may reduce our credit risk. We monitor various loan attributes, in conjunction with housing market and economic conditions, to determine if our pricing, eligibility and underwriting criteria accurately reflect the risk associated with loans we acquire or guarantee. In some cases, we may decide to significantly reduce our participation in riskier loan product categories. We also review the payment performance of loans in order to help identify potential problem loans early in the delinquency cycle and to guide the development of our loss mitigation strategies.

The profile of our guaranty book of business is comprised of the following key loan attributes:

- *LTV ratio.* LTV ratio is a strong predictor of credit performance. The likelihood of default and the gross severity of a loss in the event of default are typically lower as the LTV ratio decreases. This also applies to the estimated mark-to-market LTV ratios, particularly those over 100%, as this indicates that the borrower's mortgage balance exceeds the property value.
- *Product type.* Certain loan product types have features that may result in increased risk. Generally, intermediate-term, fixed-rate mortgages exhibit the lowest default rates, followed by long-term, fixed-rate mortgages. Historically, adjustable-rate mortgages ("ARMs"), including negative-amortizing and interest-only loans, and balloon/reset mortgages have exhibited higher default rates than fixed-rate mortgages, partly because the borrower's payments rose, within limits, as interest rates changed.
- *Number of units.* Mortgages on one-unit properties tend to have lower credit risk than mortgages on two-, three- or four-unit properties.
- *Property type.* Certain property types have a higher risk of default. For example, condominiums generally are considered to have higher credit risk than single-family detached properties.
- *Occupancy type.* Mortgages on properties occupied by the borrower as a primary or secondary residence tend to have lower credit risk than mortgages on investment properties.
- *Credit score.* Credit score is a measure often used by the financial services industry, including our company, to assess borrower credit quality and the likelihood that a borrower will repay future obligations as expected. A higher credit score typically indicates lower credit risk.
- *Loan purpose.* Loan purpose refers to how the borrower intends to use the funds from a mortgage loan—either for a home purchase or refinancing of an existing mortgage. Cash-out refinancings have a higher risk of default than either mortgage loans used for the purchase of a property or other refinancings that restrict the amount of cash returned to the borrower.
- *Geographic concentration.* Local economic conditions affect borrowers' ability to repay loans and the value of collateral underlying loans. Geographic diversification reduces mortgage credit risk.
- *Loan age.* We monitor year of origination and loan age, which is defined as the number of years since origination. Credit losses on mortgage loans typically do not peak until the third through six years following origination; however, this range can vary based on many factors, including changes in macroeconomic conditions and foreclosure timelines.

Table 34 displays our single-family conventional business volumes and our single-family conventional guaranty book of business, based on certain key risk characteristics that we use to evaluate the risk profile and credit quality of our single-family loans.

Table 34: Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business[(1)]

	Percent of Single-Family Conventional Business Volume[(2)] For the Year Ended December 31,			Percent of Single-Family Conventional Guaranty Book of Business[(3)(4)] As of December 31,		
	2015	2014	2013	2015	2014	2013
Original LTV ratio:[(5)]						
<= 60%	18 %	16 %	22 %	21 %	21 %	22 %
60.01% to 70%	14	12	14	14	14	15
70.01% to 80%	40	40	35	38	38	38
80.01% to 90%[(6)]	12	13	10	11	11	10
90.01% to 100%[(6)]	15	16	12	12	11	10
100.01% to 125%[(6)]	1	2	4	3	3	3
Greater than 125%[(6)]	*	1	3	1	2	2
Total	100 %	100 %	100 %	100 %	100 %	100 %
Weighted average	75 %	77 %	76 %	75 %	75 %	74 %
Average loan amount	$220,090	$202,834	$204,750	$160,741	$159,997	$160,357
Estimated mark-to-market LTV ratio:[(7)]						
<= 60%				46 %	42 %	38 %
60.01% to 70%				19	19	19
70.01% to 80%				17	18	19
80.01% to 90%				10	10	11
90.01% to 100%				5	6	6
100.01% to 125%				2	4	5
Greater than 125%				1	1	2
Total				100 %	100 %	100 %
Weighted average				62 %	64 %	67 %
Product type:						
Fixed-rate:[(8)]						
Long-term	81 %	78 %	76 %	76 %	74 %	72 %
Intermediate-term	17	17	22	17	17	18
Interest-only	—	—	*	*	1	1
Total fixed-rate	98	95	98	93	92	91
Adjustable-rate:						
Interest-only	—	*	*	2	2	2
Other ARMs	2	5	2	5	6	7
Total adjustable-rate	2	5	2	7	8	9
Total	100 %	100 %	100 %	100 %	100 %	100 %
Number of property units:						
1 unit	97 %	97 %	97 %	97 %	97 %	97 %
2-4 units	3	3	3	3	3	3
Total	100 %	100 %	100 %	100 %	100 %	100 %
Property type:						
Single-family homes	90 %	90 %	90 %	91 %	91 %	91 %
Condo/Co-op	10	10	10	9	9	9
Total	100 %	100 %	100 %	100 %	100 %	100 %
Occupancy type:						
Primary residence	88 %	87 %	87 %	88 %	88 %	88 %
Second/vacation home	4	4	4	4	4	4
Investor	8	9	9	8	8	8
Total	100 %	100 %	100 %	100 %	100 %	100 %

	Percent of Single-Family Conventional Business Volume[(2)] For the Year Ended December 31,			Percent of Single-Family Conventional Guaranty Book of Business[(3)(4)] As of December 31,		
	2015	2014	2013	2015	2014	2013
FICO credit score at origination:						
< 620[(9)]	1 %	1 %	1 %	2 %	3 %	3 %
620 to < 660	5	6	4	5	5	5
660 to < 700	12	13	10	12	12	12
700 to < 740	20	21	18	20	19	19
>= 740	62	59	67	61	61	61
Total	100 %	100 %	100 %	100 %	100 %	100 %
Weighted average	748	744	753	744	744	744
Loan purpose:						
Purchase	45 %	52 %	30 %	33 %	31 %	28 %
Cash-out refinance	19	16	14	20	20	21
Other refinance	36	32	56	47	49	51
Total	100 %	100 %	100 %	100 %	100 %	100 %
Geographic concentration:[(10)]						
Midwest	14 %	15 %	14 %	15 %	15 %	15 %
Northeast	14	15	17	19	19	19
Southeast	20	20	20	22	22	22
Southwest	20	20	17	16	16	16
West	32	30	32	28	28	28
Total	100 %	100 %	100 %	100 %	100 %	100 %
Origination year:						
<= 2006				10 %	13 %	16 %
2007				3	4	5
2008				2	2	3
2009				5	6	7
2010				7	9	10
2011				8	10	11
2012				21	24	26
2013				18	21	22
2014				11	11	—
2015				15	—	—
Total				100 %	100 %	100 %

* Represents less than 0.5% of single-family conventional business volume or book of business.

(1) Second lien mortgage loans held by third parties are not reflected in the original LTV or mark-to-market LTV ratios in this table.

(2) Calculated based on unpaid principal balance of single-family loans for each category at time of acquisition.

(3) Calculated based on the aggregate unpaid principal balance of single-family loans for each category divided by the aggregate unpaid principal balance of loans in our single-family conventional guaranty book of business as of the end of each period.

(4) Our single-family conventional guaranty book of business includes jumbo-conforming and high-balance loans that represented approximately 5% of our single-family conventional guaranty book of business as of December 31, 2015, 2014 and 2013. See "Business—Our Charter and Regulation of Our Activities—Charter Act—Loan Standards" and "Credit Profile Summary—Jumbo-Conforming and High-Balance Loans" for information on our loan limits.

(5) The original LTV ratio generally is based on the original unpaid principal balance of the loan divided by the appraised property value reported to us at the time of acquisition of the loan. Excludes loans for which this information is not readily available.

(6) We purchase loans with original LTV ratios above 80% as part of our mission to serve the primary mortgage market and provide liquidity to the housing finance system. Except as permitted under HARP, our charter generally requires primary mortgage insurance or other credit enhancement for loans that we acquire that have an LTV ratio over 80%.

(7) The aggregate estimated mark-to-market LTV ratio is based on the unpaid principal balance of the loan as of the end of each reported period divided by the estimated current value of the property, which we calculate using an internal valuation model that estimates periodic changes in home value. Excludes loans for which this information is not readily available.

(8) Long-term fixed-rate consists of mortgage loans with maturities greater than 15 years, while intermediate-term fixed-rate loans have maturities equal to or less than 15 years. Loans with interest-only terms are included in the interest-only category regardless of their maturities.

(9) Loans acquired after 2009 with FICO credit scores below 620 consist primarily of the refinance of existing loans under our Refi Plus initiative.

(10) Midwest consists of IL, IN, IA, MI, MN, NE, ND, OH, SD and WI. Northeast consists of CT, DE, ME, MA, NH, NJ, NY, PA, PR, RI, VT and VI. Southeast consists of AL, DC, FL, GA, KY, MD, MS, NC, SC, TN, VA and WV. Southwest consists of AZ, AR, CO, KS, LA, MO, NM, OK, TX and UT. West consists of AK, CA, GU, HI, ID, MT, NV, OR, WA and WY.

Credit Profile Summary

Overview

Our acquisitions in 2015 continued to have a strong credit profile with a weighted average original LTV ratio of 75% compared with 77% in 2014. Our acquisition of loans with original LTV ratios over 80% decreased to 28% in 2015, compared with 32% in 2014. This decrease was primarily due to an increase in our acquisitions of refinance loans, which increased to 55% in 2015, compared with 48% in 2014, and a decline in our acquisitions of home purchase loans and HARP loans. Home purchase loans and HARP loans typically have higher LTV ratios than non-HARP refinance loans. The weighted average FICO credit score of our acquisitions increased to 748 in 2015, compared with 744 in 2014. Our acquisitions of loans with FICO credit scores at origination of 740 or above increased to 62% in 2015, compared with 59% in 2014. Our acquisition of loans with FICO credit scores at origination of less than 700 decreased to 18% in 2015, compared with 20% in 2014.

The credit profile of our future acquisitions will depend on many factors, including: our future guaranty fee pricing and any impact of that pricing on the volume and mix of loans we acquire; our future eligibility standards and those of mortgage insurers, FHA and VA; the percentage of loan originations representing refinancings; changes in interest rates; our future objectives and activities in support of those objectives, including actions we may take to reach additional underserved creditworthy borrowers; government policy; market and competitive conditions; and the volume and characteristics of HARP loans we acquire in the future. We expect the ultimate performance of all our loans will be affected by borrower behavior, public policy and macroeconomic trends, including unemployment, the economy and home prices. In addition, if lender customers retain more of the higher-quality loans they originate, it could negatively affect the credit profile of our new single-family acquisitions. We discuss our efforts to increase access to mortgage credit for creditworthy borrowers in “Executive Summary—Single-Family Guaranty Book of Business—Providing Access to Credit Opportunities for Creditworthy Borrowers.”

HARP and Refi Plus Loans

Since 2009, we have offered HARP under our Refi Plus initiative, which was designed to expand refinancing opportunities for borrowers who may otherwise be unable to refinance their mortgage loans due to a decline in home values. HARP offers refinancing flexibility to eligible borrowers who are current on their loans and whose loans are owned or guaranteed by us and meet certain additional criteria. Under HARP, we allow our borrowers who have mortgage loans that have note dates prior to June 2009 with current LTV ratios greater than 80% to refinance their mortgages without obtaining new mortgage insurance in excess of what is already in place. Accordingly, HARP loans have LTV ratios at origination in excess of 80%. HARP loans cannot (1) be an adjustable-rate mortgage loan, if the initial fixed period is less than five years; (2) have an interest only feature, which permits the payment of interest without a payment of principal; (3) be a balloon mortgage loan; or (4) have the potential for negative amortization. In May 2015, FHFA announced the extension of the ending date for HARP to December 31, 2016. In addition, we have extended our Refi Plus initiative until December 31, 2016.

The loans we acquire under HARP have higher LTV ratios than we would otherwise permit, greater than 100% in some cases. Since 2012, we have acquired HARP loans with LTV ratios greater than 125% for fixed-rate loans of eligible borrowers. In addition to the high LTV ratios that characterize HARP loans, some borrowers for HARP and Refi Plus loans may also have lower FICO credit scores and may provide less documentation than we would otherwise require. As of December 31, 2015, HARP loans, which constituted 10% of our single-family book of business, had a weighted average FICO credit score at origination of 729 compared with 744 for loans in our single-family book of business overall.

Loans we acquire under Refi Plus and HARP represent refinancings of loans that are already in our guaranty book of business. The credit risk associated with the newly acquired loans essentially replaces the credit risk on the loans that we already held prior to the refinancing. These loans have higher risk profiles and higher serious delinquency rates than the other loans we have acquired since the beginning of 2009. However, we expect these loans will perform better than the loans they replace because HARP and Refi Plus loans should either reduce the borrowers' monthly payments or provide more stable terms than the borrowers' old loans (for example, by refinancing into a mortgage with a fixed interest rate instead of an adjustable rate). HARP loans constituted approximately 2% of our total single-family acquisitions in 2015, compared with approximately 6% of total single-family acquisitions in 2014 and 14% in 2013. We expect the volume of refinancings under HARP to continue to decline, due to a decrease in the population of borrowers with loans that have high LTV ratios who are willing to refinance and would benefit from refinancing.

For information on the serious delinquency rates and current mark-to-market LTV ratios as of December 31, 2015 and 2014 of single-family loans we acquired under HARP and Refi Plus, compared with other single-family loans we have acquired, see "Table 31: Selected Credit Characteristics of Single-Family Conventional Guaranty Book of Business, by Acquisition Period."

Alt-A Loans

We classify certain loans as Alt-A so that we can discuss our exposure to Alt-A loans in this Form 10-K and elsewhere. However, there is no universally accepted definition of Alt-A loans. Our single-family conventional guaranty book of business includes loans with some features that are similar to Alt-A loans that we have not classified as Alt-A because they do not meet our classification criteria.

We do not rely solely on our classifications of loans as Alt-A to evaluate the credit risk exposure relating to these loans in our single-family conventional guaranty book of business. For more information about the credit risk characteristics of loans in our single-family guaranty book of business, see "Table 34: Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business," "Note 3, Mortgage Loans" and "Note 15, Concentrations of Credit Risk."

Our exposure to Alt-A loans included in our single-family conventional guaranty book of business, based on the classification criteria described in this section, does not include (1) our investments in private-label mortgage-related securities backed by Alt-A loans or (2) resecuritizations, or wraps, of private-label mortgage-related securities backed by Alt-A mortgage loans that we have guaranteed. See "Note 5, Investments in Securities" for more information on our exposure to private-label mortgage-related securities backed by Alt-A loans.

We have classified a mortgage loan as Alt-A if and only if the lender that delivered the loan to us classified the loan as Alt-A, based on documentation or other features. The unpaid principal balance of Alt-A loans included in our single-family conventional guaranty book of business of $102.3 billion as of December 31, 2015, represented approximately 4% of our single-family conventional guaranty book of business. Because we discontinued the purchase of newly originated Alt-A loans in 2009, except for those that represent the refinancing of a loan we acquired prior to 2009, we expect our acquisitions of Alt-A mortgage loans to continue to be minimal in future periods and the percentage of the book of business attributable to Alt-A to continue to decrease over time.

Jumbo-Conforming and High-Balance Loans

The outstanding unpaid principal balance of our jumbo-conforming and high-balance loans was $149.1 billion, or 5.4% of our single-family conventional guaranty book of business as of December 31, 2015, compared with $145.0 billion, or 5.2% of our single-family conventional guaranty book of business as of December 31, 2014. The standard conforming loan limit for a one-unit property has been $417,000 since 2006. From 2008 to 2011, our loan limits were higher in specified high-cost areas, reaching as high as $729,750 for one-unit properties; however, our loan limits for loans originated after September 30, 2011 decreased in specified high-cost areas to an amount not to exceed $625,500 for one-unit properties. Our current loan limits apply to all new acquisitions; therefore, we cannot refinance any of our existing loans that are above our current loan limits. See "Business—Our Charter and Regulation of Our Activities—Charter Act—Loan Standards" for additional information on our loan limits.

Reverse Mortgages

The outstanding unpaid principal balance of reverse mortgage loans and Fannie Mae MBS backed by reverse mortgage loans in our guaranty book of business was $40.9 billion as of December 31, 2015 and $44.7 billion as of December 31, 2014. In 2010, we ceased acquisitions of newly originated reverse mortgages. The principal balance of our reverse mortgage loans could increase over time, as each month the scheduled and unscheduled payments, interest, mortgage insurance premium, servicing fee and default-related costs accrue to increase the unpaid principal balance. The majority of these loans are home equity conversion mortgages insured by the federal government through FHA. Because home equity conversion mortgages are insured by the federal government, we believe that we have limited exposure to credit losses on these loans.

Mortgage Products with Rate Resets

Adjustable-rate mortgages ("ARMs") are mortgage loans with an interest rate that adjusts periodically over the life of the mortgage based on changes in a specified index. Interest-only loans allow the borrower to pay only the monthly interest due, and none of the principal, for a fixed term. The majority of our interest-only loans are ARMs. Our negative-amortizing loans are ARMs that allow the borrower to make monthly payments that are less than the interest actually accrued for the period. The unpaid interest is added to the principal balance of the loan, which increases the outstanding loan balance. ARMs represented approximately 7% of our single-family conventional guaranty book of business as of December 31, 2015, and 8% as of December 31, 2014.

Rate reset modifications are mortgage loans we have modified with terms that include a reduction in the borrowers' interest rate that is fixed for an initial period and is followed by one or more annual interest rate increases in the future. The majority of these rate reset modifications are performing loans that were modified under HAMP and have fixed interest rates for an initial five-year period followed by annual interest rate increases, of up to one percent per year, until the mortgage rate reaches the prevailing market rate at the time of modification. The outstanding unpaid principal balance of rate reset modifications in our guaranty book of business was $79.1 billion as of December 31, 2015. During 2015, approximately 55% of these modified loans experienced an interest rate reset to a weighted average interest rate of 3.24%. In anticipation of potential financial hardship related to interest rate increases, we have directed servicers to evaluate rate reset modifications for a re-modification if the loan is at imminent risk of default and the borrower requests a loan modification or if the loan becomes 60 days delinquent within the first 12 months after an interest rate adjustment. Additionally, for borrowers with HAMP modifications we extended "pay for performance" incentives, in the form of principal curtailment, to encourage borrowers to stay current on their mortgages after the initial interest rate reset and to reduce their monthly payments in cases where the borrower chooses to re-amortize their unpaid principal balance following receipt of the incentive. In May 2015, FHFA announced the extension of the ending date for HAMP to December 31, 2016.

Table 35 displays information for ARMs, rate reset modifications and fixed-rate interest-only loans in our single-family guaranty book of business, aggregated by product type and categorized by the year of their next scheduled contractual reset date. The contractual reset is either an adjustment to the loan's interest rate or a scheduled change to the loan's monthly payment to begin to reflect the payment of principal. The timing of the actual reset dates may differ from those presented due to a number of factors, including refinancing or exercising of other provisions within the terms of the mortgage.

Table 35: Single-Family Adjustable-Rate Mortgage and Rate Reset Modifications by Year[1]

	Reset Year						
	2016	2017	2018	2019	2020	Thereafter	Total
	(Dollars in millions)						
ARMs—Amortizing	$ 32,896	$ 5,266	$ 7,142	$ 11,233	$ 8,879	$ 18,299	$ 83,715
ARMs—Interest Only and Negative Amortizing	27,798	1,127	821	911	825	1,136	32,618
Rate Reset Modifications	56,802	7,828	5,412	4,014	2,201	87	76,344
Fixed-Rate Interest Only	1,748	3,390	704	39	85	153	6,119

(1) Excludes loans for which there is not an additional reset for the remaining life of the loan.

We have not observed a materially different performance trend for interest-only loans or negative-amortizing loans that have recently reset as compared to those that are still in the initial period. We believe the current performance trend is the result of the current low interest rate environment and do not expect this trend to continue if interest rates rise significantly. We discuss interest rate resets for modifications in "Problem Loan Management—Loan Workout Metrics" below.

Problem Loan Management

Our problem loan management strategies are primarily focused on reducing defaults to avoid losses that would otherwise occur and pursuing foreclosure alternatives to attempt to minimize the severity of the losses we incur. If a borrower does not make required payments, or is in jeopardy of not making payments, we work with the servicers of our loans to offer workout solutions to minimize the likelihood of foreclosure as well as the severity of loss. Our loan workouts reflect our various types of home retention solutions, including loan modifications, repayment plans and forbearances, and foreclosure alternatives, including short sales and deeds-in-lieu of foreclosure. When appropriate, we seek to move to foreclosure expeditiously.

Our problem loan management strategies include transferring servicing on some delinquent loan populations that include loans with higher-risk characteristics to special servicers with which we have worked to develop high-touch protocols for servicing these loans. We believe retaining special servicers to service these loans using high-touch protocols will reduce our future credit losses on the transferred loan portfolio.

The efforts of our mortgage servicers are critical in keeping people in their homes and preventing foreclosures. We continue to work with our servicers to implement our foreclosure prevention initiatives effectively and to find ways to enhance our workout protocols and their workflow processes.

In 2015, we implemented a new strategy to reduce the number of our severely aged delinquent loans through sales of these nonperforming loans. We completed three nonperforming loan sales in 2015, selling more than 10,000 nonperforming loans with an aggregate unpaid principal balance of $2.1 billion. We plan to complete additional nonperforming loan sales.

In the following section, we present statistics on our problem loans, describe efforts undertaken to manage these loans and prevent foreclosures, and provide metrics regarding the performance of our loan workout activities. Unless otherwise noted, single-family delinquency data is calculated based on number of loans. We include single-family conventional loans that we own and those that back Fannie Mae MBS in the calculation of the single-family delinquency rate. Seriously delinquent loans are loans that are 90 days or more past due or in the foreclosure process. Percentage of book outstanding calculations are based on the unpaid principal balance of loans for each category divided by the unpaid principal balance of our total single-family guaranty book of business for which we have detailed loan-level information.

Problem Loan Statistics

Table 36 displays the delinquency status of loans in our single-family conventional guaranty book of business (based on number of loans) and changes in the balance of seriously delinquent loans in our single-family conventional guaranty book of business.

Table 36: Delinquency Status and Activity of Single-Family Conventional Loans

	As of December 31,		
	2015	2014	2013
Delinquency status:			
30 to 59 days delinquent	1.46%	1.47%	1.64%
60 to 89 days delinquent	0.41	0.43	0.49
Seriously delinquent (“SDQ”)	1.55	1.89	2.38
Percentage of SDQ loans that have been delinquent for more than 180 days	67%	70%	73%
Percentage of SDQ loans that have been delinquent for more than two years	30	34	36

	For the Year Ended December 31,		
	2015	2014	2013
Single-family SDQ loans (number of loans):			
Beginning balance	329,590	418,837	576,591
Additions	266,136	306,464	378,027
Removals:			
Modifications and other loan workouts	(91,241)	(118,860)	(157,336)
Liquidations and sales	(117,884)	(151,586)	(226,976)
Cured or less than 90 days delinquent	(119,427)	(125,265)	(151,469)
Total removals	(328,552)	(395,711)	(535,781)
Ending balance	267,174	329,590	418,837

Our single-family serious delinquency rate has decreased each quarter since the first quarter of 2010 and is expected to continue to decrease. The decrease in our serious delinquency rate is primarily the result of home retention solutions, foreclosure alternatives and completed foreclosures, improved loan payment performance and our acquisition of loans with stronger credit profiles since the beginning of 2009. Loans we acquired since 2009 comprised 85% of our single-family guaranty book of business and had a serious delinquency rate of 0.37% as of December 31, 2015.

Our single-family serious delinquency rate and the period of time that loans remain seriously delinquent continue to be negatively impacted by the length of time required to complete a foreclosure in some states. Longer foreclosure timelines result in these loans remaining in our book of business for a longer time, which has caused our serious delinquency rate to decrease more slowly in the last few years than it would have if the pace of foreclosures had been faster. The slow pace of foreclosures in certain areas of the country has negatively affected our single-family serious delinquency rates, foreclosure timelines and financial results, and may continue to do so. Other factors such as the pace of loan modifications, the timing and volume of future nonperforming loan sales we make, servicer performance, changes in home prices, unemployment levels and other macroeconomic conditions also influence serious delinquency rates.

Certain higher-risk loan categories, such as Alt-A loans and loans with higher mark-to-market LTV ratios, and our 2005 through 2008 loan vintages continue to exhibit higher than average delinquency rates and/or account for a higher share of our credit losses. Our 2005 to 2008 loan vintages represented approximately 48% of the loans added to our seriously delinquent loan population in 2015, and 56% of total seriously delinquent loans as of December 31, 2015. In addition, loans in certain states such as Florida, New Jersey and New York have exhibited higher than average delinquency rates and/or account for a higher share of our credit losses.

Table 37 displays the serious delinquency rates for, and the percentage of our total seriously delinquent single-family conventional loans represented by, the specified loan categories. We also include information for our loans in California, as this state accounts for a large share of our single-family conventional guaranty book of business. The reported categories are not mutually exclusive.

Table 37: Single-Family Conventional Seriously Delinquent Loan Concentration Analysis

	As of December 31,								
	2015			2014			2013		
	Percentage of Book Outstanding	Percentage of Seriously Delinquent Loans(1)	Serious Delinquency Rate	Percentage of Book Outstanding	Percentage of Seriously Delinquent Loans(1)	Serious Delinquency Rate	Percentage of Book Outstanding	Percentage of Seriously Delinquent Loans(1)	Serious Delinquency Rate
States:									
California	20%	5%	0.58%	20%	5%	0.70%	20%	6%	0.98%
Florida	6	12	2.86	6	15	4.42	6	19	6.89
New Jersey	4	10	4.87	4	10	5.78	4	8	6.25
New York	5	11	3.55	5	10	4.17	5	9	4.42
All other states	65	62	1.34	65	60	1.57	65	58	1.93
Product type:									
Alt-A	4	17	6.53	4	18	7.77	5	19	9.23
Vintages:									
2004 and prior	5	26	3.06	7	28	3.26	9	27	3.50
2005	2	12	5.67	3	12	6.18	4	13	7.26
2006	3	15	8.49	3	16	9.61	3	18	11.26
2007	3	22	9.73	4	23	10.79	5	25	12.18
2008	2	8	5.84	2	8	6.27	3	8	6.69
2009	5	3	1.03	6	3	1.00	7	3	0.98
2010	7	3	0.62	9	3	0.59	10	2	0.56
2011	8	2	0.44	10	2	0.42	11	2	0.34
2012	21	4	0.31	24	3	0.27	26	2	0.17
2013	18	4	0.34	21	2	0.22	22	*	0.04
2014	11	1	0.24	11	*	0.04	—	—	—
2015	15	*	0.03	—	—	—	—	—	—
Estimated mark-to-market LTV ratio:									
<= 60%	46	27	0.78	42	23	0.88	38	19	0.97
60.01% to 70%	19	14	1.28	19	12	1.36	19	11	1.47
70.01% to 80%	17	15	1.59	18	14	1.75	19	13	1.90
80.01% to 90%	10	14	2.67	10	14	3.04	11	14	3.53
90.01% to 100%	5	11	4.05	6	12	4.59	6	12	5.53
Greater than 100%	3	19	10.76	5	25	10.98	7	31	12.22
Credit enhancement:(2)									
Credit enhanced	18	27	2.65	16	27	3.47	15	27	4.75
Non-credit enhanced	82	73	1.34	84	73	1.62	85	73	2.00

* Represents less than 0.5% of single-family conventional business volume or book of business.

(1) Calculated based on the number of single-family loans that were seriously delinquent for each category divided by the total number of single-family conventional loans that were seriously delinquent.

(2) Refers to loans included in an agreement used to reduce credit risk by requiring collateral, letters of credit, mortgage insurance, corporate guarantees, or other agreements to provide an entity with some assurance that it will be compensated to some degree in the event of a financial loss.

See “Table 15: Credit Loss Concentration Analysis” in “Consolidated Results of Operations—Credit-Related Income (Expense)—Credit Loss Performance Metrics” for information on concentrations of our single-family credit losses in recent periods based on geography, credit characteristics and loan vintages.

Loan Workout Metrics

We continue to work with our servicers to implement our home retention and foreclosure prevention initiatives. Loan modifications involve changes to the original mortgage terms such as product type, interest rate, amortization term, maturity date and/or unpaid principal balance. For many of our modifications, we will ultimately collect less than the contractual amount due under the original loan. Other resolutions and modifications may result in our receiving the full amount due, or certain installments due, under the loan over a period of time that is longer than the period of time originally provided for under the terms of the loan. Additionally, we currently offer up to twelve months of forbearance for those homeowners who are unemployed as an additional tool to help homeowners avoid foreclosure.

Our primary loan modification initiatives include HAMP, a modification initiative under the Making Home Affordable Program, and our proprietary standard and streamlined modification initiatives. The number of HAMP-eligible borrowers has declined in recent years and completed HAMP modifications represented only 10% of our modifications completed in 2015. After a servicer determines that the borrower’s hardship is not temporary in nature, we require that servicers first evaluate borrowers for eligibility under a workout option before considering foreclosure. Not all borrowers facing foreclosure will be eligible for a modification. We work with servicers to ensure that borrowers who do not qualify for a modification or who fail to successfully complete the required trial period are provided with alternative home retention options or a foreclosure prevention alternative.

Program guidance for the majority of our modifications, including HAMP, directs servicers either to cancel or to convert trial modifications to permanent modifications after three or four timely payments, depending on the borrower’s circumstances. During 2015, we completed approximately 94,000 modifications representing 67% of the trials initiated in the 12 month period ending September 30, 2015, compared with 123,000 completed modifications in 2014 representing 75% of the trials initiated in the 12 month period ending September 30, 2014. As of December 31, 2015, there were approximately 29,600 borrowers in the trial modification period.

In addition, we continue to focus on foreclosure alternatives for borrowers who are unable to retain their homes. Foreclosure alternatives may be more appropriate if the borrower has experienced a significant adverse change in financial condition due to events such as unemployment or reduced income, divorce, or unexpected issues like medical bills and is therefore no longer able to make the required mortgage payments. To avoid foreclosure and satisfy the first-lien mortgage obligation, our servicers work with a borrower to accept a deed-in-lieu of foreclosure, whereby the borrower voluntarily signs over the title to their property to the servicer, or to sell the home prior to foreclosure in a short sale, whereby the borrower sells the home for less than the full amount owed to Fannie Mae under the mortgage loan. These alternatives are designed to reduce our credit losses while helping borrowers avoid having to go through a foreclosure. We work to obtain the highest price possible for the properties sold in short sales and, in 2015, we received net sales proceeds from our short sale transactions equal to 73% of the loans’ unpaid principal balance, compared with 72% in 2014. The existence of a second lien may limit our ability to provide borrowers with loan workout options, particularly those that are part of our foreclosure prevention efforts; however, we are not required to contact a second lien holder to obtain their approval prior to providing a borrower with a loan modification.

Table 38 displays statistics on our single-family loan workouts that were completed, by type. These statistics include loan modifications but do not include trial modifications, loans to certain borrowers who have received bankruptcy relief that are classified as TDRs, or repayment or forbearance plans that have been initiated but not completed.

Table 38: Statistics on Single-Family Loan Workouts

	For the Year Ended December 31,					
	2015		2014		2013	
	Unpaid Principal Balance	Number of Loans	Unpaid Principal Balance	Number of Loans	Unpaid Principal Balance	Number of Loans
	(Dollars in millions)					
Home retention solutions:						
Modifications	$ 15,723	94,212	$ 20,686	122,823	$ 28,801	160,007
Repayment plans and forbearances completed[1]	835	5,996	986	7,309	1,594	12,022
Total home retention solutions	16,558	100,208	21,672	130,132	30,395	172,029
Foreclosure alternatives:						
Short sales	3,033	14,716	4,795	23,188	9,786	46,570
Deeds-in-lieu of foreclosure	1,145	7,361	1,786	11,292	2,504	15,379
Total foreclosure alternatives	4,178	22,077	6,581	34,480	12,290	61,949
Total loan workouts	$ 20,736	122,285	$ 28,253	164,612	$ 42,685	233,978
Loan workouts as a percentage of single-family guaranty book of business	0.73 %	0.71 %	0.99 %	0.94 %	1.48 %	1.33 %

(1) Repayment plans reflect only those plans associated with loans that were 60 days or more delinquent. Forbearances reflect loans that were 90 days or more delinquent.

The volume of home retention solutions completed in 2015 decreased compared with 2014, primarily due to a decline in the number of delinquent loans in 2015 compared with 2014.

We continue to work with our servicers to implement our home retention and foreclosure prevention initiatives. Our approach to workouts continues to focus on the large number of borrowers facing financial hardships. Accordingly, the vast majority of loan modifications we have completed since 2009 have been concentrated on deferring or lowering the borrowers' monthly mortgage payments to allow borrowers to work through their hardships.

The majority of our home retention strategies, including trial modifications and loans to certain borrowers who received bankruptcy relief, are classified as TDRs upon initiation.

Table 39 displays the unpaid principal balance of loans post-modification related to our single-family TDRs. For more information on the impact of TDRs, see "Note 3, Mortgage Loans."

Table 39: Single-Family Troubled Debt Restructuring Activity

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Beginning balance	$ 197,299	$ 200,507	$ 207,405
New TDRs	12,978	19,050	26,320
Foreclosures[1]	(7,173)	(10,484)	(13,192)
Payoffs	(16,239)	(7,658)	(16,054)
Other[2]	(4,210)	(4,116)	(3,972)
Ending balance	$ 182,655	$ 197,299	$ 200,507

(1) Consists of foreclosures, deeds-in-lieu of foreclosure, short sales and third-party sales.

(2) Primarily includes monthly principal payments.

Table 40 displays the percentage of our single-family loan modifications completed during 2014 and 2013 that were current or paid off one year after modification, as well as the percentage of our single-family loan modifications completed during 2013 that were current or paid off two years after modification.

Table 40: Percentage of Single-Family Loan Modifications That Were Current or Paid Off at One and Two Years Post-Modification(1)

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
One Year Post-Modification								
HAMP modifications	79%	82%	83%	83%	83%	83%	84%	83%
Non-HAMP modifications	65	67	68	70	71	71	72	73
Total	67	69	70	72	73	73	74	75
Two Years Post-Modification								
HAMP modifications					81%	81%	82%	81%
Non-HAMP modifications					69	70	70	70
Total					70	72	72	73

(1) Modifications do not reflect loans currently in trial modifications.

We believe that the decline in the one-year performance of non-HAMP modifications in 2015 was primarily driven by a decrease in the amount of payment reduction borrowers received at modification. The amount of payment reduction borrowers received at modification declined because the LTV ratios of their mortgage loans improved and because a higher proportion of borrowers had previously received a modification.

Approximately 51% of our performing loan modifications include a reduction in the borrower's interest rate that is fixed for an initial period and may be followed by one or more annual interest rate increases. The majority of these modifications with rate resets had their first interest rate resets in 2015. See "Table 35: Single-Family Adjustable-Rate Mortgage and Rate Reset Modifications by Year" in "Credit Portfolio Summary—Mortgage Rate Resets" for additional information on the timing of these initial interest rate resets.

REO Management

Foreclosure and REO activity affect the amount of credit losses we realize in a given period. Table 41 displays our foreclosure activity by region. Regional REO acquisition and charge-off trends generally follow a pattern that is similar to, but lags, that of regional delinquency trends.

Table 41: Single-Family Foreclosed Properties

	For the Year Ended December 31,		
	2015	2014	2013
Single-family foreclosed properties (number of properties):			
Beginning of period inventory of single-family foreclosed properties (REO)(1)	87,063	103,229	105,666
Acquisitions by geographic area:(2)			
Midwest	17,024	26,013	39,113
Northeast	15,553	15,337	13,235
Southeast	29,618	48,647	57,090
Southwest	8,522	13,437	18,923
West	7,919	13,203	16,023
Total properties acquired through foreclosure(1)	78,636	116,637	144,384
Dispositions of REO	(108,446)	(132,803)	(146,821)
End of period inventory of single-family foreclosed properties (REO)(1)	57,253	87,063	103,229
Carrying value of single-family foreclosed properties (dollars in millions)	$ 6,608	$ 9,745	$ 10,334
Single-family foreclosure rate(3)	0.45 %	0.67 %	0.82 %

(1) Includes acquisitions through deeds-in-lieu of foreclosure. Also includes held for use properties, which are reported in our consolidated balance sheets as a component of "Other assets."

(2) See footnote 10 to "Table 34: Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business" for states included in each geographic region.

(3) Estimated based on the total number of properties acquired through foreclosure or deeds-in-lieu of foreclosure as a percentage of the total number of loans in our single-family guaranty book of business as of the end of each respective period.

The continued decrease in the number of our seriously delinquent single-family loans has resulted in a reduction in the number of REO acquisitions in 2015 compared with 2014 and 2013.

Neighborhood stabilization is a core principle in our approach to managing our REO inventory. As a result, we seek to keep properties in good condition and, where appropriate, repair them to make them more marketable and increase the likelihood that an owner occupant will purchase. We repaired approximately 54,000 properties from our single-family REO inventory at an average cost of approximately $9,300 per property during 2015 and repaired approximately 67,000 properties at an average cost of approximately $7,900 per property during 2014 compared with repairs of approximately 66,000 properties at an average cost of approximately $6,700 per property during 2013. As the number of foreclosures on properties in judicial foreclosure states increased in 2015 compared to 2014, we experienced an increase in average property repair expenses, as a result of the longer foreclosure timelines in those states.

Repairing REO properties increases sales to owner occupants and increases financing options for REO buyers. In addition, we encourage homeownership through our First Look™ marketing period. During this First Look period, owner occupants, some nonprofit organizations and public entities may submit offers and purchase properties without competition from investors. Approximately 58% of the single-family properties we sold in 2015 were purchased by owner occupants, nonprofit organizations or public entities.

In some cases, we engage in a third party sale at foreclosure, which allows us to avoid maintenance and other REO expenses we would have incurred had we acquired the property.

We currently lease properties to tenants who occupied the properties before we acquired them into our REO inventory and to eligible borrowers who executed a deed-in-lieu of foreclosure, which can minimize disruption by providing additional time to find alternate housing, help stabilize local communities, provide us with rental income, and support our compliance with state and local laws protecting tenants in foreclosed properties. As of December 31, 2015, over 1,000 tenants leased our REO properties.

We continue to manage our REO inventory to appropriately manage costs and maximize sales proceeds. However, we are unable to market and sell a large portion of our inventory, primarily due to occupancy and state or local redemption or confirmation periods, which extends the amount of time it takes to bring our properties to a marketable state and eventually dispose of them. This results in higher foreclosed property expenses, which include costs related to maintaining the property and ensuring that the property is vacant. As of December 31, 2015 approximately 43% of our REO properties were unable to be marketed, 26% of our REO properties were available for sale, 17% of our REO properties were pending sale settlement and 14% of our REO properties were pending appraisals and being prepared to be listed for sale.

Table 42 displays the proportionate share of foreclosures as compared with their share of our single-family guaranty book of business for the states that have a higher concentration of foreclosures. Table 42 also displays this information for California, as this state accounts for a large share of our single-family conventional guaranty book of business.

Table 42: Single-Family Acquired Property Concentration Analysis

	As of	For the Year Ended	As of	For the Year Ended	As of	For the Year Ended
	December 31, 2015		December 31, 2014		December 31, 2013	
	Percentage of Book Outstanding(1)	Percentage of Properties Acquired by Foreclosure(2)	Percentage of Book Outstanding(1)	Percentage of Properties Acquired by Foreclosure(2)	Percentage of Book Outstanding(1)	Percentage of Properties Acquired by Foreclosure(2)
States:						
Florida	6%	20%	6%	24%	6%	21%
Illinois	4	7	4	7	4	9
New Jersey	4	6	4	3	4	1
California	20	4	20	5	20	4

(1) Calculated based on the aggregate unpaid principal balance of single-family conventional loans, where we have detailed loan-level information, for each category divided by the aggregate unpaid principal balance of our single-family conventional guaranty book of business.

(2) Calculated based on the number of properties acquired through foreclosure or deed-in-lieu of foreclosure during the period for each category divided by the total number of properties acquired through foreclosure during the same period.

Multifamily Mortgage Credit Risk Management

The credit risk profile of our multifamily mortgage credit book of business is influenced by the structure of the financing, the type and location of the property, the condition and value of the property, the financial strength of the borrower, market and sub-market trends and growth, the current and anticipated cash flows from the property, as well as the financial strength of the lender. These and other factors affect both the amount of expected credit loss on a given loan and the sensitivity of that loss to changes in the economic environment. We provide information on our multifamily credit-related income and credit losses in "Business Segment Results—Multifamily Business Results."

Multifamily Acquisition Policy and Underwriting Standards

Our Multifamily business is responsible for pricing and managing the credit risk on multifamily mortgage loans we purchase and on Fannie Mae MBS backed by multifamily loans (whether held in our retained mortgage portfolio or held by third parties), with oversight from our Enterprise Risk Management division. Our primary multifamily delivery channel is the Delegated Underwriting and Servicing, or DUS®, program, which consists of large financial institutions and independent mortgage lenders. Multifamily loans that we purchase or that back Fannie Mae MBS are either underwritten by a Fannie Mae-approved lender or subject to our underwriting review prior to closing, depending on the product type, loan size, market and/or other factors. Loans delivered to us by DUS lenders and their affiliates represented 97% of our multifamily guaranty book of business as of December 31, 2015, compared with 94% as of December 31, 2014 and 93% as of December 31, 2013.

We use various types of credit enhancement arrangements for our multifamily loans, primarily lender risk-sharing. Lenders in the DUS program typically share in loan-level credit losses in one of two ways: (1) they bear losses up to the first 5% of the unpaid principal balance of the loan and share in remaining losses up to a prescribed limit; or (2) they share up to one-third of the credit losses on a pro rata basis with us. Non-DUS lenders typically share or absorb credit losses based on a negotiated percentage of the loan or the pool balance.

Table 43 displays the percentage of the unpaid principal balance of loans in our multifamily guaranty book of business with lender risk-sharing and with no recourse to the lender.

Table 43: Multifamily Lender Risk-Sharing

	As of December 31,	
	2015	2014
Lender risk-sharing:		
DUS	90%	85%
Non-DUS negotiated	2	3
No recourse to the lender	8	12

Our maximum potential loss recovery from lenders under current risk-sharing agreements represented over 20% of the unpaid principal balance of our multifamily guaranty book of business as of December 31, 2015. These risk-sharing agreements not only transfer credit risk, but also better align our interest with that of the lender.

At the time of our purchase or guarantee of multifamily mortgage loans, we and our lenders rely on sound underwriting standards, which generally include third-party appraisals and cash flow analysis. Our standards for multifamily loans specify maximum original LTV ratio and minimum original debt service coverage ratio ("DSCR") values that vary based on loan characteristics. Our experience has been that original LTV ratio and DSCR values have been reliable indicators of future credit performance. At underwriting, we evaluate the DSCR based on both actual and underwritten debt service payments. The original DSCR is calculated using the underwritten debt service payments for the loan, rather than the actual debt service payments, which depending on the interest rate of the loan and loan structure may result in a more conservative estimate of the debt service payments.

Table 44 displays original LTV ratio and DSCR metrics for our multifamily guaranty book of business.

Table 44: Multifamily Guaranty Book of Business Key Risk Characteristics

	As of December 31,		
	2015	2014	2013
Weighted average original LTV ratio	66%	66%	66%
Original LTV ratio greater than 80%	3	3	3
Original DSCR less than or equal to 1.10	11	8	7

The percentage of our book of business with an original DSCR less than or equal to 1.10 has increased to 11% as of December 31, 2015, driven by an increase in new business volume funded with adjustable-rate mortgages and with fixed-rate mortgages with actual interest rates below the specified minimum interest rate at which we underwrite those loans.

Multifamily Portfolio Diversification and Monitoring

Diversification within our multifamily mortgage credit book of business by geographic concentration, term to maturity, interest rate structure, borrower concentration and loan size, as well as credit enhancement coverage, are important factors that influence credit performance and help reduce our credit risk.

We and our lenders monitor the performance and risk characteristics of our multifamily loans and the underlying properties on an ongoing basis throughout the life of the loan at the loan, property and portfolio levels. We track credit risk characteristics to determine the loan credit quality indicator, which are the internal risk categories and are further discussed in "Note 3, Mortgage Loans." The credit risk characteristics we use to help determine the internal risk categories include the physical condition of the property, delinquency status, the relevant local market and economic conditions that may signal changing risk or return profiles, and other risk factors. For example, we closely monitor the rental payment trends and vacancy levels in local markets, as well as capitalization rates, to identify loans that merit closer attention or loss mitigation actions. We manage our exposure to refinancing risk for multifamily loans maturing in the next several years. We have a team that proactively manages upcoming loan maturities to minimize losses on maturing loans. This team assists lenders and borrowers with timely and appropriate refinancing of maturing loans with the goal of reducing defaults and foreclosures related to loans maturing in the near term. The primary asset management responsibilities for our multifamily loans are performed by our DUS and other multifamily lenders. We periodically evaluate these lenders' and our other third party service providers' performance for compliance with our asset management criteria.

As part of our ongoing credit risk management process, we require lenders to provide quarterly and annual financial updates for the loans where we are contractually entitled to receive such information. We closely monitor loans with an estimated current DSCR below 1.0, as that is an indicator of heightened default risk. The percentage of loans in our multifamily guaranty book of business, calculated based on unpaid principal balance, with a current DSCR less than 1.0 was approximately 2% as of December 31, 2015 and 3% as of December 31, 2014. Our estimates of current DSCRs are based on the latest available income information for these properties. Although we use the most recently available results from our multifamily borrowers, there is a lag in reporting, which typically can range from 3 to 6 months, but in some cases may be longer.

Multifamily Problem Loan Management and Foreclosure Prevention

We periodically refine our underwriting standards in response to market conditions and implement proactive portfolio management and monitoring which are each designed to keep credit losses and delinquencies to a low level relative to our multifamily guaranty book of business. The multifamily serious delinquency rate was 0.07% as of December 31, 2015 and 0.05% as of December 31, 2014. We classify multifamily loans as seriously delinquent when payment is 60 days or more past due.

REO Management

The number of multifamily foreclosed properties held for sale decreased from 62 properties with a carrying value of $349 million as of December 31, 2014 to 12 properties with a carrying value of $91 million as of December 31, 2015. The decrease is the result of REO dispositions outpacing the number of properties acquired through foreclosure, as a result of the stability of multifamily market fundamentals.

Institutional Counterparty Credit Risk Management

We rely on our institutional counterparties to provide services and credit enhancements that are critical to our business. Institutional counterparty credit risk is the risk that our institutional counterparties may fail to fulfill their contractual obligations to us. Defaults by a counterparty with significant obligations to us could result in significant financial losses to us.

We have exposure primarily to the following types of institutional counterparties:

- mortgage sellers and/or servicers that service the loans we hold in our retained mortgage portfolio or that back our Fannie Mae MBS and that are obligated to repurchase loans from us or reimburse us for losses in certain circumstances;
- credit guarantors that provide credit enhancements on the mortgage assets that we hold in our retained mortgage portfolio or that back our Fannie Mae MBS, including mortgage insurers, financial guarantors, credit insurance risk transfer counterparties and multifamily lenders with risk sharing arrangements;
- custodial depository institutions that hold principal and interest payments for Fannie Mae portfolio loans and MBS certificateholders, as well as collateral posted by derivatives counterparties, mortgage sellers and mortgage servicers;
- the financial institutions that issue the investments held in our cash and other investments portfolio;
- derivatives counterparties;
- mortgage originators, investors and dealers;
- debt security dealers; and
- document custodians.

We routinely enter into a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, mortgage lenders and commercial banks, and mortgage insurers, resulting in a significant credit concentration with respect to this industry. We also have significant concentrations of credit risk with particular counterparties. Many of our institutional counterparties provide several types of services for us. For example, many of our lender customers or their affiliates act as mortgage sellers, mortgage servicers, derivatives counterparties, custodial depository institutions or document custodians on our behalf.

In the event of a bankruptcy or receivership of one of our counterparties, we may be required to establish our ownership rights to the assets these counterparties hold on our behalf to the satisfaction of the bankruptcy court or receiver, which could result in a delay in accessing these assets causing a decline in their value. In addition, if we are unable to replace a defaulting counterparty that performs services that are critical to our business with another counterparty, it could adversely affect our ability to conduct our operations. See "Risk Factors" for further discussion of the risks to our business posed by our counterparties' failure to fulfill their obligations to us.

Mortgage Sellers and Servicers

One of our primary exposures to institutional counterparty risk is with mortgage servicers that service the loans we hold in our retained mortgage portfolio or that back our Fannie Mae MBS, as well as mortgage sellers and servicers that are obligated to repurchase loans from us or reimburse us for losses in certain circumstances.

Mortgage servicers collect mortgage and escrow payments from borrowers, pay taxes and insurance costs from escrow accounts, monitor and report delinquencies, and perform other required activities on our behalf. We have minimum standards and financial requirements for mortgage servicers. In May 2015, we and Freddie Mac issued new operational and financial eligibility requirements for single-family mortgage seller-servicers pursuant to FHFA's 2015 conservatorship scorecard objective relating to enhancing servicer eligibility standards. The operational requirements became effective September 1, 2015 and the financial requirements became effective December 31, 2015. The updated eligibility requirements for servicers are designed to better address the risks associated with emerging servicer business models.

We perform periodic on-site and financial reviews of our largest mortgage servicers and monitor their financial and portfolio performance as compared to peers and internal benchmarks. We work with our largest mortgage servicers to establish performance goals and monitor performance against the goals, and our servicing consultants work with mortgage servicers to improve servicing results and compliance with our Servicing Guide.

We likely would incur costs and potential increases in servicing fees and could also face operational risks if we replace a mortgage servicer. If a mortgage servicer defaults, it could result in a temporary disruption in servicing and loss mitigation activities relating to the loans serviced by that mortgage servicer, particularly if there is a loss of experienced servicing personnel. We may also face challenges in transferring a large servicing portfolio.

Our five largest single-family mortgage servicers, including their affiliates, serviced approximately 44% of our single-family guaranty book of business as of December 31, 2015, compared with approximately 46% as of December 31, 2014. Our largest mortgage servicer is Wells Fargo Bank, N.A., which, together with its affiliates, serviced approximately 17% of our single-family guaranty book of business as of December 31, 2015, compared with approximately 18% as of December 31, 2014. As of December 31, 2015 and 2014, one additional mortgage servicer, JPMorgan Chase Bank, N.A., with its affiliates, serviced over 10% of our single-family guaranty book of business.

Our ten largest multifamily mortgage servicers, including their affiliates, serviced approximately 70% of our multifamily guaranty book of business as of December 31, 2015, compared with approximately 67% as of December 31, 2014. Wells Fargo Bank, N.A. and Walker & Dunlop, LLC, each serviced over 10% of our multifamily guaranty book of business as of December 31, 2015 and 2014.

In recent years there has been a shift of a large portion of our servicing book from depository financial institution servicers to non-depository servicers. As of December 31, 2015, 19% of our total single-family guaranty book of business, including 60% of our delinquent single-family loans, were serviced by our five largest non-depository servicers, compared with 18% of our total single-family guaranty book of business, including 49% of our delinquent single-family loans, as of December 31, 2014. Non-depository servicers pose additional risks to us because non-depository servicers may have a greater reliance on third-party sources of liquidity and may, in the event of significant increases in delinquent loan volumes, have less financial capacity to advance funds on our behalf or satisfy repurchase requests or compensatory fee obligations. In addition, regulatory bodies have been reviewing the activities of some of our largest non-depository servicers. See "Risk Factors" for a discussion of the risks of our reliance on servicers.

Some of our loans are serviced by subsidiaries and/or affiliates of Ocwen Financial Corporation ("Ocwen"). Ocwen has been the subject of regulatory scrutiny and actions, as well as rating agency downgrades. We continue to work with Ocwen on the orderly transfer of a substantial portion of their servicing of our loans. As of December 31, 2015, less than 0.5% of our total single-family guaranty book of business was serviced by Ocwen, compared with 3% as of December 31, 2014.

Because we delegate the servicing of our mortgage loans to mortgage servicers and do not have our own servicing function, mortgage servicers' lack of appropriate process controls or the loss of business from a significant mortgage servicer counterparty could pose significant risks to our ability to conduct our business effectively. Many of our largest mortgage servicer counterparties continue to reevaluate the effectiveness of their process controls. Many mortgage servicers are also subject to federal and state regulatory actions and legal settlements that require the mortgage servicers to correct process deficiencies and improve their servicing practices. This has contributed to extended foreclosure timelines and, therefore, additional holding costs for us, such as property taxes, insurance, repairs and maintenance.

Our five largest single-family mortgage sellers, including their affiliates, accounted for approximately 29% of our single-family business acquisition volume in 2015, compared with approximately 33% in 2014. Our largest mortgage seller is Wells Fargo Bank, N.A., which, together with its affiliates, accounted for approximately 13% of our single-family business acquisition volume in 2015, compared with approximately 12% in 2014. We acquire a portion of our business volume directly from non-depository and smaller depository financial institutions that may not have the same financial strength or operational capacity as our largest mortgage seller counterparties. We could be required to absorb losses on defaulted loans that a failed mortgage seller is obligated to repurchase from us if we determine there was an underwriting eligibility breach.

Risk management steps we have taken or may take to mitigate our risk to mortgage sellers and servicers with whom we have significant counterparty exposure include guaranty of obligations by higher-rated entities, reduction or elimination of exposures, reduction or elimination of certain business activities, transfer of exposures to third parties, receipt of collateral and suspension or termination of the selling and servicing relationship.

We are exposed to the risk that a mortgage seller and servicer or another party involved in a mortgage loan transaction will engage in mortgage fraud by misrepresenting the facts about the loan. We have experienced significant financial losses in the past and may experience significant financial losses and reputational damage in the future as a result of mortgage fraud. See "Risk Factors" for a discussion of the risks to our business as a result of mortgage fraud.

Mortgage sellers and servicers may not meet the terms of their repurchase obligations, and we may be unable to recover on all outstanding loan repurchase obligations resulting from their breaches of contractual obligations. Failure by a significant mortgage seller or servicer, or a number of mortgage sellers or servicers, to fulfill repurchase obligations to us could result in an increase in our credit losses and credit-related expense, and have an adverse effect on our results of operations and financial condition. In addition, actions we take to pursue our contractual remedies could increase our costs, reduce our revenues, or otherwise have an adverse effect on our results of operations or financial condition. See "Single-Family Mortgage Credit Risk Management—Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards," for additional information regarding repurchase requests and the balance of our outstanding repurchase requests as of December 31, 2015.

Credit Guarantors

We use various types of credit guarantors to manage our mortgage credit risk, including mortgage insurers, financial guarantors, reinsurers and multifamily lenders with risk sharing.

Mortgage Insurers

We are generally required, pursuant to our charter, to obtain credit enhancements on single-family conventional mortgage loans that we purchase or securitize with LTV ratios over 80% at the time of purchase. We use several types of credit enhancements to manage our single-family mortgage credit risk, including primary and pool mortgage insurance coverage. Table 45 displays our risk in force for mortgage insurance coverage on single-family loans in our guaranty book of business and our insurance in force for our mortgage insurer counterparties, excluding insurance coverage provided by federal government entities. The table includes our top ten mortgage insurer counterparties, which provided over 99% of our total mortgage insurance coverage on single-family loans in our guaranty book of business. In addition, for our mortgage insurer counterparties not approved to write new business, we have provided the percentage of their claims payments the counterparties are currently deferring based on direction of state regulators, referred to as their deferred payment obligation. As of December 31, 2015 and 2014, approximately 1% of our total risk in force mortgage insurance coverage and approximately 2% of our total insurance in force mortgage insurance coverage was pool insurance.

Table 45: Mortgage Insurance Coverage

	As of December 31,				Deferred Payment Obligation %[3]
	2015	2014	2015	2014	
	Risk in Force[1]		Insurance in Force[2]		
	(Dollars in millions)				
Counterparty:[4]					
Approved:[5]					
United Guaranty Residential Insurance Co.	$ 27,396	$ 25,018	$105,627	$ 96,906	
Radian Guaranty, Inc.	25,191	24,284	98,274	95,845	
Mortgage Guaranty Insurance Corp.	23,850	22,184	92,026	86,069	
Genworth Mortgage Insurance Corp.	16,700	15,477	65,735	61,408	
Essent Guaranty, Inc.	8,787	6,637	35,673	27,679	
Arch Mortgage Insurance Co.	3,697	3,049	14,822	12,267	
National Mortgage Insurance Corp.	1,989	468	11,997	6,286	
Others	233	185	1,409	1,092	
Total approved	107,843	97,302	425,563	387,552	
Not approved:[5]					
PMI Mortgage Insurance Co.[6]	4,805	5,895	19,212	23,655	30%
Republic Mortgage Insurance Co.[6]	3,921	4,796	15,450	19,393	—
Triad Guaranty Insurance Corp.[6]	1,348	1,585	4,864	5,858	25%
Others	14	12	44	57	
Total not approved	10,088	12,288	39,570	48,963	
Total	$ 117,931	$ 109,590	$ 465,133	$ 436,515	
Total as a percentage of single-family guaranty book of business	4 %	4 %	16 %	15 %	

(1) Risk in force is generally the maximum potential loss recovery under the applicable mortgage insurance policies in force and is based on the loan level insurance coverage percentage and, if applicable, any aggregate pool loss limit, as specified in the policy.

(2) Insurance in force represents the unpaid principal balance of single-family loans in our guaranty book of business covered under the applicable mortgage insurance policies.

(3) Deferred payment obligation represents the percentage of cash payments on policyholder claims being deferred as directed by the insurer's respective regulator in the state of domicile as of December 31, 2015.

(4) Insurance coverage amounts provided for each counterparty may include coverage provided by consolidated affiliates and subsidiaries of the counterparty.

(5) "Approved" mortgage insurers are counterparties approved to write new insurance with us. "Not approved" mortgage insurers are counterparties that are no longer approved to write new insurance with us.

(6) These mortgage insurers are under various forms of supervised control by their state regulators and are in run-off.

We manage our exposure to mortgage insurers by maintaining eligibility requirements that an insurer must meet to become a qualified mortgage insurer. We require a certification and supporting documentation annually from each mortgage insurer and perform periodic reviews of mortgage insurers to confirm compliance with eligibility requirements and to evaluate their management, control and underwriting practices. Our monitoring of the mortgage insurers includes in-depth financial reviews and stress analyses of the insurers' portfolios and capital adequacy.

In April 2015 (with updates in June 2015 and December 2015), Fannie Mae published revised eligibility standards for approved private mortgage insurers, pursuant to a directive issued by FHFA to both Fannie Mae and Freddie Mac. The new standards, effective immediately for new applicants and on December 31, 2015 for existing approved insurers, include enhanced financial requirements, including risk-based and minimum asset standards, and are designed to ensure that mortgage insurers have sufficient liquid assets to pay all claims under a hypothetical future stress scenario. The new standards also set forth enhanced operational performance expectations and define remedial actions that may be imposed should an approved mortgage insurer fail to comply with the revised requirements. Fannie Mae and Freddie Mac established a framework and timelines for existing approved mortgage insurers to come into compliance with the new standards while they continue to insure new business eligible for delivery to us.

Although the financial condition of our primary mortgage insurer counterparties currently approved to write new business continued to improve during 2015, there is still risk that these counterparties may fail to fulfill their obligations to pay our claims under insurance policies. In addition, as shown in "Table 45: Mortgage Insurance Coverage," three of our top mortgage insurer counterparties—PMI, RMIC and Triad—are currently under various forms of supervised control by their state regulators and are in run-off, which increases the risk that these counterparties will pay claims only in part or fail to pay claims at all under existing insurance policies and could also cause the quality and speed of their claims processing to deteriorate. If we determine that it is probable that we will not collect all of our claims from one or more of our mortgage insurer counterparties, or if we have already made that determination but our estimate of the shortfall increases, it could result in an increase in our loss reserves, which could adversely affect our earnings, liquidity, financial condition and net worth. See "Risk Factors" for a discussion of the risks to our business of claims under our mortgage insurance policies not being paid in full or at all, including the risks associated with our three mortgage insurance counterparties that are in run-off.

When we estimate the credit losses that are inherent in our mortgage loans and under the terms of our guaranty obligations we also consider the recoveries that we will receive on primary mortgage insurance, as mortgage insurance recoveries would reduce the severity of the loss associated with defaulted loans. We evaluate the financial condition of our mortgage insurer counterparties and adjust the contractually due recovery amounts to ensure that only probable losses as of the balance sheet date are included in our loss reserve estimate. As a result, if our assessment of one or more of our mortgage insurer counterparties' ability to fulfill their respective obligations to us worsens, it could result in an increase in our loss reserves. The amount by which our estimated benefit from mortgage insurance reduced our total loss reserves was $2.3 billion as of December 31, 2015 and $4.1 billion as of December 31, 2014.

When an insured loan held in our retained mortgage portfolio subsequently goes into foreclosure, we charge off the loan, eliminating any previously-recorded loss reserves, and record REO and a mortgage insurance receivable for the claim proceeds deemed probable of recovery, as appropriate. However, if a mortgage insurer rescinds, cancels or denies insurance coverage, the initial receivable becomes due from the mortgage seller or servicer. We had outstanding receivables of $1.2 billion recorded in "Other assets" in our consolidated balance sheets as of December 31, 2015 and $1.4 billion as of December 31, 2014 related to amounts claimed on insured, defaulted loans excluding government insured loans. Of this amount, $241 million as of December 31, 2015 and $269 million as of December 31, 2014 was due from our mortgage sellers or servicers. We assessed the total outstanding receivables for collectibility, and they are recorded net of a valuation allowance of $770 million as of December 31, 2015 and $799 million as of December 31, 2014. The valuation allowance reduces our claim receivable to the amount which is considered probable of collection as of December 31, 2015 and 2014.

Financial Guarantors

We are the beneficiary of non-governmental financial guarantees on non-agency securities held in our retained mortgage portfolio and on non-agency securities that have been resecuritized to include a Fannie Mae guaranty and sold to third parties. The total unpaid principal balance of guaranteed non-agency securities in our retained mortgage portfolio was $3.2 billion as of December 31, 2015 and $4.6 billion as of December 31, 2014. See "Note 15, Concentrations of Credit Risk—Other Concentrations" for a further discussion of our exposure to financial guarantors.

We are also the beneficiary of financial guarantees included in securities issued by Freddie Mac, the federal government and its agencies that totaled $16.7 billion as of December 31, 2015 and $19.2 billion as of December 31, 2014.

Credit Insurance Risk Transfer Counterparties

In a credit insurance risk transfer transaction, we shift a portion of the credit risk on a reference pool of single-family mortgage loans to a panel of credit insurers or reinsurers. A portion of the credit insurers' or reinsurers' obligations are collateralized with highly-rated liquid assets held in a trust account. Our credit insurance risk transfer transactions are described in "Single-Family Mortgage Credit Risk Management—Transfer of Mortgage Credit Risk—Credit Risk-Sharing Transactions."

Multifamily Lenders with Risk Sharing

We enter into risk sharing agreements with lenders pursuant to which the lenders agree to bear all or some portion of the credit losses on the covered loans. Our maximum potential loss recovery from lenders under risk sharing agreements on DUS and non-DUS multifamily loans was $46.2 billion as of December 31, 2015, compared with $41.7 billion as of December 31, 2014. As of December 31, 2015, 40% of our maximum potential loss recovery on multifamily loans was from four DUS lenders, compared with 39% as of December 31, 2014.

As noted above in "Multifamily Mortgage Credit Risk Management—Multifamily Acquisition Policy and Underwriting Standards," our primary multifamily delivery channel is our DUS program, which is comprised of lenders that range from large depositories to independent non-bank financial institutions. As of December 31, 2015, approximately 35% of the unpaid principal balance of loans in our multifamily guaranty book of business serviced by our DUS lenders was from institutions with an external investment grade credit rating or a guaranty from an affiliate with an external investment grade credit rating, compared with approximately 36% as of December 31, 2014. Given the recourse nature of the DUS program, the lenders are bound by eligibility standards that dictate, among other items, minimum capital and liquidity levels, and the posting of collateral at a highly rated custodian to secure a portion of the lenders' future obligations. We actively monitor the financial condition of these lenders to help ensure the level of risk remains within our standards and to ensure required capital levels are maintained and are in alignment with actual and modeled loss projections.

Custodial Depository Institutions

A total of $31.5 billion in deposits for single-family payments were received and held by 263 institutions during the month of December 2015 and a total of $33.2 billion in deposits for single-family payments were received and held by 269 institutions during the month of December 2014. Of these total deposits, 92% as of December 31, 2015, compared with 93% as of December 31, 2014, were held by institutions rated as investment grade by S&P, Moody's and Fitch. Our transactions with custodial depository institutions are concentrated. Our six largest custodial depository institutions held 83% of these deposits as of December 31, 2015 and 2014.

We evaluate our custodial depository institutions to determine whether they are eligible to hold deposits on our behalf based on requirements specified in our Servicing Guide. If a custodial depository institution were to fail while holding remittances of borrower payments of principal and interest due to us in our custodial account, we would be an unsecured creditor of the depository for balances in excess of the deposit insurance protection and might not be able to recover all of the principal and interest payments being held by the depository on our behalf, or there might be a substantial delay in receiving these amounts. If this were to occur, we would be required to replace these amounts with our own funds to make payments that are due to Fannie Mae MBS certificateholders. Accordingly, the insolvency of one of our principal custodial depository counterparties could result in significant financial losses to us. During the month of December 2015, approximately $2.0 billion, or 6%, of our total deposits for single-family payments received and held by these institutions was in excess of the deposit insurance protection limit compared with approximately $2.4 billion, or 7%, during the month of December 2014. These amounts can vary as they are calculated based on individual payments of mortgage borrowers and we must estimate which borrowers are paying their regular principal and interest payments and other types of payments, such as prepayments from refinancing or sales.

Counterparty Credit Exposure of Investments Held in our Cash and Other Investments Portfolio

Our cash and other investments portfolio consists of cash and cash equivalents, securities purchased under agreements to resell or similar arrangements and U.S. Treasury securities. Our cash and other investment counterparties are primarily financial institutions and the Federal Reserve Bank. See "Liquidity and Capital Management—Liquidity Management—Cash and Other Investments Portfolio" for more detailed information on our cash and other investments portfolio.

As of December 31, 2015, our cash and other investments portfolio totaled $71.5 billion and included $29.5 billion of U.S. Treasury securities. As of December 31, 2014, our cash and other investments portfolio totaled $72.4 billion and included $19.5 billion of U.S. Treasury securities. As of December 31, 2015 and 2014, we held a total of $2.0 billion short-term unsecured deposits with two financial institutions that had a short-term credit rating of A-1 from S&P (or its equivalent), based on the lowest credit rating issued by S&P, Moody's and Fitch, and no other unsecured positions other than U.S. Treasury securities. The remaining amounts in our cash and other investment portfolio other than U.S. Treasury securities were primarily composed of securities purchased under agreements to resell or similar arrangements.

We monitor the credit risk position of our cash and other investments portfolio. If one of these counterparties fails to meet its obligations to us under the terms of the investments, it could result in financial losses to us and have a material adverse effect on our earnings, liquidity, financial condition and net worth.

Derivative Counterparty Credit Exposure

Our derivative counterparty credit exposure relates principally to interest rate derivative contracts. We are exposed to the risk that a counterparty in a derivative transaction will default on payments due to us, which may require us to seek a replacement derivative from a different counterparty. This replacement may be at a higher cost, or we may be unable to find a suitable replacement. Historically, our risk management derivative transactions have been made pursuant to bilateral contracts with a specific counterparty governed by the terms of an International Swaps and Derivatives Association Inc. master agreement. Pursuant to regulations implementing the Dodd-Frank Act that became effective in June 2013, we are required to submit certain categories of new interest rate swaps to a derivatives clearing organization. We refer to our derivative transactions made pursuant to bilateral contracts as our OTC derivative transactions and our derivative transactions accepted for clearing by a derivatives clearing organization as our cleared derivative transactions.

We manage our derivative counterparty credit exposure relating to our OTC derivative transactions through enforceable master netting arrangements. These arrangements allow us to net derivative assets and liabilities with the same counterparty. We also manage our derivative counterparty exposure relating to our OTC derivative transactions by requiring counterparties to post collateral, which includes cash, U.S. Treasury securities, agency debt and agency mortgage-related securities.

Our cleared derivative transactions are submitted to a derivatives clearing organization on our behalf through a clearing member of the organization. A contract accepted by a derivatives clearing organization is governed by the terms of the clearing organization's rules and arrangements between us and the clearing member of the clearing organization. As a result, we are exposed to the institutional credit risk of both the derivatives clearing organization and the member who is acting on our behalf. We manage our credit exposure relating to our cleared derivative transactions through enforceable master netting arrangements. These arrangements allow us to net our exposure to cleared derivatives by clearing organization and by clearing member.

Our institutional credit risk exposure to derivatives clearing organizations and certain of their members will increase substantially in the future as cleared derivative contracts comprise a larger percentage of our derivative instruments. We estimate our exposure to credit loss on derivative instruments by calculating the replacement cost, on a present value basis, to settle at current market prices all outstanding derivative contracts in a net gain position at the counterparty level where the right of legal offset exists.

The fair value of derivatives in a gain position is included in our consolidated balance sheets in "Other assets." Total exposure represents our exposure to credit loss on derivative instruments less the cash and non-cash collateral posted by our counterparties to us. This does not include collateral held in excess of exposure. Our total exposure was $31 million as of December 31, 2015 and $27 million as of December 31, 2014. The majority of our total exposure as of each date consisted of mortgage insurance contracts accounted for as derivatives.

As of December 31, 2015 and 2014, we had sixteen counterparties with which we may transact OTC derivative transactions, all of which were subject to enforceable master netting arrangements. We had outstanding notional amounts with all of these counterparties, and the highest concentration by our total outstanding notional amount was approximately 7% as of December 31, 2015 and 11% as of December 31, 2014.

See "Note 9, Derivative Instruments" and "Note 16, Netting Arrangements" for additional information on our derivative contracts as of December 31, 2015 and 2014.

Mortgage Originators, Investors and Dealers

We are routinely exposed to pre-settlement risk through the purchase or sale of closed mortgage loans and mortgage-related securities with mortgage originators, mortgage investors and mortgage dealers. The risk is the possibility that the counterparty will be unable or unwilling to either deliver mortgage assets or compensate us for the cost to cancel or replace the transaction. We manage this risk by determining position limits with these counterparties, based upon our assessment of their creditworthiness, and by monitoring and managing these exposures.

Debt Security Dealers

The credit risk associated with dealers that commit to place our debt securities is that they will fail to honor their contracts to take delivery of the debt, which could result in delayed issuance of the debt through another dealer. We manage these risks by establishing approval standards, monitoring our exposure positions and monitoring changes in the credit quality of dealers.

Document Custodians

We use third-party document custodians to provide loan document certification and custody services for some of the loans that we purchase and securitize. In many cases, our lender customers or their affiliates also serve as document custodians for us. Our ownership rights to the mortgage loans that we own or that back our Fannie Mae MBS could be challenged if a lender intentionally or negligently pledges or sells the loans that we purchased or fails to obtain a release of prior liens on the loans that we purchased, which could result in financial losses to us. When a lender or one of its affiliates acts as a document custodian for us, the risk that our ownership interest in the loans may be adversely affected is increased, particularly in the event the lender were to become insolvent. We mitigate these risks through legal and contractual arrangements with these custodians that identify our ownership interest, as well as by establishing qualifying standards for document custodians and requiring removal of the documents to our possession or to an independent third-party document custodian if we have concerns about the solvency or competency of the document custodian.

Market Risk Management, Including Interest Rate Risk Management

We are subject to market risk, which includes interest rate risk, spread risk and liquidity risk. These risks arise from our mortgage asset investments. Interest rate risk is the risk of loss in value or expected future earnings that may result from changes to interest rates. Spread risk or basis risk is the resulting impact of changes in the spread between our mortgage assets and our debt and derivatives we use to hedge our position. Liquidity risk is the risk that we will not be able to meet our funding obligations in a timely manner.

Interest Rate Risk Management

Our goal is to manage market risk to be neutral to movements in interest rates and volatility, subject to model constraints and prevailing market conditions. We employ an integrated interest rate risk management strategy that allows for informed risk taking within pre-defined corporate risk limits. Decisions regarding our strategy in managing interest rate risk are based upon our corporate market risk policy and limits that are established by our Chief Risk Officer of Capital Markets and are subject to review and approval by our Board of Directors. Our Capital Markets Group has primary responsibility for executing our interest rate risk management strategy.

We have actively managed the interest rate risk of our "net portfolio," which is defined below, through the following techniques: (1) asset selection and structuring (that is, by identifying or structuring mortgage assets with attractive prepayment and other risk characteristics); (2) issuing a broad range of both callable and non-callable debt instruments; and (3) using interest-rate derivatives. We have not actively managed or hedged our spread risk or basis risk, which would include the impact of changes in the spread between our mortgage assets and debt (referred to as mortgage-to-debt spreads) after we purchase mortgage assets, other than through asset monitoring and disposition. For mortgage assets in our portfolio that we intend to hold to maturity to realize the contractual cash flows, we accept period-to-period volatility in our financial performance attributable to changes in mortgage-to-debt spreads that occur after our purchase of mortgage assets. See "Risk Factors" for a discussion of the risks to our business posed by changes in interest rates or the loss of our ability to successfully manage interest risk.

We monitor current market conditions, including the interest rate environment, to assess the impact of these conditions on individual positions and our interest rate risk profile. In addition to qualitative factors, we use various quantitative risk metrics in determining the appropriate composition of our retained mortgage portfolio, our investments in non-mortgage securities and relative mix of debt and derivatives positions in order to remain within pre-defined risk tolerance levels that we consider acceptable. We regularly disclose two interest rate risk metrics that estimate our interest rate exposure: (1) fair value sensitivity to changes in interest rate levels and the slope of the yield curve and (2) duration gap.

The metrics used to measure our interest rate exposure are generated using internal models. Our internal models, consistent with standard practice for models used in our industry, require numerous assumptions. There are inherent limitations in any methodology used to estimate the exposure to changes in market interest rates. The reliability of our prepayment estimates and interest rate risk metrics depends on the availability and quality of historical data for each of the types of securities in our net portfolio. When market conditions change rapidly and dramatically, as they did during the financial market crisis of late 2008, the assumptions of our models may no longer accurately capture or reflect the changing conditions. On a continuous basis, management makes judgments about the appropriateness of the risk assessments indicated by the models. See "Risk Factors" for a discussion of the risks associated with our reliance on models to manage risk.

Sources of Interest Rate Risk Exposure

The primary source of our interest rate risk is the composition of our net portfolio. Our net portfolio consists of our retained mortgage portfolio assets; cash and other investments portfolio; our outstanding debt of Fannie Mae that is used to fund the retained mortgage portfolio assets and cash and other investments portfolio; mortgage commitments and risk management derivatives. Risk management derivatives along with our debt instruments are used to manage interest rate risk.

Our performing mortgage assets consist mainly of single-family and multifamily mortgage loans. For single-family loans, borrowers have the option to prepay at any time before the scheduled maturity date or continue paying until the stated maturity. Given this prepayment option held by the borrower, we are exposed to uncertainty as to when or at what rate prepayments will occur, which affects the length of time our mortgage assets will remain outstanding and the timing of the cash flows related to these assets. This prepayment uncertainty results in a potential mismatch between the timing of receipt of cash flows related to our assets and the timing of payment of cash flows related to our liabilities.

Changes in interest rates, as well as other factors, influence mortgage prepayment rates and duration and also affect the value of our mortgage assets. When interest rates decrease, prepayment rates on fixed-rate mortgages generally accelerate because borrowers usually can pay off their existing mortgages and refinance at lower rates. Accelerated prepayment rates have the effect of shortening the duration and average life of the fixed-rate mortgage assets we hold in our net portfolio. In a declining interest rate environment, existing mortgage assets held in our net portfolio tend to increase in value or price because these mortgages are likely to have higher interest rates than new mortgages, which are being originated at the then-current lower interest rates. Conversely, when interest rates increase, prepayment rates generally slow, which extends the duration and average life of our mortgage assets and results in a decrease in value.

Although the fair value of our guaranty assets and our guaranty obligations is highly sensitive to changes in interest rates and the market's perception of future credit performance, we do not actively manage the change in the fair value of our guaranty business that is attributable to changes in interest rates. We do not believe that periodic changes in fair value due to movements in interest rates are the best indication of the long-term value of our guaranty business because these changes do not take into account future guaranty business activity.

Interest Rate Risk Management Strategy

Our goal for managing the interest rate risk of our net portfolio is to be neutral to movements in interest rates and volatility. This involves asset selection and structuring of our liabilities to match and offset the interest rate characteristics of our retained mortgage portfolio and our investments in non-mortgage securities. Our strategy consists of the following principal elements:

- *Debt Instruments.* We issue a broad range of both callable and non-callable debt instruments to manage the duration and prepayment risk of expected cash flows of the mortgage assets we own.
- *Derivative Instruments.* We supplement our issuance of debt with derivative instruments to further reduce duration and prepayment risks.
- *Monitoring and Active Portfolio Rebalancing.* We continually monitor our risk positions and actively rebalance our portfolio of interest rate-sensitive financial instruments to maintain a close match between the duration of our assets and liabilities.

Debt Instruments

Historically, the primary tool we have used to fund the purchase of mortgage assets and manage the interest rate risk implicit in our mortgage assets is the variety of debt instruments we issue. The debt we issue is a mix that typically consists of short- and long-term, non-callable and callable debt. The varied maturities and flexibility of these debt combinations help us in reducing the mismatch of cash flows between assets and liabilities in order to manage the duration risk associated with an investment in long-term fixed-rate assets. Callable debt helps us manage the prepayment risk associated with fixed-rate mortgage assets because the duration of callable debt changes when interest rates change in a manner similar to changes in the duration of mortgage assets. See "Liquidity and Capital Management—Liquidity Management—Debt Funding" for additional information on our debt activity.

Derivative Instruments

Derivative instruments also are an integral part of our strategy in managing interest rate risk. Derivative instruments may be privately negotiated contracts, which are often referred to as over-the-counter derivatives, or they may be listed and traded on an exchange. When deciding whether to use derivatives, we consider a number of factors, such as cost, efficiency, the effect on our liquidity and results of operations, and our interest rate risk management strategy.

The derivatives we use for interest rate risk management purposes fall into these broad categories:

- *Interest rate swap contracts.* An interest rate swap is a transaction between two parties in which each agrees to exchange, or swap, interest payments. The interest payment amounts are tied to different interest rates or indices for a specified period of time and are generally based on a notional amount of principal. The types of interest rate swaps we use include pay-fixed swaps, receive-fixed swaps and basis swaps.
- *Interest rate option contracts.* These contracts primarily include pay-fixed swaptions, receive-fixed swaptions, cancelable swaps and interest rate caps. A swaption is an option contract that allows us or a counterparty to enter into a pay-fixed or receive-fixed swap at some point in the future.
- *Foreign currency swaps.* These swaps convert debt that we issue in foreign denominated currencies into U.S. dollars. We enter into foreign currency swaps only to the extent that we hold foreign currency debt.
- *Futures.* These are standardized exchange-traded contracts that either obligate a buyer to buy an asset at a predetermined date and price or a seller to sell an asset at a predetermined date and price. The types of futures contracts we enter into include Eurodollar, U.S. Treasury and swaps.

We use interest rate swaps, interest rate options and futures, in combination with our issuance of debt securities, to better match the duration of our assets with the duration of our liabilities. We are generally an end user of derivatives; our principal purpose in using derivatives is to manage our aggregate interest rate risk profile within prescribed risk parameters. We generally only use derivatives that are relatively liquid and straightforward to value. We use derivatives for four primary purposes:

(1) As a substitute for notes and bonds that we issue in the debt markets;

(2) To achieve risk management objectives not obtainable with debt market securities;

(3) To quickly and efficiently rebalance our portfolio; and

(4) To hedge foreign currency exposure.

Decisions regarding the repositioning of our derivatives portfolio are based upon current assessments of our interest rate risk profile and economic conditions, including the composition of our retained mortgage portfolio, our investments in non-mortgage securities and relative mix of our debt and derivative positions, the interest rate environment and expected trends.

Measurement of Interest Rate Risk

Below we present two quantitative metrics that provide estimates of our interest rate risk exposure: (1) fair value sensitivity of our net portfolio to changes in interest rate levels and slope of yield curve; and (2) duration gap. The metrics presented are calculated using internal models that require standard assumptions regarding interest rates and future prepayments of principal over the remaining life of our securities. These assumptions are derived based on the characteristics of the underlying structure of the securities and historical prepayment rates experienced at specified interest rate levels, taking into account current market conditions, the current mortgage rates of our existing outstanding loans, loan age and other factors. On a continuous basis, management makes judgments about the appropriateness of the risk assessments and will make adjustments as necessary to properly assess our interest rate exposure and manage our interest rate risk. The methodologies used to calculate risk estimates are periodically changed on a prospective basis to reflect improvements in the underlying estimation process.

Interest Rate Sensitivity to Changes in Interest Rate Level and Slope of Yield Curve

Pursuant to a disclosure commitment with FHFA, we disclose on a monthly basis the estimated adverse impact on the fair value of our net portfolio that would result from the following hypothetical situations:

- A 50 basis point shift in interest rates.
- A 25 basis point change in the slope of the yield curve.

In measuring the estimated impact of changes in the level of interest rates, we assume a parallel shift in all maturities of the U.S. LIBOR interest rate swap curve.

In measuring the estimated impact of changes in the slope of the yield curve, we assume a constant 7-year rate and a shift of 16.7 basis points for the 1-year rate and 8.3 basis points for the 30-year rate. We believe the aforementioned interest rate shocks for our monthly disclosures represent moderate movements in interest rates over a one-month period.

Duration Gap

Duration gap measures the price sensitivity of our assets and liabilities in our net portfolio to changes in interest rates by quantifying the difference between the estimated durations of our assets and liabilities. Our duration gap analysis reflects the extent to which the estimated maturity and repricing cash flows for our assets are matched, on average, over time and across interest rate scenarios to those of our liabilities. A positive duration gap indicates that the duration of our assets exceeds the duration of our liabilities. We disclose duration gap on a monthly basis under the caption “Interest Rate Risk Disclosures” in our Monthly Summary, which is available on our website and announced in a press release.

While our goal is to reduce the price sensitivity of our net portfolio to movements in interest rates, various factors can contribute to a duration gap that is either positive or negative. For example, changes in the market environment can increase or decrease the price sensitivity of our mortgage assets relative to the price sensitivity of our liabilities because of prepayment uncertainty associated with our assets. In a declining interest rate environment, prepayment rates tend to accelerate, thereby shortening the duration and average life of the fixed rate mortgage assets we hold in our net portfolio. Conversely, when interest rates increase, prepayment rates generally slow, which extends the duration and average life of our mortgage assets. Our debt and derivative instrument positions are used to manage the interest rate sensitivity of our retained mortgage portfolio and our investments in non-mortgage securities. As a result, the degree to which the interest rate sensitivity of our retained mortgage portfolio and our investments in non-mortgage securities is offset will be dependent upon, among other factors, the mix of funding and other risk management derivative instruments we use at any given point in time.

The market value sensitivities of our net portfolio are a function of both the duration and the convexity of our net portfolio. Duration provides a measure of the price sensitivity of a financial instrument to changes in interest rates while convexity reflects the degree to which the duration of the assets and liabilities in our net portfolio changes in response to a given change in interest rates. We use convexity measures to provide us with information about how quickly and by how much our net portfolio's duration may change in different interest rate environments. The market value sensitivity of our net portfolio will depend on a number of factors, including the interest rate environment, modeling assumptions and the composition of assets and liabilities in our net portfolio, which vary over time.

Results of Interest Rate Sensitivity Measures

The interest rate risk measures discussed below exclude the impact of changes in the fair value of our guaranty assets and liabilities resulting from changes in interest rates. We exclude our guaranty business from these sensitivity measures based on our current assumption that the guaranty fee income generated from future business activity will largely replace guaranty fee income lost due to mortgage prepayments.

Table 46 displays the pre-tax market value sensitivity of our net portfolio to changes in the level of interest rates and the slope of the yield curve as measured on the last day of each period presented. In addition, the table also provides the daily average, minimum, maximum and standard deviation values for duration gap and for the most adverse market value impact on the net portfolio to changes in the level of interest rates and the slope of the yield curve for the three months ended December 31, 2015 and 2014.

The sensitivity measures displayed in Table 46, which we disclose on a quarterly basis pursuant to a disclosure commitment with FHFA, are an extension of our monthly sensitivity measures. There are three primary differences between our monthly sensitivity disclosure and the quarterly sensitivity disclosure presented below: (1) the quarterly disclosure is expanded to include the sensitivity results for larger rate level shocks of plus or minus 100 basis points; (2) the monthly disclosure reflects the estimated pre-tax impact on the market value of our net portfolio calculated based on a daily average, while the quarterly disclosure reflects the estimated pre-tax impact calculated based on the estimated financial position of our net portfolio and the market environment as of the last business day of the quarter; and (3) the monthly disclosure shows the most adverse pre-tax impact on the market value of our net portfolio from the hypothetical interest rate shocks, while the quarterly disclosure includes the estimated pre-tax impact of both up and down interest rate shocks.

Table 46: Interest Rate Sensitivity of Net Portfolio to Changes in Interest Rate Level and Slope of Yield Curve[1]

	As of December 31,[2] 2015	As of December 31,[2] 2014
	(Dollars in billions)	
Rate level shock:		
-100 basis points	$ 0.4	$ 0.4
-50 basis points	0.1	0.1
+50 basis points	(0.1)	(0.1)
+100 basis points	(0.4)	(0.1)
Rate slope shock:		
-25 basis points (flattening)	0.0	0.0
+25 basis points (steepening)	(0.0)	(0.0)

	For the Three Months Ended December 31, 2015[3]		
	Duration Gap	Rate Slope Shock 25 bps	Rate Level Shock 50 bps
		Exposure	
	(In months)	(Dollars in billions)	
Average	0.0	$ 0.0	$ 0.1
Minimum	(1.2)	0.0	0.0
Maximum	1.2	0.1	0.2
Standard deviation	0.5	0.0	0.1

	For the Three Months Ended December 31, 2014[3]		
	Duration Gap	Rate Slope Shock 25 bps	Rate Level Shock 50 bps
		Exposure	
	(In months)	(Dollars in billions)	
Average	0.1	$ 0.1	$ 0.0
Minimum	(0.3)	0.0	0.0
Maximum	0.5	0.1	0.1
Standard deviation	0.2	0.0	0.0

(1) Computed based on changes in U.S. LIBOR interest rates swap curve.

(2) Measured on the last day of each period presented.

(3) Computed based on daily values during the period presented.

The market value sensitivity of our net portfolio varies across a range of interest rate shocks depending upon the duration and convexity profile of our net portfolio. The average duration gap was zero months for the last three months of 2015, which is consistent with the average duration gap for the last three months of 2014. Because the effective duration gap of our net portfolio was close to zero months in the periods presented, convexity risk was the primary driver of the market value sensitivity of our net portfolio in those periods.

A majority of the interest rate risk associated with our mortgage-related securities and loans is hedged with our debt issuances, which include callable debt. We use derivatives to help manage the residual interest rate risk exposure between our assets and liabilities. Derivatives have enabled us to keep our interest rate risk exposure at consistently low levels in a wide range of interest-rate environments. Table 47 displays an example of how derivatives impacted the net market value exposure for a 50 basis point parallel interest rate shock.

Table 47: Derivative Impact on Interest Rate Risk (50 Basis Points)[(1)]

	As of December 31,	
	2015	2014
	(Dollars in billions)	
Before derivatives	$ (1.5)	$ (1.9)
After derivatives	(0.1)	(0.1)
Effect of derivatives.	1.4	1.8

(1) Measured on the last day of each period presented.

Liquidity Risk Management

See "Liquidity and Capital Management—Liquidity Management" for a discussion of how we manage liquidity risk.

Operational Risk Management

Operational risk is the risk of loss or harm resulting from inadequate or failed internal processes, people or systems, or from external events. Our corporate operational risk framework is based on FHFA's Advisory Bulletin AB 2014-02 on Operational Risk Management. Our operational risk framework is intended to provide a methodology to identify, assess, mitigate, control and monitor operational risks by embedding the concepts of operational risk in the day-to-day activities of individuals across the company. Included in this framework is a requirement for a system to track and report operational risk incidents. The framework also includes a methodology for business owners to conduct risk and control self-assessments to self-identify potential operational risks and points of execution failure, the effectiveness of associated controls, and document corrective action plans to close identified deficiencies. We continue to enhance our risk-conscious culture, in which all employees are expected to identify, discuss, manage and remediate potential and actual operational risks. The success of our operational risk efforts will depend on the consistent execution of the operational risk programs and the timely remediation of high operational risk issues. To quantify our operational risk exposure, we rely on the Basel Standardized approach, which is based on a percentage of gross income.

While each business unit is responsible for managing its operational risk, our Operational Risk Management group provides the business units and process owners with the tools, techniques, expertise and guiding principles to assist them in prudent management of their operational risk exposure. Operational risk lead teams, comprised of centralized resources within our Enterprise Risk Management division, are aligned with each of our primary business units as well as with our corporate functions such as finance and legal. Each risk lead reports to the Vice President and Chief Risk Officer of Operational Risk, who reports directly to the Senior Vice President and Chief Risk Officer. The management-level Operational Risk Committee provides an additional governance forum for overseeing risk management activities related to operational risk.

See "Risk Factors" for more information regarding our operational risk and "Risk Management" for more information regarding our governance of operational risk management.

Cyber Risk Management

Our operations rely on the secure receipt, processing, storage and transmission of confidential and other information in our computer systems and networks and with our business partners, including confidential or personal information that is subject to privacy laws, regulations or customer-imposed controls. Information security risks for large institutions like us have significantly increased in recent years and from time to time we have been, and likely will continue to be, the target of attempted cyber attacks and other information security breaches. We take measures to protect the security of our computer systems, software and networks. These risks are an unavoidable result of being in business, and managing these risks is part of our business activities. To date, we have not experienced any material losses relating to cyber attacks. See "Risk Factors" for additional discussion of cybersecurity risks to our business.

We have made a number of enhancements to our cyber risk management in recent years including:

- establishing a cyber risk management framework that aligns to the enterprise risk management framework, the National Institute of Standards and Technology (NIST) Framework for Improving Critical Infrastructure Cybersecurity, and FHFA's Advisory Bulletin AB 2014-05 on Cyber Risk Management;
- developing a cyber risk appetite that articulates broadly the cyber risks that the company is willing to accept;
- providing a robust suite of reporting to provide a comprehensive view of the health and progress of our cybersecurity program;

- redesigning our cybersecurity program and organization to strengthen our focus and technical capabilities;
- expanding relationships to proactively defend the company by engaging with private, government and commercial entities;
- obtaining insurance coverage relating to cybersecurity risks; and
- performing a quarterly cross-functional cyber attack response exercise to strengthen our response capabilities.

Management of Business Resiliency

Our business resiliency program is designed to provide reasonable assurance for continuity of critical business operations in the event of disruptions caused by the loss of facilities, technology or personnel. We recently built an out-of-region data center for disaster recovery in order to increase the geographic diversity of our business continuity plans. This data center became operational in the fourth quarter of 2014. Despite the planning, testing and preparation of back up venues that we engage in, a catastrophic event may still result in a significant business disruption and financial losses. See "Risk Factors" for a discussion of the risks to our business relating to a catastrophic event that could disrupt our business.

Non-Mortgage-Related Fraud Risk

Our anti-fraud program provides a framework for managing non-mortgage-related fraud risk. The program is designed to provide reasonable assurance for the prevention and detection of non-mortgage-related fraudulent activity. However, because fraudulent activity requires the intentional circumvention of the internal control structure, the efforts of the program may not always prevent, or immediately detect, instances of such activity.

IMPACT OF FUTURE ADOPTION OF NEW ACCOUNTING GUIDANCE

We identify and discuss the expected impact on our consolidated financial statements of recently issued accounting guidance in "Note 1, Summary of Significant Accounting Policies."

GLOSSARY OF TERMS USED IN THIS REPORT

Terms used in this report have the following meanings, unless the context indicates otherwise.

An *"Acquired credit-impaired loan"* refers to a loan we have acquired for which there is evidence of credit deterioration since origination and for which it is probable we will not be able to collect all of the contractually due cash flows. We record our net investment in such loans at the lower of the acquisition cost of the loan or the estimated fair value of the loan at the date of acquisition. Typically, loans we acquire from our unconsolidated MBS trusts pursuant to our option to purchase upon default meet these criteria. Because we acquire these loans from our MBS trusts at par value plus accrued interest, to the extent the par value of a loan exceeds the estimated fair value at the time we acquire the loan, we record the related fair value loss as a charge against the "Reserve for guaranty losses."

"Advisory Bulletin" refers to FHFA's Advisory Bulletin AB 2012-02, "Framework for Adversely Classifying Loans, Other Real Estate Owned, and Other Assets and Listing Assets for Special Mention."

"Alt-A mortgage loan" or *"Alt-A loan"* generally refers to a mortgage loan originated under a lender's program offering reduced or alternative documentation than that required for a full documentation mortgage loan but may also include other alternative product features. As a result, Alt-A mortgage loans have a higher risk of default than non-Alt-A mortgage loans. We classify certain loans as Alt-A so that we can discuss our exposure to Alt-A loans in this Form 10-K and elsewhere. However, there is no universally accepted definition of Alt-A loans. In reporting our Alt-A exposure, we have classified mortgage loans as Alt-A if and only if the lenders that delivered the mortgage loans to us classified the loans as Alt-A, based on documentation or other product features. We have loans with some features that are similar to Alt-A mortgage loans that we have not classified as Alt-A because they do not meet our classification criteria. We do not rely solely on our classifications of loans as Alt-A to evaluate the credit risk exposure relating to these loans in our single-family conventional guaranty book of business. For more information about the credit risk characteristics of loans in our single-family guaranty book of business, see "Risk Management—Credit Risk Management—Mortgage Credit Risk Management—Single-Family Mortgage Credit Risk Management," "Note 3, Mortgage Loans" and "Note 6, Financial Guarantees." We have classified private-label mortgage-related securities held in our retained mortgage portfolio as Alt-A if the securities were labeled as such when issued. For more information on the Alt-A loans and securities in our mortgage credit book of business, see "Note 15, Concentrations of Credit Risk."

"Business volume" refers to the sum in any given period of the unpaid principal balance of: (1) the mortgage loans and mortgage-related securities we purchase for our retained mortgage portfolio; (2) the mortgage loans we securitize into Fannie Mae MBS that are acquired by third parties; and (3) credit enhancements that we provide on our mortgage assets. It excludes mortgage loans we securitize from our portfolio and the purchase of Fannie Mae MBS for our retained mortgage portfolio.

"Buy-ups" refer to upfront payments we make to lenders to adjust the monthly contractual guaranty fee rate on a Fannie Mae MBS so that the pass-through coupon rate on the MBS is in a more easily tradable increment of a whole or half percent.

"Buy-downs" refer to upfront payments we receive from lenders to adjust the monthly contractual guaranty fee rate on a Fannie Mae MBS so that the pass-through coupon rate on the MBS is in a more easily tradable increment of a whole or half percent.

"Charge-off" refers to loan amounts written off as uncollectible bad debts. These loan amounts are removed from our consolidated balance sheet and charged against our loss reserves when the balance is deemed uncollectible, which is generally at foreclosure or other liquidation events (such as deed-in-lieu of foreclosure or a short-sale). Also includes charge-offs related to the Advisory Bulletin.

"Combined loss reserves" consists of our allowance for loan losses and reserve for guaranty losses. Our combined loss reserves reflects our estimate of the probable losses we have incurred in our guaranty book of business, including concessions we granted borrowers upon modification of their loans.

"Connecticut Avenue Securities" refers to a type of debt structure that allows Fannie Mae to transfer a portion of the credit risk from loan reference pools, consisting of certain single-family mortgage loans in our single-family guaranty book of business, to third-party investors.

"Conventional mortgage" refers to a mortgage loan that is not guaranteed or insured by the U.S. government or its agencies, such as the VA, the FHA or the Rural Development Housing and Community Facilities Program of the Department of Agriculture.

"Credit enhancement" refers to an agreement used to reduce credit risk by requiring collateral, letters of credit, mortgage insurance, corporate guarantees, or other agreements to provide an entity with some assurance that it will be compensated to some degree in the event of a financial loss.

"Duration" refers to the sensitivity of the value of a financial instrument to changes in interest rates. The duration of a financial instrument is the expected percentage change in its value in the event of a change in interest rates of 100 basis points.

"Guaranty book of business" refers to the sum of the unpaid principal balance of: (1) mortgage loans of Fannie Mae; (2) mortgage loans underlying Fannie Mae MBS; and (3) other credit enhancements that we provide on mortgage assets. It excludes non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio for which we do not provide a guaranty.

"Implied volatility" refers to the market's expectation of the magnitude of future changes in interest rates.

"Interest rate swap" refers to a transaction between two parties in which each agrees to exchange payments tied to different interest rates or indices for a specified period of time, generally based on a notional principal amount. An interest rate swap is a type of derivative.

"HARP loans" refer to loans we have acquired through the Obama Administration's Home Affordable Refinance Program ("HARP"), which allows eligible Fannie Mae borrowers with high LTV ratio loans to refinance into more sustainable loans.

"LIHTC partnerships" refer to low-income housing tax credit limited partnerships or limited liability companies.

"Loans," "mortgage loans" and *"mortgages"* refer to both whole loans and loan participations, secured by residential real estate, cooperative shares or by manufactured housing units.

"Mortgage assets," when referring to our assets, refers to both mortgage loans and mortgage-related securities we hold in our retained mortgage portfolio. For purposes of the senior preferred stock purchase agreement, the definition of mortgage assets is based on the unpaid principal balance of such assets and does not reflect market valuation adjustments, allowance for loan losses, impairments, unamortized premiums and discounts and the impact of our consolidation of variable interest entities. We disclose the amount of our mortgage assets for purposes of the senior preferred stock purchase agreement on a monthly basis under the caption "Gross Mortgage Portfolio" in our Monthly Summaries, which are available on our website and announced in a press release.

"Mortgage-backed securities" or "MBS" refers generally to securities that represent beneficial interests in pools of mortgage loans or other mortgage-related securities. These securities may be issued by Fannie Mae or by others.

"Mortgage credit book of business" refers to the sum of the unpaid principal balance of: (1) mortgage loans of Fannie Mae; (2) mortgage loans underlying Fannie Mae MBS; (3) non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio; and (4) other credit enhancements that we provide on mortgage assets.

"Multifamily mortgage loan" refers to a mortgage loan secured by a property containing five or more residential dwelling units.

"New business purchases" refers to single-family and multifamily whole mortgage loans purchased during the period and single-family and multifamily mortgage loans underlying Fannie Mae MBS issued during the period pursuant to lender swaps.

"Notional amount" refers to the hypothetical dollar amount in an interest rate swap transaction on which exchanged payments are based. The notional amount in an interest rate swap transaction generally is not paid or received by either party to the transaction, or generally perceived as being at risk. The notional amount is typically significantly greater than the potential market or credit loss that could result from such transaction.

"Option-adjusted spread" refers to the incremental expected return between a security, loan or derivative contract and a benchmark yield curve (typically, U.S. Treasury securities, LIBOR and swaps or agency debt securities). The option-adjusted spread provides explicit consideration of the variability in the security's cash flows across multiple interest rate scenarios resulting from any options embedded in the security, such as prepayment options. For example, the option-adjusted spread of a mortgage that can be prepaid by the homeowner without penalty is typically lower than a nominal yield spread to the same benchmark because the option-adjusted spread reflects the exercise of the prepayment option by the homeowner, which lowers the expected return of the mortgage investor. In other words, option-adjusted spread for mortgage loans is a risk-adjusted spread after consideration of the prepayment risk in mortgage loans. The market convention for mortgages is typically to quote their option-adjusted spread to swaps. The option-adjusted spread of our debt and derivative instruments are also frequently quoted to swaps. The option-adjusted spread of our net mortgage assets is therefore the combination of these two spreads to swaps and is the option-adjusted spread between our assets and our funding and hedging instruments.

"Outstanding Fannie Mae MBS" refers to the total unpaid principal balance of Fannie Mae MBS that is held by third-party investors and held in our retained mortgage portfolio.

"Pay-fixed swap" refers to an interest rate swap trade under which we pay a predetermined fixed rate of interest based upon a set notional amount and receive a variable interest payment based upon a stated index, with the index resetting at regular intervals over a specified period of time. These contracts generally increase in value as interest rates rise and decrease in value as interest rates fall.

"Private-label securities" or *"PLS"* refers to mortgage-related securities issued by entities other than agency issuers Fannie Mae, Freddie Mac or Ginnie Mae.

"Receive-fixed swap" refers to an interest rate swap trade under which we make a variable interest payment based upon a stated index, with the index resetting at regular intervals, and receive a predetermined fixed rate of interest based upon a set notional amount and over a specified period of time. These contracts generally increase in value as interest rates fall and decrease in value as interest rates rise.

"Recorded investment of held-for-investment loans" refers to loans at the unpaid principal balance, net of unamortized premiums and discounts, other cost basis adjustments, and accrued interest receivable.

"Refi Plus loans" refers to loans we acquire under our Refi Plus initiative, which offers additional refinancing flexibility to eligible borrowers who are current on their loans and whose loans are owned or guaranteed by us and meet certain additional criteria. Refi Plus has no limits on maximum LTV ratio and provides mortgage insurance flexibilities for loans with LTV ratios greater than 80%.

"REMIC" or *"Real Estate Mortgage Investment Conduit"* refers to a type of mortgage-related security in which interest and principal payments from mortgages or mortgage-related securities are structured into separately traded securities.

"REO" refers to real-estate owned by Fannie Mae because we have foreclosed on the property or obtained the property through a deed-in-lieu of foreclosure.

"Retained mortgage portfolio" refers to the mortgage-related assets we own (which excludes the portion of assets held by consolidated MBS trusts that back mortgage-related securities owned by third parties).

"Single-class Fannie Mae MBS" refers to Fannie Mae MBS where the investors receive principal and interest payments in proportion to their percentage ownership of the MBS issue.

"Single-family mortgage loan" refers to a mortgage loan secured by a property containing four or fewer residential dwelling units.

"Structured Fannie Mae MBS" refers to Fannie Mae MBS that are resecuritizations of other Fannie Mae MBS.

"Subprime mortgage loan" generally refers to a mortgage loan made to a borrower with a weaker credit profile than that of a prime borrower. As a result of the weaker credit profile, subprime borrowers have a higher likelihood of default than prime borrowers. Subprime mortgage loans were typically originated by lenders specializing in this type of business or by subprime divisions of large lenders, using processes unique to subprime loans. We classify certain loans as subprime so that we can discuss our exposure to subprime loans in this Form 10-K and elsewhere. However, there is no universally accepted definition of subprime loans. In reporting our subprime exposure, we have classified mortgage loans as subprime if and only if the loans were originated by a lender specializing in subprime business or by a subprime division of a large lender; however, we exclude loans originated by these lenders from the subprime classification if we acquired the loans in accordance with our standard underwriting criteria, which typically require compliance by the seller with our Selling Guide (including standard representations and warranties) and/or evaluation of the loans through our Desktop Underwriter system. We have loans with some features that are similar to subprime mortgage loans that we have not classified as subprime because they do not meet our classification criteria. We do not rely solely on our classifications of loans as subprime to evaluate the credit risk exposure relating to these loans in our single-family conventional guaranty book of business. We are not currently acquiring newly originated subprime loans, although we are acquiring refinancings of existing Fannie Mae subprime loans in connection with our Refi Plus initiative. Unlike the loans they replace, these refinancings are not included in our reported subprime loans because they do not meet our classification criteria for subprime loans. We have classified private-label mortgage-related securities held in our retained mortgage portfolio as subprime if the securities were labeled as such when issued. For more information on the subprime securities in our mortgage credit book of business, see "Note 5, Investments in Securities."

"Swaption" refers to an option that gives the option buyer the right, but not the obligation, to enter into an interest rate swap on a future date with the option seller on terms specified on the date the parties agreed to the swaption.

"TCCA fees" refers to the expense recognized as a result of the 10 basis point increase in guaranty fees on all single-family residential mortgages delivered to us on or after April 1, 2012 and before January 1, 2022 pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011, which we remit to Treasury on a quarterly basis.

"Total loss reserves" consists of our allowance for loan losses, our allowance for preforeclosure property taxes and insurance receivable and our reserve for guaranty losses. Our total loss reserves reflect our estimate of the probable losses we have incurred in our guaranty book of business, including concessions we granted borrowers upon modification of their loans.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Information about market risk is set forth in "MD&A—Risk Management—Market Risk Management, Including Interest Rate Risk Management."

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and notes thereto are included elsewhere in this annual report on Form 10-K as described below in "Exhibits and Financial Statement Schedules."

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

OVERVIEW

We are required under applicable laws and regulations to maintain controls and procedures, which include disclosure controls and procedures as well as internal control over financial reporting, as further described below.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures refer to controls and other procedures designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as in effect as of December 31, 2015, the end of the period covered by this report. As a result of management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as of December 31, 2015 or as of the date of filing this report.

Our disclosure controls and procedures were not effective as of December 31, 2015 or as of the date of filing this report because they did not adequately ensure the accumulation and communication to management of information known to FHFA that is needed to meet our disclosure obligations under the federal securities laws. As a result, we were not able to rely upon the disclosure controls and procedures that were in place as of December 31, 2015 or as of the date of this filing, and we continue to have a material weakness in our internal control over financial reporting. This material weakness is described in more detail below under "Management's Report on Internal Control Over Financial Reporting—Description of Material Weakness." Based on discussions with FHFA and the structural nature of this material weakness, we do not expect to remediate this material weakness while we are under conservatorship.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Overview

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, as defined in rules promulgated under the Exchange Act, is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our Board of Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting.

However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making its assessment, management used the criteria established in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in May 2013. Management's assessment of our internal control over financial reporting as of December 31, 2015 identified a material weakness, which is described below. Because of this material weakness, management has concluded that our internal control over financial reporting was not effective as of December 31, 2015 or as of the date of filing this report.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report on our internal control over financial reporting, expressing an adverse opinion on the effectiveness of our internal control over financial reporting as of December 31, 2015. This report is included below under the heading "Report of Independent Registered Public Accounting Firm."

Description of Material Weakness

The Public Company Accounting Oversight Board's Auditing Standard No. 5 defines a material weakness as a deficiency or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management has determined that we continued to have the following material weakness as of December 31, 2015 and as of the date of filing this report:

- *Disclosure Controls and Procedures.* We have been under the conservatorship of FHFA since September 6, 2008. Under the GSE Act, FHFA is an independent agency that currently functions as both our conservator and our regulator with respect to our safety, soundness and mission. Because of the nature of the conservatorship under the GSE Act, which places us under the "control" of FHFA (as that term is defined by securities laws), some of the information that we may need to meet our disclosure obligations may be solely within the knowledge of FHFA. As our conservator, FHFA has the power to take actions without our knowledge that could be material to our shareholders and other stakeholders, and could significantly affect our financial performance or our continued existence as an ongoing business. Although we and FHFA attempted to design and implement disclosure policies and procedures that would account for the conservatorship and accomplish the same objectives as a disclosure controls and procedures policy of a typical reporting company, there are inherent structural limitations on our ability to design, implement, test or operate effective disclosure controls and procedures. As both our regulator and our conservator under the GSE Act, FHFA is limited in its ability to design and implement a complete set of disclosure controls and procedures relating to Fannie Mae, particularly with respect to current reporting pursuant to Form 8-K. Similarly, as a regulated entity, we are limited in our ability to design, implement, operate and test the controls and procedures for which FHFA is responsible.

  Due to these circumstances, we have not been able to update our disclosure controls and procedures in a manner that adequately ensures the accumulation and communication to management of information known to FHFA that is needed to meet our disclosure obligations under the federal securities laws, including disclosures affecting our consolidated financial statements. As a result, we did not maintain effective controls and procedures designed to ensure complete and accurate disclosure as required by GAAP as of December 31, 2015 or as of the date of filing this report. Based on discussions with FHFA and the structural nature of this weakness, we do not expect to remediate this material weakness while we are under conservatorship.

MITIGATING ACTIONS RELATING TO MATERIAL WEAKNESS

As described above under "Management's Report on Internal Control Over Financial Reporting—Description of Material Weakness," we continue to have a material weakness in our internal control over financial reporting relating to our disclosure controls and procedures. However, we and FHFA have engaged in the following practices intended to permit accumulation and communication to management of information needed to meet our disclosure obligations under the federal securities laws:

- FHFA has established the Division of Conservatorship, which is intended to facilitate operation of the company with the oversight of the conservator.

- We have provided drafts of our SEC filings to FHFA personnel for their review and comment prior to filing. We also have provided drafts of external press releases, statements and speeches to FHFA personnel for their review and comment prior to release.
- FHFA personnel, including senior officials, have reviewed our SEC filings prior to filing, including this annual report on Form 10-K for the year ended December 31, 2015 ("2015 Form 10-K"), and engaged in discussions regarding issues associated with the information contained in those filings. Prior to filing our 2015 Form 10-K, FHFA provided Fannie Mae management with a written acknowledgment that it had reviewed the 2015 Form 10-K, and it was not aware of any material misstatements or omissions in the 2015 Form 10-K and had no objection to our filing the 2015 Form 10-K.
- The Director of FHFA and our Chief Executive Officer have been in frequent communication, typically meeting on at least a bi-weekly basis.
- FHFA representatives attend meetings frequently with various groups within the company to enhance the flow of information and to provide oversight on a variety of matters, including accounting, credit and market risk management, external communications and legal matters.
- Senior officials within FHFA's Office of the Chief Accountant have met frequently with our senior finance executives regarding our accounting policies, practices and procedures.

In view of these activities, we believe that our consolidated financial statements for the year ended December 31, 2015 have been prepared in conformity with GAAP.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal quarter have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There have been no changes in our internal control over financial reporting since September 30, 2015 that management believes have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Fannie Mae:

We have audited the internal control over financial reporting of Fannie Mae and consolidated entities (in conservatorship) (the "Company") as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on that risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment:

- Disclosure Controls and Procedures - The Company's disclosure controls and procedures did not adequately ensure the accumulation and communication to management of information known to the Federal Housing Finance Agency that is needed to meet their disclosure obligations under the federal securities laws as they relate to financial reporting.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2015, of the Company and this report does not affect our report on such financial statements.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2015, of the Company and our report dated February 19, 2016, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's dependence upon the continued support from various agencies of the United States Government, including the United States Department of Treasury and the Company's conservator and regulator, the Federal Housing Finance Agency.

/s/ Deloitte & Touche LLP

McLean, Virginia
February 19, 2016

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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DIRECTORS

Our current directors are listed below. They have provided the following information about their principal occupation, business experience and other matters. Upon FHFA's appointment as our conservator on September 6, 2008, FHFA succeeded to all rights, titles, powers and privileges of any director of Fannie Mae with respect to Fannie Mae and its assets.

As discussed in more detail below under "Corporate Governance—Conservatorship and Delegation of Authority to Board of Directors," FHFA, as conservator, appointed an initial group of directors to our Board following our entry into conservatorship, delegated to the Board certain authority, including the authority to appoint directors to subsequent vacancies subject to conservator review, and defined the term of service of directors during conservatorship. The Nominating & Corporate Governance Committee evaluates the qualifications of individual directors on an annual basis. In its assessment of current directors and evaluation of potential candidates for director, the Nominating & Corporate Governance Committee considers, among other things, whether the Board as a whole possesses meaningful experience, qualifications and skills in the following subject areas: business; finance; capital markets; accounting; risk management; public policy; mortgage lending, real estate, low-income housing and/or homebuilding; technology; and the regulation of financial institutions. See "Corporate Governance—Composition of Board of Directors" below for further information on the factors the Nominating & Corporate Governance Committee considers in evaluating and selecting board members.

Amy E. Alving, 53, served as Chief Technology Officer and Senior Vice President at Science Applications International Corporation ("SAIC"), an engineering and technology applications company, from December 2007 to September 2013. Dr. Alving's prior positions include director of the Special Projects Office at the Defense Advanced Research Projects Agency, White House Fellow, and tenured faculty member at the University of Minnesota. Until 2015, Dr. Alving was a member of the Board of Directors of Pall Corporation, where she served as a member of the Audit Committee and the Nominating/Governance Committee. In addition, she is a member of the Defense Science Board. Dr. Alving has been a Fannie Mae director since October 2013. Dr. Alving serves as a member of the Nominating & Corporate Governance Committee, the Risk Policy & Capital Committee and the Strategic Initiatives Committee.

The Nominating & Corporate Governance Committee concluded that Dr. Alving should continue to serve as a director due to her extensive experience in business, risk management, public policy matters and technology, which she gained in the positions described above.

William Thomas Forrester, 67, served as Chief Financial Officer of The Progressive Corporation from 1999 until his retirement in March 2007, and he served in a variety of senior financial and operating positions with Progressive prior to that time. Prior to joining The Progressive Corporation in 1984, Mr. Forrester was with Price Waterhouse LLP, a major public accounting firm, from 1976 to 1984. Mr. Forrester was previously a member of the Board of Directors of Alterra Capital Holdings Limited, from May 2010 to May 2013, where he served on the Audit and Risk Management Committee and the Underwriting Committee. He previously was also a member of the Board of Directors of The Navigators Group, Inc. from December 2006 to May 2012, where he served as Chair of the Audit Committee and also as a member of the Finance and Compensation Committees. Mr. Forrester has been a Fannie Mae director since December 2008. Mr. Forrester serves as Chair of the Audit Committee and is also a member of the Risk Policy & Capital Committee, the Strategic Initiatives Committee and the Executive Committee.

The Nominating & Corporate Governance Committee concluded that Mr. Forrester should continue to serve as a director due to his extensive experience in business, finance, accounting and risk management, which he gained in the positions described above.

Hugh R. Frater, 60, serves as Non-Executive Chairman of the Board of VEREIT, Inc. and as a director of ABR Reinsurance Capital Holdings Ltd. Mr. Frater previously worked at Berkadia Commercial Mortgage LLC ("Berkadia"), a commercial real estate company providing comprehensive capital solutions and investment sales advisory and research services for multifamily and commercial properties. He served as Chairman of Berkadia from April 2014 to December 2015 and he served as Chief Executive Officer of Berkadia from August 2010 to April 2014. From November 2007 to June 2010, Mr. Frater was the Chief Operating Officer of Good Energies, Inc., and from February 2004 to May 2007, Mr. Frater was an Executive Vice President at PNC Financial Services, where he led the real estate division. Mr. Frater was a Founding Partner and Managing Director of BlackRock, Inc. from August 1988 to February 2004, where he led the real estate practice. Mr. Frater serves on the Real Estate Advisory Board at the Columbia University Graduate School of Business and is also a member of its Board of Overseers. Mr. Frater has been a Fannie Mae director since January 2016.

The Nominating & Corporate Governance Committee concluded that Mr. Frater should serve as a director due to his extensive experience in business, finance, capital markets, risk management, mortgage lending, real estate, low income housing and the regulation of financial institutions, which he gained in the positions described above.

Brenda J. Gaines, 66, served as President and Chief Executive Officer of Diners Club North America, a subsidiary of Citigroup, from October 2002 until her retirement in April 2004. She served as President, Diners Club North America, from February 1999 to September 2002. From 1988 until her appointment as President, she held various positions within Diners Club North America, Citigroup and Citigroup's predecessor corporations. She also served as Deputy Chief of Staff for the Mayor of the City of Chicago from 1985 to 1987 and as Chicago Commissioner of Housing from 1983 to 1985. Ms. Gaines also has over 12 years of experience with the Department of Housing and Urban Development, including serving as Deputy Regional Administrator from 1980 to 1981. Ms. Gaines is currently a member of the Board of Directors of AGL Resources Inc., where she serves as a member of both the Audit Committee and the Nominating, Governance and Corporate Responsibility Committee, and Tenet Healthcare Corporation, where she chairs the Audit Committee and serves as a member of the Compensation Committee. She previously was a member of the Board of Directors of NICOR, Inc. from April 2006 to December 2011, where she served on the Corporate Governance Committee, and Office Depot, Inc. from February 2002 to August 2013, where she served as a member of both the Audit Committee and the Corporate Governance and Nominating Committee. Ms. Gaines initially became a Fannie Mae director in September 2006, before we were put into conservatorship, and FHFA appointed Ms. Gaines to Fannie Mae's Board in December 2008. Ms. Gaines serves as Chair of the Compensation Committee and is also a member of the Audit Committee and the Executive Committee.

The Nominating & Corporate Governance Committee concluded that Ms. Gaines should continue to serve as a director due to her extensive experience in business, finance, accounting, risk management, public policy matters, real estate, low-income housing and the regulation of financial institutions, which she gained in the positions described above.

Renee L. Glover, 66, is the Founder and Managing Member of The Catalyst Group, LLC, a national consulting firm focused on urban revitalization, real estate development and community building, urban policy, and business transformation. Ms. Glover is currently a member of the Board of Directors of Enterprise Community Partners, Inc. Ms. Glover served on the Board of Directors of Habitat for Humanity International from November 2006 to November 2015, including serving as Chair of the Board of Directors from November 2013 to November 2015. Committees on which she served during her time as a member of the Board of Directors of Habitat for Humanity International included the Audit Committee, Finance Committee, Operations Committee and Executive Committee. Ms. Glover served as a member of the Board of Directors of the Federal Reserve Bank of Atlanta from January 2009 to December 2014, where she served on the Audit and Operational Risk Committee. She also served as a Commissioner of the Bipartisan Policy Center Housing Commission from October 2011 to September 2014. The Commission was responsible for coming up with a set of bipartisan recommendations concerning federal housing policy and housing finance. Ms. Glover served as president and chief executive officer of the Atlanta Housing Authority and its affiliates from September 1994 to September 2013. She also served as a consultant for the Atlanta Housing Authority from September 2013 to November 2013 to facilitate the transition of leadership upon her retirement. Prior to joining the Atlanta Housing Authority, Ms. Glover was a corporate finance attorney in Atlanta and New York. Ms. Glover serves on the Board of Advisors of the University of Pennsylvania's Institute of Urban Research. Ms. Glover has been a Fannie Mae director since January 2016.

The Nominating & Corporate Governance Committee concluded that Ms. Glover should serve as a director due to her extensive experience in business, finance, risk management, public policy matters, real estate, low-income housing and the regulation of financial institutions, which she gained in the positions described above.

Frederick B. "Bart" Harvey III, 66, retired in March 2008 from his role as chairman of the Board of Trustees of Enterprise Community Partners and Enterprise Community Investment, providers of development capital and technical expertise to create affordable housing and rebuild communities. Enterprise is a national non-profit that raises funds from the private sector to finance homes primarily for low and very low income people. Enterprise has also pioneered "green" affordable housing with its EnterpriseGreen Communities initiative. Mr. Harvey was Enterprise's chief executive officer from 1993 to 2007. He joined Enterprise in 1984, and a year later became vice chairman. Before joining Enterprise, Mr. Harvey served for 10 years in various domestic and international positions with Dean Witter Reynolds (now Morgan Stanley), leaving as Managing Director of Corporate Finance. Mr. Harvey was a member of the Board of Directors of the Federal Home Loan Bank of Atlanta from 1996 to 1999, a director of the National Housing Trust from 1990 to 2008, and also served as an executive committee member of the National Housing Conference from 1999 to 2008. Over the last year, Mr. Harvey has served as the Chair of the Calvert Social Investment Foundation, which makes "impact loans" to low-income borrowers and organizations serving low-income borrowers or addressing social issues such as environmental issues, affordable housing, health clinics, charter schools and microfinance. Mr. Harvey initially became a Fannie Mae director in August 2008, before we were put into conservatorship, and FHFA appointed Mr. Harvey to Fannie Mae's Board in December 2008. Mr. Harvey serves as Chair of the Nominating & Corporate Governance Committee and as a member of the Risk Policy & Capital Committee and the Executive Committee.

The Nominating & Corporate Governance Committee concluded that Mr. Harvey should continue to serve as a director due to his extensive experience in business, finance, capital markets, risk management, public policy matters, real estate, low-income housing and homebuilding, which he gained in the positions described above.

Robert H. Herz, 62, serves as President of Robert H. Herz LLC, providing consulting services on financial reporting and other matters. He previously served as a senior advisor to and as a member of the Advisory Board of Workiva Inc. (formerly WebFilings LLC), a provider of financial reporting software, from February 2011 to December 2014. From July 2002 to September 2010, Mr. Herz was Chairman of the Financial Accounting Standards Board, or FASB. He was also a part-time member of the International Accounting Standards Board, or IASB, from January 2001 to June 2002. He was a partner in PricewaterhouseCoopers LLP from 1985 until his retirement in 2002. He serves on the Accounting Standards Oversight Council of Canada, as a member of the Standing Advisory Group of the Public Company Accounting Oversight Board, as a member of the Board of Directors of the Sustainability Accounting Standards Board, on the Advisory Board of the Manchester Business School in England, on the Advisory Council of AccountAbility, as a member of the Independent Investment Committee of the United Nations Office for Project Services ("UNOPS"), and as an executive in residence at the Columbia Business School. Mr. Herz is currently a member of the Board of Directors of Morgan Stanley, where he serves as Chair of the Audit Committee and as a member of the Nominating and Corporate Governance Committee, a member of the Board of Directors of Workiva Inc., and a member of the Board of Directors of itBit Trust Company, LLC and its parent Kabompo Holdings, Ltd. Mr. Herz has been a Fannie Mae director since June 2011. Mr. Herz serves as a member of the Audit Committee and the Nominating & Corporate Governance Committee.

The Nominating & Corporate Governance Committee concluded that Mr. Herz should continue to serve as a director due to his extensive experience in accounting, business, finance, capital markets, risk management and the regulation of financial institutions, which he gained in the positions described above.

Timothy J. Mayopoulos, 56, has been President and Chief Executive Officer of Fannie Mae since June 2012. He previously served as Fannie Mae's Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary from September 2010 to June 2012, and as Fannie Mae's Executive Vice President, General Counsel and Corporate Secretary from April 2009 to September 2010. Before joining Fannie Mae, Mr. Mayopoulos was Executive Vice President and General Counsel of Bank of America Corporation from January 2004 to December 2008. He was Managing Director and General Counsel, Americas of Deutsche Bank AG's Corporate and Investment Bank from January 2002 to January 2004. He was Managing Director and Senior Deputy General Counsel, Americas of Credit Suisse First Boston from November 2000 to May 2001, and Managing Director and Associate General Counsel of Donaldson, Lufkin & Jenrette, Inc. from May 1996 to November 2000. Mr. Mayopoulos was previously in private law practice at Davis Polk & Wardwell and served in the Office of the Independent Counsel during the Whitewater investigation. Mr. Mayopoulos is currently a member of the Board of Directors of Science Applications International Corporation ("SAIC"), where he serves as a member of the Audit Committee and Chair of the Nominating and Corporate Governance Committee. Mr. Mayopoulos has been a Fannie Mae director since June 2012. He is a member of the Executive Committee.

Mr. Mayopoulos serves as a member of our Board of Directors pursuant to an FHFA order that specifies that our Chief Executive Officer will serve as a member of the Board. In addition, the Nominating and Corporate Governance Committee concluded that Mr. Mayopoulos should continue to serve as a director due to his extensive experience in business, finance, risk management, public policy, mortgage lending and the regulation of financial institutions, which he gained in the positions described above.

Diane C. Nordin, 57, served as a partner of Wellington Management Company, LLP, a private asset management company, from December 1995 to December 2011, and originally joined Wellington in 1991. She served in many global leadership roles at Wellington, most notably as head of Fixed Income, Vice Chair of the Compensation Committee and Audit Chair of the Wellington Management Trust Company. Ms. Nordin spent over three decades in the investment business, having previously been employed by Fidelity Investments and Putnam Investments. Ms. Nordin is a Chartered Financial Analyst. Following her retirement from the asset management industry, Ms. Nordin served as an Advanced Leadership Initiative Fellow at Harvard University from December 2011 to December 2012. Ms. Nordin currently serves as a Trustee of Wheaton College, where she is an Executive Committee and Audit Committee member and Chair of the Investment Committee. She is also a Director of the Appalachian Mountain Club, where she is Chair of the Investment and Audit Committees, and a

Foundation Board Member of the Massachusetts College of Art and Design. Ms. Nordin has been a Fannie Mae director since November 2013. Ms. Nordin serves as a member of the Audit Committee and the Compensation Committee.

The Nominating & Corporate Governance Committee concluded that Ms. Nordin should continue to serve as a director due to her extensive experience in business, finance, capital markets, mortgage securities investment and the regulation of financial institutions, which she gained in the positions described above.

Egbert L. J. Perry, 60, is the Chairman and Chief Executive Officer of The Integral Group LLC. Founded in 1993 by Mr. Perry, Integral is a real estate development, advisory and investment management company based in Atlanta. Mr. Perry has over 35 years of experience as a real estate professional, including work in urban development, developing and investing in mixed-income, mixed-use communities, affordable/work force housing and commercial real estate projects in markets across the country. Mr. Perry currently serves as Chair of the Advisory Board of the Penn Institute for Urban Research and as a long-time trustee of the University of Pennsylvania. Mr. Perry also served from 2002 through 2008 as a director of the Federal Reserve Bank of Atlanta. Mr. Perry has been a Fannie Mae director since December 2008 and Chairman of Fannie Mae's Board since March 2014. Mr. Perry is Chair of the Executive Committee.

The Nominating & Corporate Governance Committee concluded that Mr. Perry should continue to serve as a director due to his extensive experience in business, finance, accounting, risk management, real estate, low-income housing and homebuilding, which he gained in the positions described above.

Jonathan Plutzik, 61, has served as Chairman of Betsy Ross Investors, LLC since August 2005. He also has served as President of the Jonathan Plutzik and Lesley Goldwasser Family Foundation Inc. since January 2003. Mr. Plutzik served as Non-Executive Chairman of the Board of Directors at Firaxis Games from June 2002 to December 2005. Before that, he served from 1978 to June 2002 in various positions with Credit Suisse First Boston, retiring in June 2002 from his role as Vice Chairman. Mr. Plutzik has been a Fannie Mae director since November 2009. Mr. Plutzik is Chair of the Strategic Initiatives Committee and is a member of the Compensation Committee, the Executive Committee and the Risk Policy & Capital Committee.

The Nominating & Corporate Governance Committee concluded that Mr. Plutzik should continue to serve as a director due to his extensive experience in business, finance, capital markets, risk management, mortgage lending and the regulation of financial institutions, which he gained in the positions described above.

David H. Sidwell, 62, served as Executive Vice President and Chief Financial Officer of Morgan Stanley from March 2004 to October 2007, when he retired. From 1984 to March 2004, Mr. Sidwell worked for JPMorgan Chase & Co. in a variety of financial and operating positions, most recently as Chief Financial Officer of JPMorgan Chase's investment bank from January 2000 to March 2004. Prior to joining JP Morgan in 1984, Mr. Sidwell was with Price Waterhouse LLP, a major public accounting firm, from 1975 to 1984. Mr. Sidwell is currently a member of the Board of Directors and Senior Independent Director of UBS AG, where he serves as Chair of the Risk Committee and a member of the Governance & Nominating Committee. He is also a member of the Board of Directors of Ace Limited, where he serves as a member of the Audit Committee. He previously was a member of the Board of Directors of MSCI Inc. from November 2007 through September 2008, where he served as Chair of the Audit Committee and a member of the Nominating and Corporate Governance Committee. Mr. Sidwell served as a Trustee of the International Accounting Standards Committee Foundation from January 2007 until his term ended in December 2012. Mr. Sidwell has been a Fannie Mae director since December 2008. Mr. Sidwell is Chair of the Risk Policy & Capital Committee and a member of the Compensation Committee and the Executive Committee.

The Nominating & Corporate Governance Committee concluded that Mr. Sidwell should continue to serve as a director due to his extensive experience in business, finance, capital markets, accounting, risk management and the regulation of financial institutions, which he gained in the positions described above.

CORPORATE GOVERNANCE

Conservatorship and Delegation of Authority to Board of Directors

On September 6, 2008, the Director of FHFA appointed FHFA as our conservator in accordance with the GSE Act. As conservator, FHFA succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any shareholder, officer or director of Fannie Mae with respect to Fannie Mae and its assets. As a result, our Board of Directors no longer had the power or duty to manage, direct or oversee our business and affairs.

In November 2008, FHFA, as conservator, reconstituted our Board of Directors and delegated specified authorities to it. FHFA's delegation of authority to the Board became effective in December 2008, when FHFA appointed nine Board members to serve in addition to the Board Chairman, who was appointed by FHFA in September 2008. The delegation of authority will remain in effect until modified or rescinded by the conservator.

Our directors serve on behalf of the conservator and exercise their authority as directed by and with the approval, where required, of the conservator. Our directors have no fiduciary duties to any person or entity except to the conservator. Accordingly, our directors are not obligated to consider the interests of the company, the holders of our equity or debt securities or the holders of Fannie Mae MBS unless specifically directed to do so by the conservator.

In connection with FHFA's delegation of authority to the Board, in November 2008, FHFA instructed the Board to consult with and obtain FHFA's approval before taking action in certain specified areas. FHFA revised and replaced these instructions in November 2012 to provide greater specificity on the respective roles and responsibilities of FHFA, the Board and management in relation to the conservatorship. Since 2012, FHFA has slightly modified the 2012 instructions. As modified, FHFA's 2012 instructions require the Board to oversee that management consult with and obtain the written approval of the conservator before taking action in the following areas:

- engaging in redemptions or repurchases of our subordinated debt, except as may be necessary to comply with the senior preferred stock purchase agreement;
- increases in Board risk limits, material changes in accounting policy, and reasonably foreseeable material increases in operational risk;
- matters that relate to the conservator's powers, our conservatorship status, or the legal effect of the conservatorship on contracts;
- retention and termination of external auditors and law firms serving as consultants to the Board;
- agreements relating to litigation, claims, regulatory proceedings or tax-related matters where the value of the claim exceeds a specified threshold, including related matters that aggregate to more than the threshold;
- alterations or changes to the terms of the master agreement between us and one of our top five single-family sellers or top five single-family servicers that are not otherwise mandated by FHFA and that will materially alter the business relationship between the parties;
- the termination of a contract between us and one of our top five single-family sellers or top five single-family servicers, other than an expiration pursuant to its terms;
- actions that in the reasonable business judgment of management, at the time that the action is to be taken, are likely to cause significant reputational risk to us or result in substantial negative publicity;
- creation of any subsidiary or affiliate, or entering into a substantial transaction with a subsidiary or affiliate, except for the creation of, or a transaction with, a subsidiary or affiliate undertaken in the ordinary course of business;
- setting or increasing the compensation or benefits payable to members of the Board of Directors;
- entering into new compensation arrangements or increasing amounts or benefits payable under existing compensation arrangements of executives at the senior vice president level and above, and other executives as FHFA may deem necessary to successfully execute its role as conservator;
- any establishment or modification by us of performance management processes for executives at the senior vice president level and above and any executives designated as "officers" pursuant to Section 16 of the Exchange Act, including the establishment or modification of a conservator scorecard;
- establishing the annual operating budget; and
- matters that require the approval of or consultation with Treasury under the senior preferred stock purchase agreement. See "Note 13, Equity" for a list of matters that require the approval of Treasury under the senior preferred stock purchase agreement.

The 2012 instructions state that, in regards to the matters described above, the Board should review and approve these matters before they are submitted to the conservator for approval. FHFA's instructions also require the company to notify FHFA of planned changes in business processes or operations, so that FHFA may participate in decision-making as FHFA determines appropriate. For more information on the conservatorship, refer to "Business—Conservatorship and Treasury Agreements—Conservatorship."

Composition of Board of Directors

In November 2008, FHFA directed that our Board should have a minimum of nine and not more than thirteen directors. There is a non-executive Chairman of the Board, and our Chief Executive Officer is the only corporate officer serving as a director. Our initial directors were appointed by the conservator and subsequent vacancies have been and may continue to be filled by the Board, subject to review by the conservator. Each director serves on the Board until the earlier of (1) resignation or removal by the conservator or (2) the election of a successor director at an annual meeting of shareholders.

Fannie Mae's bylaws provide that each director holds office for the term for which he or she was elected or appointed and until his or her successor is chosen and qualified or until he or she dies, resigns, retires or is removed from office in accordance with applicable law or regulation, whichever occurs first. Under the Charter Act, each director is elected or appointed for a term ending on the date of our next annual shareholders' meeting. As noted above, however, the conservator appointed the initial directors to our Board, delegated to the Board the authority to appoint directors to subsequent vacancies subject to conservator review, and defined the term of service of directors during conservatorship.

Under the Charter Act, our Board shall at all times have as members at least one person from each of the homebuilding, mortgage lending and real estate industries, and at least one person from an organization that has represented consumer or community interests for not less than two years or one person who has demonstrated a career commitment to the provision of housing for low-income households. It is the policy of the Board that a substantial majority of Fannie Mae's directors will be independent, in accordance with the standards adopted by the Board. In addition, our Corporate Governance guidelines provide that the Board, as a group, must be knowledgeable in business, finance, capital markets, accounting, risk management, public policy, mortgage lending, real estate, low-income housing, homebuilding, regulation of financial institutions, technology and any other areas that may be relevant to the safe and sound operation of Fannie Mae. In addition to expertise in the areas noted above, our Corporate Governance Guidelines specify that the Nominating & Corporate Governance Committee will seek out Board members who possess the highest personal values, judgment, and integrity, and who have an understanding of the regulatory and policy environment in which Fannie Mae does business. The Committee also considers whether a prospective candidate for the Board has the ability to attend meetings and fully participate in the activities of the Board.

The Nominating & Corporate Governance Committee also considers diversity when evaluating the composition of the Board. Our Corporate Governance Guidelines specify that the Nominating & Corporate Governance Committee is committed to considering minorities, women and individuals with disabilities in the identification and evaluation process of prospective candidates. The Guidelines also specify that the Committee will seek out Board members who represent diversity in ideas, perspectives, gender, race, and disability. These provisions of our Corporate Governance Guidelines implement FHFA regulations that require the company to implement and maintain policies and procedures that, among other things, encourage the consideration of diversity in nominating or soliciting nominees for positions on our Board.

The Nominating & Corporate Governance Committee evaluates the qualifications and performance of current directors on an annual basis. Factors taken into consideration by the Committee in making this evaluation include:

- a director's contribution to the effective functioning of the corporation;
- any change in the director's principal area of responsibility with his or her company or his or her retirement from the company;
- whether the director continues to bring relevant experience to the Board;
- whether the director has the ability to attend meetings and fully participate in the activities of the Board;
- whether the director has developed any relationships with Fannie Mae or another organization, or other circumstances have arisen, that might make it inappropriate for the director to continue serving on the Board;
- the director's age and length of service on the Board; and
- the director's particular experience, qualifications, attributes and skills.

Information regarding the particular experience, qualifications, attributes and skills of each of our current directors is provided above under "Directors."

Board Leadership Structure; Risk Management Oversight

We have had a non-executive Chairman of the Board since 2004. FHFA regulations and our Corporate Governance Guidelines require separate Chairman of the Board and Chief Executive Officer positions and require that the Chairman of the Board be an independent director. Our Board is also structured so that all but one of our directors, our Chief Executive Officer, are independent. A non-executive Chairman structure enables non-management directors to raise issues and concerns for Board consideration without immediately involving management and is consistent with the Board's emphasis on independent oversight, as well as our conservator's directives.

Our Board has six standing committees: the Audit Committee, the Compensation Committee, the Executive Committee, the Nominating & Corporate Governance Committee, the Risk Policy & Capital Committee, and the Strategic Initiatives Committee. Pursuant to FHFA direction, the Board and the standing Board committees function in accordance with their designated duties and with the authorities as set forth in federal statutes, regulations and FHFA guidance, Delaware law (insofar as the company has adopted its provisions for corporate governance purposes) and in Fannie Mae's bylaws and the applicable charters of Fannie Mae's Board committees. Such duties or authorities may be modified by the conservator at any time.

The Board oversees risk management primarily through the Risk Policy & Capital Committee. FHFA regulations that became effective in December 2015 set forth risk management requirements for our Board and our Risk Policy & Capital Committee, as described below, which we meet. These regulations require that our Board of Directors approve, have in effect at all times, and periodically review an enterprise-wide risk management program that establishes and is aligned with our risk appetite, aligns the risk appetite with our strategies and objectives, and addresses our exposure to credit risk, market risk, liquidity risk, business risk and operational risk. Our risk management program must include risk limitations appropriate to each line of business, appropriate policies and procedures relating to risk management governance, risk oversight infrastructure, and processes and systems for identifying and reporting risks, including emerging risks. Our program must also contain provisions for monitoring compliance with our risk limit structure and risk policies and effective and timely implementation of corrective actions. Additional provisions must specify management's authority and independence to carry out risk management responsibilities and the integration of risk management with management's goals and compensation structure. FHFA's regulations require our Risk Policy & Capital Committee to assist the Board in carrying out its oversight of our risk management program. Our Risk Policy & Capital Committee must also:

- be chaired by a director not serving Fannie Mae in a management capacity;
- have at least one member with risk management experience that is commensurate with our capital structure, risk appetite, complexity, activities, size and other appropriate risk-related factors;
- have committee members with a practical understanding of risk management principles and practices relevant to Fannie Mae;
- fully document its meetings; and
- report directly to the Board and not as part of, or combined with, another committee.

For more information on the role of our Board and our Chief Risk Officer in risk oversight, see "MD&A—Risk Management —Enterprise Risk Governance—Board of Directors."

Corporate Governance Information, Committee Charters and Codes of Conduct

Our Corporate Governance Guidelines, as well as the charters for our Board's Audit Committee, Compensation Committee, Nominating & Corporate Governance Committee, Risk Policy & Capital Committee, and Strategic Initiatives Committee, are posted on our website, www.fanniemae.com, under "Governance" in the "About Us" section of our website. Our Executive Committee does not have a written charter. The responsibilities, duties and authorities of the Executive Committee are set forth in our bylaws, which are also posted on our website, www.fanniemae.com, under "Governance" in the "About Us" section of our website.

We have a Code of Conduct that is applicable to all officers and employees and a Code of Conduct and Conflicts of Interest Policy for Members of the Board of Directors. Our Code of Conduct also serves as the code of ethics for our Chief Executive Officer and senior financial officers required by the Sarbanes-Oxley Act of 2002 and implementing regulations of the SEC. We have posted these codes on our website, www.fanniemae.com, under "Governance" in the "About Us" section of our website. We intend to disclose any changes to or waivers from these codes that apply to any of our executive officers or directors by posting this information on our website.

Although our equity securities are no longer listed on the New York Stock Exchange ("NYSE"), we are required by FHFA's corporate governance regulations to follow specified NYSE corporate governance requirements relating to, among other things, the independence of our Board members and the charters, independence, composition, expertise, duties and other requirements of our Board Committees.

Audit Committee Membership

Our Board has a standing Audit Committee consisting of Mr. Forrester, who is the Chair, Ms. Gaines, Mr. Herz and Ms. Nordin, all of whom are independent under the requirements of independence set forth in FHFA's corporate governance regulations (which requires the standard of independence adopted by the NYSE), Fannie Mae's Corporate Governance Guidelines and other SEC rules and regulations applicable to audit committees. The Board has determined that Mr. Forrester, Ms. Gaines, Mr. Herz and Ms. Nordin each have the requisite experience, as discussed in "Directors," to qualify as an "audit committee financial expert" under the rules and regulations of the SEC and has designated each of them as such.

Executive Sessions

Our non-management directors meet regularly in executive sessions without management present. Our Board of Directors reserves time for executive sessions at every regularly scheduled Board meeting. The non-executive Chairman of the Board, Mr. Perry, presides over these sessions.

Communications with Directors or the Audit Committee

Interested parties wishing to communicate any concerns or questions about Fannie Mae to the non-executive Chairman of the Board or to our non-management directors individually or as a group may do so by electronic mail addressed to "board@fanniemae.com," or by U.S. mail addressed to Board of Directors, c/o Office of the Corporate Secretary, Fannie Mae, Mail Stop 1H-2S/05, 3900 Wisconsin Avenue NW, Washington, DC 20016-2892. Communications may be addressed to a specific director or directors, including Mr. Perry, the Chairman of the Board, or to groups of directors, such as the independent or non-management directors.

Interested parties wishing to communicate with the Audit Committee regarding accounting, internal accounting controls or auditing matters may do so by electronic mail addressed to "auditcommittee@fanniemae.com," or by U.S. mail addressed to Audit Committee, c/o Office of the Corporate Secretary, Fannie Mae, Mail Stop 1H-2S/05, 3900 Wisconsin Avenue NW, Washington, DC 20016-2892.

The Office of the Corporate Secretary is responsible for processing all communications to a director or directors. Communications that are deemed by the Office of the Corporate Secretary to be commercial solicitations, ordinary course customer inquiries or complaints, incoherent or obscene are not forwarded to directors.

Director Nominations; Shareholder Proposals

Under the GSE Act, FHFA, as conservator, has all rights, titles, powers and privileges of the shareholders and Board of Directors of Fannie Mae. As a result, Fannie Mae's common shareholders no longer have the ability to recommend director nominees or elect the directors of Fannie Mae or bring business before any meeting of shareholders pursuant to the procedures in our bylaws. We currently do not plan to hold an annual meeting of shareholders in 2016. For more information on the conservatorship, refer to "Business—Conservatorship and Treasury Agreements—Conservatorship."

EXECUTIVE OFFICERS

Our current executive officers who are not also members of the Board of Directors are listed below. They have provided the following information about their principal occupation, business experience and other matters.

David C. Benson, 56, has been Executive Vice President and Chief Financial Officer since April 2013. Mr. Benson previously served as Executive Vice President—Capital Markets, Securitization & Corporate Strategy from September 2012 to April 2013 and as Executive Vice President—Capital Markets from April 2009 to September 2012. He also served as Treasurer from June 2010 to January 2012. Mr. Benson previously served as Fannie Mae's Executive Vice President—Capital Markets and Treasury from August 2008 to April 2009, as Fannie Mae's Senior Vice President and Treasurer from March 2006 to August 2008, and as Fannie Mae's Vice President and Assistant Treasurer from June 2002 to February 2006. Prior to joining Fannie Mae in 2002, Mr. Benson was Managing Director in the fixed income division of Merrill Lynch & Co. From 1988 through 2002, he served in several capacities at Merrill Lynch in the areas of risk management, trading, debt syndication and e-commerce based in New York and London.

Andrew J. Bon Salle, 50, has been Executive Vice President—Single-Family Business since December 2014. Prior to that time, he served as Executive Vice President—Single-Family Underwriting, Pricing, and Capital Markets, from April 2013 to December 2014. Mr. Bon Salle previously served as Fannie Mae's Senior Vice President and Head of Underwriting and Pricing from May 2011 to April 2013, Senior Vice President—Capital Markets from March 2006 to May 2011, and as Fannie Mae's Vice President—Portfolio Management from November 2000 to February 2006. Mr. Bon Salle held the positions of

Director, Finance from December 1996 to November 2000 and of Manager, Early Funding Programs from March 1994 to December 1996. Mr. Bon Salle joined Fannie Mae in September 1992 as a senior capital markets analyst.

Brian P. Brooks, 46, has been Executive Vice President, General Counsel and Corporate Secretary since November 2014. Prior to joining Fannie Mae, Mr. Brooks was Vice Chairman of OneWest Bank N.A., from May 2011 to November 2014, where he served as chief legal officer. Previously, Mr. Brooks was a partner at the law firm of O'Melveny & Myers LLP, where he served from February 2008 through January 2011 as managing partner of the Washington, D.C. office and from February 2010 through April 2011 as group leader of the firm's financial services practice.

Joy C. Cianci, 53, has been Senior Vice President of Credit Portfolio Management since September 2014. Ms. Cianci has served in various roles at Fannie Mae for over 20 years. She served as Senior Vice President—Making Home Affordable and Foreclosure Prevention from September 2012 to September 2014 and as Senior Vice President—Making Home Affordable from June 2010 to September 2012. Ms. Cianci was Senior Vice President—Giving and Community Outreach from December 2009 to June 2010, having previously served as Vice President in Fannie Mae's Office of Community & Charitable Giving, from July 2007 to December 2009, and as Vice President in Fannie Mae's Housing and Community Development division, from April 2006 to July 2007. Ms. Cianci served as Vice President in various roles in our Single-Family division and in our former eBusiness division, from January 2004 to April 2006. Prior to that time, she served as a Director in our eBusiness division and in our Legal Division. Ms. Cianci joined Fannie Mae in June 1993 as counsel.

Jeffery R. Hayward, 60, Executive Vice President and Head of Multifamily, has served as Head of Multifamily since January 2012, first as Senior Vice President and, since December 2014, as Executive Vice President. Mr. Hayward has served in various roles at Fannie Mae for over 25 years. He previously served as Fannie Mae's Senior Vice President—National Servicing Organization from April 2010 to January 2012. He also served as Senior Vice President of Community Lending in Fannie Mae's Multifamily division from May 2004 to April 2010. Prior to that time, Mr. Hayward served as both a Senior Vice President and a Vice President in Fannie Mae's Single-Family division, including as Senior Vice President in the National Business Center from November 2001 to May 2004, as Vice President for Single-Family Business Strategy from November 1999 to November 2001, as Vice President for Asset Management Services from August 1998 to November 1999 and as Vice President for Quality Control and Operations from January 1996 to August 1998. Mr. Hayward also served as Vice President for Risk Management from June 1993 to January 1996. Before that, he served as Director, Loan Acquisition from October 1992 to June 1993, as Director, Marketing from December 1989 to September 1992, and as Senior Negotiator from July 1988 to December 1989. Mr. Hayward joined the company in April 1987 as a senior MBS representative.

Kimberly Johnson, 43, has been Senior Vice President and Chief Risk Officer since November 2015 and served as Senior Vice President and Deputy Chief Risk Officer from June 2013 to November 2015. Ms. Johnson served in Fannie Mae's Capital Markets group as Senior Vice President and as Vice President responsible for trading multifamily loans and securities and for multifamily credit pricing from September 2009 to June 2013. Prior to that time, Ms. Johnson was responsible for Metrics and Reporting for the Making Home Affordable Program, from March 2009 to September 2009. Ms. Johnson joined Fannie Mae in May 2006 as a Vice President in Capital Markets.

Bruce R. Lee, 50, has been Senior Vice President and Head of Operations and Technology since January 2016. Mr. Lee previously served as Senior Vice President and Chief Information Officer from April 2014, when he joined Fannie Mae, to January 2016. Before joining Fannie Mae, Mr. Lee was Group Chief Information Officer for NYSE Euronext, overseeing technology in the exchange traded securities sector, from 2012 to 2014. From 2006 to 2012, he worked in HSBC's investment banking and trading business in Canada, the U.S., and Latin America, where he served as Chief Operating Officer.

Zachary Oppenheimer, 56, has been Senior Vice President and Head of Customer Engagement since May 2011. Mr. Oppenheimer has notified us that he plans to retire from the company in June 2016. Mr. Oppenheimer previously served as Fannie Mae's Senior Vice President and Chief Acquisition Officer from August 2009 to May 2011, and as Senior Vice President, Single-Family Mortgage Business from November 1998 through August 2009. Mr. Oppenheimer was Vice President of Marketing from April 1991 through November 1998. He held the positions of Director, Sales and Marketing from June 1988 to April 1991, of Director, MBS from May 1987 to June 1988, of MBS Manager from August 1985 to May 1987, and of Senior Sales Representative from October 1984 to August 1985. Mr. Oppenheimer joined Fannie Mae in August 1983 as an associate quality control representative.

Under our bylaws, each executive officer holds office until his or her successor is chosen and qualified or until he or she dies, resigns, retires or is removed from office, whichever occurs first.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and officers file with the SEC reports on their ownership of our stock and on changes in their stock ownership. Based on a review of forms filed during 2015 or with respect to 2015 and on written representations from our directors and officers, we believe that all of our directors and officers timely filed all required reports and reported all transactions reportable during 2015.

Item 11. Executive Compensation

COMPENSATION DISCUSSION AND ANALYSIS

Named Executives for 2015

This Compensation Discussion and Analysis focuses on compensation decisions relating to our Chief Executive Officer, our Chief Financial Officer, and our next three most highly compensated executive officers during 2015. We refer to these individuals as our named executives, and to our compensation arrangements for 2015 with our named executives other than our Chief Executive Officer as the "2015 executive compensation program." For 2015, our named executives were:

- Timothy J. Mayopoulos, President and Chief Executive Officer;
- David C. Benson, Executive Vice President and Chief Financial Officer;
- Andrew J. Bon Salle, Executive Vice President—Single-Family Business;
- Brian P. Brooks, Executive Vice President, General Counsel and Corporate Secretary; and
- Jeffery R. Hayward, Executive Vice President and Head of Multifamily.

This Compensation Discussion and Analysis addresses our executive compensation program that was in effect for 2015.

Executive Summary

Due to our conservatorship status and other legal requirements discussed under "Chief Executive Officer Compensation and 2015 Executive Compensation Program—Impact of Conservatorship and Other Legal Requirements," FHFA, our conservator and regulator, has significant oversight and approval rights over our executive compensation arrangements and determinations. The program in place for 2015 executive compensation was developed by FHFA in consultation with Treasury in 2012 and has not been substantially changed since then.

Named executives other than our Chief Executive Officer receive two principal elements of compensation: base salary and deferred salary. Base salary is paid on a bi-weekly basis, and deferred salary is paid on a quarterly basis after a one-year deferral. There are two components to deferred salary: a fixed portion that is subject to reduction if an executive leaves the company within one year following the end of the performance year, and an at-risk portion. One half of the at-risk portion is subject to reduction based on corporate performance against goals for 2015 set by the conservator, referred to as the 2015 conservatorship scorecard, and the other half of the at-risk portion is subject to reduction based on individual performance, taking into account corporate performance against goals, established by the Board of Directors, referred to as the 2015 Board of Directors' goals. Named executives do not receive bonuses or any form of equity or performance-based long-term incentives.

Except for a brief period in 2015 (see "Chief Executive Officer Compensation and 2015 Executive Compensation Program—Compensation of our Chief Executive Officer"), our Chief Executive Officer's total target direct compensation has consisted solely of a base salary of $600,000.

While reducing pay levels to conserve taxpayer resources was an important objective of FHFA's redesign of our executive compensation program in 2012, we and FHFA understand that this objective must be balanced against our need to attract and retain able and experienced executives to prudently manage our $3.0 trillion book of business and enable the company to be an effective steward of taxpayer resources. In 2015, under the leadership of our experienced executives, including our named executives, we achieved net income of $11.0 billion. We completed or substantially completed all of the corporate goals in the 2015 conservatorship scorecard, and in January 2016 FHFA determined that the portion of 2015 at-risk deferred salary subject to performance against these goals would be paid at 97% of target. The goals in the 2015 conservatorship scorecard related to the following objectives:

- Maintain in a safe and sound manner, credit availability and foreclosure prevention activities for new and refinanced mortgages to foster liquid, efficient, competitive and resilient national housing finance markets;

- Reduce taxpayer risk through increasing the role of private capital in the mortgage market; and
- Build a new single-family securitization infrastructure for use by Fannie Mae and Freddie Mac (the "Enterprises") that is also adaptable for use by other participants in the secondary market in the future.

We also achieved the 2015 Board of Directors' goals in a manner that the Board of Directors viewed as responsible, timely and of high quality. Based on its assessment of the company's performance in January 2016, the Compensation Committee recommended and the Board of Directors determined that management should be credited with 100% performance of the goals as a result of management's significant achievements. The 2015 Board of Directors' goals were:

- Sustain and grow partnerships with lenders and other key housing stakeholders;
- Serve the market by providing products and services that help people own, rent, or stay in their homes;
- Build sustainable financial performance;
- Maintain a disciplined risk, control, and compliance environment;
- Improve the company's capabilities, infrastructure, and efficiency to prepare for a more competitive future; and
- Develop our workforce so that it is ready to meet the business challenges of today and into the future.

See "Determination of 2015 Compensation" for more information on our performance against the FHFA objectives and the 2015 Board of Directors' goals.

Chief Executive Officer Compensation and 2015 Executive Compensation Program

Overview

FHFA has advised us that the design of our executive compensation program was intended to fulfill, and to balance, three primary objectives:

- *Maintain Reduced Pay Levels to Conserve Taxpayer Resources.* Given our conservatorship status, our executive compensation program is designed to reduce pay levels relative to firms that are not in conservatorship.
- *Attract and Retain Executive Talent.* The 2015 executive compensation program is intended to attract and retain executive talent with the specialized skills and knowledge necessary to effectively manage a large financial services company. Executives with these qualifications are needed for the company to continue to fulfill its important role in providing liquidity to the mortgage market and supporting the housing market, as well as to prudently manage our $3.0 trillion book of business and enable the company to be an effective steward of the government's and taxpayers' support. We face competition from both within the financial services industry and from businesses outside of this industry for qualified executives. The Compensation Committee and the Board of Directors regularly consider and discuss with FHFA the level of our executives' compensation and whether changes are needed to attract or retain executives.
- *Reduce Pay if Goals Are Not Achieved.* To support FHFA's goals for our conservatorship and encourage performance in furtherance of these goals, 30% of each named executive's total target direct compensation (other than the Chief Executive Officer's compensation, as discussed in "Compensation of our Chief Executive Officer") consists of "at-risk" deferred salary. At-risk deferred salary is subject to reduction based on corporate performance against the conservatorship scorecard and an assessment of individual performance that takes into account the company's performance against the Board of Directors' goals.

Our current executive compensation levels put pressure on our ability to attract and retain executive talent, which is necessary for the company to prudently manage our $3.0 trillion book of business and enable the company to be an effective steward of the government's and taxpayers' support. As discussed in "Other Executive Compensation Considerations—Comparator Group and Role of Benchmark Data," our named executives' total target direct compensation under the 2015 executive compensation program in aggregate was substantially below the market median for comparable firms. Our inability to offer market-based compensation hinders our succession planning, particularly for our Chief Executive Officer role, and potentially our ability to hire other senior executives. See "Risk Factors" for a discussion of the risks associated with executive retention and succession planning.

Compensation of our Chief Executive Officer

Since 2013, Mr. Mayopoulos's compensation had consisted solely of a base salary of $600,000. In May 2015, FHFA Director Melvin L. Watt informed our Board of Directors that it could submit a proposal for FHFA review and consideration on compensation for our Chief Executive Officer. Director Watt stated that the proposal should "address the Board's obligation and FHFA's conservatorship and supervisory objectives of providing for CEO retention; effective succession planning for the CEO position; and continuity, efficiency and stability of operations…." Additionally, the proposal "may not propose compensation for the CEO that is higher than the 25th percentile of the market, using the agreed-upon comparator group for FHFA evaluation of compensation of Fannie Mae's executive officers."

In formulating a proposal for our Chief Executive Officer's compensation, the Board of Directors considered the importance of ensuring that Fannie Mae continue to act as a good steward of taxpayer resources while taking all prudent measures to attract and retain the leadership and talent required to keep the company functioning well and contributing to a better housing finance system going forward.

In June 2015, FHFA approved changes to Mr. Mayopoulos's compensation to address FHFA's objectives. As a result, beginning July 1, 2015, Mr. Mayopoulos's direct compensation consisted of base salary at an annual rate of $750,000, fixed deferred salary at an annual rate of $2,050,000, and at-risk deferred salary with an annual target amount of $1,200,000. Based on the FHFA-approved changes, the maximum potential cash flow that could have been paid out to our Chief Executive Officer (not including accruals of deferred salary to be paid at a future date) would have been $673,846 in 2015, $2,388,356 in 2016, and $4,000,000 in 2017, if he achieved corporate and individual goals and remained with Fannie Mae. With these changes, Mr. Mayopoulos's compensation had the same structure that applied to Fannie Mae's other named executives.

In November 2015, the Equity in Government Compensation Act of 2015 was enacted. This law required the Director of FHFA to suspend the compensation packages of our Chief Executive Officer and the Chief Executive Officer of Freddie Mac and, in their place, to establish the compensation and benefits that were in effect as of January 1, 2015. The law also provides that compensation and benefits for the position of chief executive officer of Fannie Mae or Freddie Mac may not be increased and these restrictions on chief executive officer compensation for each company are applicable as long as the company is in conservatorship or receivership. In accordance with this law, on December 1, 2015, the Director of FHFA directed Fannie Mae to decrease the total target annual direct compensation of Mr. Mayopoulos to $600,000, effective November 25, 2015. This $600,000 in annual direct compensation consists solely of base salary, and was the level of direct compensation in effect for Mr. Mayopoulos between January 1, 2015 and June 30, 2015. This limit on the compensation of our Chief Executive Officer may negatively affect our ability to retain our Chief Executive Officer and will adversely affect our ability to engage in effective succession planning for this critical role.

Impact of Conservatorship and Other Legal Requirements

As discussed in "Business—Conservatorship and Treasury Agreements—Conservatorship," we have been under the conservatorship of FHFA since September 2008. The conservatorship and legislation enacted since we entered conservatorship significantly impacts the compensation received by our named executives, particularly our Chief Executive Officer, as well as the process by which executive compensation is determined. Regulatory and other legal requirements affecting our executive compensation program and policies include the following:

- Our directors serve on behalf of FHFA and exercise their authority subject to the direction of FHFA. More information about the role of our directors is described in "Directors, Executive Officers and Corporate Governance—Corporate Governance—Conservatorship and Delegation of Authority to Board of Directors."
- While we are in conservatorship, FHFA, as our conservator, has retained the authority to approve and to modify both the terms and amount of any executive compensation. FHFA has directed that management consult with and obtain FHFA's written approval before entering into new compensation arrangements or increasing amounts or benefits payable under existing compensation arrangements of executives at the senior vice president level and above, and other executives as FHFA may deem necessary to successfully execute its role as conservator. FHFA has also directed that management consult with and obtain FHFA's written approval before establishing or modifying performance management processes for executives at the senior vice president level and above and any executives designated as "officers" pursuant to Section 16 of the Exchange Act.
- During the conservatorship, FHFA, as our conservator, has all powers of the shareholders. Accordingly, we have not held shareholders' meetings since entering into conservatorship, nor have we held any shareholder advisory votes on executive compensation.
- The Equity in Government Compensation Act of 2015, establishes the annual direct compensation for our chief executive officer position at $600,000, consisting solely of base salary. The law also provides that compensation and benefits for our chief executive officer position may not be increased and these restrictions are applicable as long as Fannie Mae is in conservatorship or receivership.
- FHFA, as our regulator, must approve any termination benefits we offer to our named executives and certain other officers identified by FHFA.

- Under the terms of the senior preferred stock purchase agreement with Treasury, we may not enter into any new compensation arrangements with, or increase amounts or benefits payable under existing compensation arrangements of, any named executives or executive officers without the consent of the Director of FHFA, in consultation with the Secretary of the Treasury.
- Under the terms of the senior preferred stock purchase agreement, we may not sell or issue any equity securities without the prior written consent of Treasury, other than as required by the terms of any binding agreement in effect on the date of the senior preferred stock purchase agreement. This effectively eliminates our ability to offer stock-based compensation.
- Pursuant to the STOCK Act and related regulations issued by FHFA, the named executives are prohibited from receiving bonuses during any period of conservatorship on or after the April 4, 2012 enactment of the law.

Elements of 2015 Executive Compensation Program

Direct Compensation

The table below summarizes the principal elements, objectives and key features of our 2015 executive compensation program for our named executives. As discussed in "Compensation of our Chief Executive Officer," direct compensation for our Chief Executive Officer for the first six months of 2015 and since November 25, 2015 has consisted solely of base salary at an annual rate of $600,000. All elements of our named executives' direct compensation are paid in cash.

<table>
<tr><th>Compensation Element</th><th>Form</th><th>Primary Compensation Objectives</th><th>Key Features</th></tr>
<tr><td>Base Salary</td><td>Fixed cash payments, which are paid during the year on a bi-weekly basis.</td><td>Attract and retain named executives by providing a fixed level of current cash compensation.</td><td>Base salary reflects each named executive's level of responsibility and experience, as well as individual performance over time.
Base salary is capped at $500,000 for all of our executive officers other than our Chief Executive Officer and Chief Financial Officer.</td></tr>
<tr><td rowspan="4">Deferred Salary</td><td rowspan="4">Deferred salary is earned in bi-weekly installments over the course of the performance year, and is paid in quarterly installments in March, June, September and December of the following year. Interest accrues on deferred salary at one-half of the one-year Treasury Bill rate in effect on the last business day immediately preceding the year in which the deferred salary is earned.
There are two elements of deferred salary:
• a fixed portion that is subject to reduction if an executive leaves the company within one year following the end of the performance year; and
• an at-risk portion that is subject to reduction based on corporate and individual performance.</td><td colspan="2">Fixed Deferred Salary</td></tr>
<tr><td>Retain named executives.</td><td>Earned but unpaid fixed deferred salary is subject to reduction if a named executive leaves the company within one year following the end of the performance year. The amount of earned but unpaid fixed deferred salary received by the named executive will be reduced by 2% for each full or partial month by which the executive's separation date precedes January 31 of the second year following the performance year (or, if later, the end of the twenty-fourth month following the month in which the named executive first earns deferred salary).
The reduction provisions applicable to payments of earned but unpaid fixed deferred salary do not apply if an officer's employment terminates other than for cause at or after age 62, or age 55 with 10 years of service with Fannie Mae.</td></tr>
<tr><td colspan="2">At-Risk Deferred Salary</td></tr>
<tr><td>Retain named executives and encourage them to achieve corporate and individual performance objectives.</td><td>Equal to 30% of each named executive's total target direct compensation. Half of at-risk deferred salary is subject to reduction based on corporate performance against the 2015 conservatorship scorecard as determined by FHFA. The remaining half of at-risk deferred salary is subject to reduction based on individual performance as determined by the Board of Directors, with FHFA's review, taking into account corporate performance against the 2015 Board of Directors' goals.
There is no potential for at-risk deferred salary to be paid out at greater than 100% of target; at-risk deferred salary is subject only to reduction.</td></tr>
</table>

Employee Benefits

Our employee benefits are a fundamental part of our 2015 executive compensation program, and serve as an important tool in attracting and retaining senior executives. We describe the employee benefits available in 2015 to our named executives in the table below. We provide more detail on our retirement plans available to our named executives under "Compensation Tables—Pension Benefits" and "Compensation Tables—Nonqualified Deferred Compensation."

Benefit	Form	Primary Objective
401(k) Plan ("Retirement Savings Plan")	A tax-qualified defined contribution plan (401(k) plan) available to our employee population as a whole. All of the named executives are eligible to participate in this plan.	Attract and retain named executives by providing retirement savings in a tax-efficient manner.
Non-qualified Deferred Compensation ("Supplemental Retirement Savings Plan")	The Supplemental Retirement Savings Plan is an unfunded, non-tax-qualified defined contribution plan. The plan supplements our tax-qualified defined contribution plan by providing benefits to participants whose annual eligible earnings exceed the IRS limit on eligible compensation for 401(k) plans. All of the named executives are eligible to participate in this plan. In connection with our termination of our defined benefit pension plan, for a limited time we are providing additional benefits under this plan for employees close to retirement who meet age and length of service criteria. Mr. Benson and Mr. Hayward are eligible for these benefits.	Attract and retain named executives by providing additional retirement savings.
Health, Welfare and Other Benefits	In general, the named executives are eligible for the same benefits available to our employee population as a whole, including our medical insurance plans, life insurance program and matching charitable gifts program. The named executives are also eligible to participate in our voluntary supplemental long-term disability plan, which is available to many of our employees.	Provide for the well-being of the named executive and his or her family.

Prior to 2014, we maintained a tax-qualified defined benefit pension plan that was generally available to employees before participation in the plan was frozen in 2007, as well as two non-tax-qualified supplemental plans. In 2013, these plans were amended to cease benefits accruals and were subsequently terminated. See "Compensation Tables—Pension Benefits" for more information on the payments Mr. Benson, Mr. Bon Salle and Mr. Hayward received in 2015 under these plans. Mr. Mayopoulos and Mr. Brooks joined Fannie Mae after participation in these plans was no longer available to new employees.

The perquisites we provided to all of our named executives in aggregate in 2015 did not exceed $1,000.

Sign-on Award

In addition to the direct compensation and employee benefits described in the tables above, from time to time, a new executive may be awarded a sign-on award to attract the executive to join Fannie Mae or to compensate him or her for compensation forfeited upon leaving a prior employer. Mr. Brooks was awarded a sign-on award when he joined Fannie Mae in November 2014, primarily to compensate him for forfeiting compensation upon leaving his prior employer. See footnote 3 to the "Summary Compensation Table for 2015, 2014 and 2013" for more information regarding Mr. Brooks' sign-on award.

Severance Benefits

We have not entered into agreements with any of our named executives that entitle the executive to severance benefits. Under the 2015 executive compensation program, a named executive is entitled to receive a specified portion of his or her earned but unpaid deferred salary if his or her employment is terminated for any reason other than for cause. See "Compensation Tables—Potential Payments Upon Termination or Change-in-Control" for information on compensation that we may pay to a named executive in certain circumstances in the event the executive's employment is terminated.

Determination of 2015 Compensation

Summary of 2015 Compensation Actions

The table below displays the 2015 base salary and compensation targets for each of our named executives. Each of our named executives will be paid 97% of his corporate performance-based at-risk deferred salary target and 100% of his individual performance-based at-risk deferred salary target for 2015. See "Assessment of Corporate Performance on 2015 Conservatorship Scorecard" for a discussion of the factors that determined the amount of corporate performance-based at-risk deferred salary paid. See "Assessment by Board of Directors of Company Performance" and "Assessment of 2015 Individual Performance" for discussions of the factors that determined the individual performance-based at-risk deferred salary paid. This table is presented on a different basis from, and is not intended to replace, the Summary Compensation Table required under applicable SEC rules, which is included below under "Compensation Tables—Summary Compensation Table for 2015, 2014 and 2013."

Named Executive	2015 Base Salary ($)	2015 Fixed Deferred Salary ($)	2015 Corporate Performance-Based At-Risk Deferred Salary Target ($)	2015 Individual Performance-Based At-Risk Deferred Salary Target ($)	Total ($)
Timothy Mayopoulos[(1)]	660,577	825,616	241,644	241,644	1,969,481
President and Chief Executive Officer					
David Benson	600,000	1,500,000	450,000	450,000	3,000,000
Executive Vice President and Chief Financial Officer					
Andrew Bon Salle	500,000	1,110,000	345,000	345,000	2,300,000
Executive Vice President—Single-Family Business					
Brian Brooks	500,000	1,180,000	360,000	360,000	2,400,000
Executive Vice President, General Counsel and Corporate Secretary					
Jeffery Hayward	475,000	960,000	307,500	307,500	2,050,000
Executive Vice President and Head of Multifamily					

(1) Amounts shown for Mr. Mayopoulos reflect that his direct compensation consisted solely of base salary at an annual rate of $600,000 for the periods from January 1 to June 30, 2015 and from November 25 to December 31, 2015, while his direct compensation consisted of base salary at an annual rate of $750,000, fixed deferred salary at an annual rate of $2,050,000, and at-risk deferred salary with an annual target amount of $1,200,000 for the period from July 1, 2015 to November 24, 2015. See "Chief Executive Officer Compensation and 2015 Executive Compensation Program—Compensation of Our Chief Executive Officer" for more information about Mr. Mayopoulos's 2015 compensation.

Assessment of Corporate Performance on 2015 Conservatorship Scorecard

Overview

In January 2015, FHFA issued the 2015 conservatorship scorecard, a set of corporate performance objectives and related targets for 2015. The elements of the 2015 conservatorship scorecard are shown below under "FHFA Assessment." The 2015 conservatorship scorecard provides the implementation roadmap for FHFA's strategic plan for Fannie Mae and Freddie Mac. See "Business—Executive Summary—Helping to Build a Sustainable Housing Finance System" for a description of FHFA's strategic goals for the Enterprises. FHFA developed these objectives and related targets with input from management. Half of each named executive's 2015 at-risk deferred salary, or 15% of their overall 2015 total target direct compensation, was subject to reduction based on FHFA's assessment of our performance against the 2015 conservatorship scorecard.

As part of the 2015 conservatorship scorecard, FHFA determined that, for all scorecard items, our performance would be assessed based on the following criteria:

- The extent to which we conduct initiatives in a safe and sound manner consistent with FHFA's expectations for all activities;
- The extent to which the outcomes of our activities support a competitive, resilient, and liquid secondary mortgage market to the benefit of homeowners and renters;
- The extent to which we conduct initiatives with the appropriate consideration for diversity and inclusion consistent with FHFA's expectations for all activities;
- Cooperation and collaboration with FHFA, Common Securitization Solutions, LLC, Freddie Mac, the industry, and other stakeholders as appropriate; and
- The quality, thoroughness, creativity, effectiveness, and timeliness of our work products.

FHFA Assessment

We provided updates to and maintained a dialogue with FHFA throughout 2015 on our performance against the 2015 conservatorship scorecard, including our performance against FHFA's expectations for diversity and inclusion. In early 2016, FHFA reviewed and assessed our performance against the 2015 conservatorship scorecard, with input from management and the Compensation Committee. FHFA determined that we had a successful year, completing or substantially completing all of the 2015 conservatorship scorecard objectives and, in some cases, earning additional scorecard credit for surpassing objectives. FHFA determined that the portion of 2015 at-risk deferred salary based on corporate-performance would be paid at 97% of target.

The table below sets forth the 2015 conservatorship scorecard and a summary of FHFA's assessment of our achievement of the scorecard objectives and targets.

Objectives and Weighting	Summary of Performance
Maintain, in a safe and sound manner, credit availability and foreclosure prevention activities for new and refinanced mortgages to foster liquid, efficient, competitive, and resilient national housing finance markets—40% weight	
The Enterprises are to: **Work to increase access to mortgage credit for creditworthy borrowers, consistent with the full extent of applicable credit requirements and risk-management practices:** • Finalize improvements to the Representations and Warranties Framework for originations. • Continue to provide clarity regarding Enterprise expectations for servicer performance and remedies, where appropriate. • Enhance servicer eligibility standards for Enterprise counterparties. • Continue to encourage greater participation by small lenders, rural lenders, and state and local Housing Finance Agencies. • Continue to assess impediments to access to credit. Explore the feasibility of: ◦ Greater purchases of loans on manufactured housing secured by real estate; and ◦ Improving the effectiveness of pre-purchase and early delinquency counseling through existing or new partnerships with housing counseling networks. • Assess the feasibility of alternate credit score models and credit history in loan-decision models, including the operational and system implications. • Prepare to implement Duty to Serve requirements upon publication of a final rule.	**The objectives were completed except for one objective which was substantially completed.** We continued our work in 2015 to increase access to mortgage credit for creditworthy borrowers, consistent with the full extent of our applicable credit requirements and risk management practice. Our work in this area during 2015 included the following: we developed and published guidance for lenders offering alternatives to repurchase in the event of underwriting defects, including the right to correct loan defects and to propose alternative remedies for our consideration; we and Freddie Mac issued new operational and financial eligibility requirements for single-family mortgage seller-servicer counterparties that became effective in 2015; and we engaged in outreach and training to encourage greater participation by small lenders, rural lenders and state and local Housing Finance Agency lenders. We also assessed the feasibility of alternate credit score models and credit history in loan-decision models. During 2015 we introduced HomeReady, a new affordable lending product reflecting extensive feedback from lenders that, among other things, is designed to help multi-generational and extended households obtain homeownership. For more information on these activities, see "Serving Customer Needs and Improving Our Business Efficiency," "Helping to Build a Sustainable Housing Finance System," and "Single-Family Guaranty Book of Business—Providing Access to Credit Opportunities for Creditworthy Borrowers" in "Business—Executive Summary." One joint project relating to finalizing improvements to the Representations and Warranties Framework for originations was determined by FHFA to be "substantially complete," meaning that minimal work remains to be completed, which was outside of Fannie Mae's control. FHFA acknowledged Fannie Mae's initiative as instrumental in reaching agreement on the final program design.

Objectives and Weighting	Summary of Performance
Effectively implement key loss mitigation activities, which include enabling borrowers to stay in their homes and avoiding foreclosure where possible: • Pursue opportunities to encourage current HARP-eligible borrowers to take advantage of beneficial refinance opportunities. • Develop and execute additional strategies to reduce the number of severely aged delinquent loans held by the Enterprises, considering tools such as loan modifications, short sales, deeds in lieu of foreclosure, and non-performing loan sales. The strategies should be informed by the Neighborhood Stabilization Initiative and have an emphasis on improving outcomes in hardest hit markets. • Develop and execute additional strategies to reduce the number of vacant real estate owned (REO) properties held by the Enterprises, considering tools such as sales to non-profit organizations, repairs to REO properties before third-party sale, and demolition or possible donation of uninhabitable properties. The strategies should be informed by the Neighborhood Stabilization Initiative and have an emphasis on improving outcomes in hardest hit markets. • Propose and implement solutions for HAMP borrowers facing rate resets. • Continue to engage in efforts to reduce costs for Lender Force Placed Insurance.	**The objectives were completed except for one objective which was substantially completed.** Among other activities, in 2015, we conducted numerous extensive outreach to encourage borrowers to take advantage of HARP; we began assessing a high LTV ratio refinance program to replace HARP upon its expiration; and we completed our first three nonperforming loan sales. We also continued working in 2015 with FHFA, Freddie Mac and the National Community Stabilization Trust on a neighborhood stabilization initiative focused on disposing of REO properties in specified communities across the country where the number of REO properties remains elevated in ways that place a priority on stabilizing these communities. For more information on our nonperforming loan sales and neighborhood stabilization initiative, see "Business—Executive Summary—Helping to Build a Sustainable Housing Finance System." One joint project relating to HARP was determined by FHFA to be "substantially complete," meaning that minimal work remains to be completed, which was outside of Fannie Mae's control. FHFA acknowledged Fannie Mae's rigorous approach to developing a recommendation and attempts to reach alignment on the project.
Maintain the dollar volume of new multifamily business for each Enterprise at $30 billion or below, excluding: • Affordable housing loans, loans to small multifamily properties and loans to manufactured housing rental communities.	**The objective was completed. However, FHFA expressed disappointment with Fannie Mae that a better approach was not taken regarding the multifamily volume cap, which had to be adjusted during the course of the year with regard to excluded loan categories.** We provided $28.6 billion in liquidity to the multifamily market in 2015, excluding volume associated with affordable housing loans, loans to small multifamily properties, and loans to manufactured housing rental communities and other excluded business segments, compared to the $30 billion cap.
Reduce taxpayer risk through increasing the role of private capital in the mortgage market—30% weight	
The Enterprises are to: **Single-Family:** • Fannie Mae will transact credit risk transfers on reference pools of single-family mortgages with an unpaid principal balance (UPB) of at least $150 billion. This UPB requirement will be reviewed periodically and adjusted as necessary to reflect market conditions • In meeting the above targets, the Enterprises must each utilize at least two types of risk transfer structures.	**The objectives were completed.** In 2015, we transferred a significant portion of the mortgage credit risk on loans with an aggregate unpaid principal balance of $238 billion, well in excess of $150 billion, primarily through four CAS transactions and six CIRT transactions. See "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Transfer of Mortgage Credit Risk—Credit Risk-Sharing Transactions" for more information on these transactions. We received additional scorecard credit in completing this objective by executing an additional type of risk-transfer structure and by executing a transaction to transfer risk on adjustable-rate loans, which is a loan type that was not involved in a risk-transfer transaction prior to 2015.
Multifamily: • The Enterprises will determine the feasibility of transacting additional approved types of risk transfer structures to determine their: (a) market acceptance, (b) effectiveness at transferring risk, and (c) ability to expand the scale of the transfer initiatives. Based on the feasibility assessment, the Enterprises may execute additional risk transfers.	**The objective was completed.** In 2015 we continued to evaluate the feasibility and benefits of engaging in potential additional activities to transfer credit risk in our multifamily business.

Objectives and Weighting	Summary of Performance
Retained Portfolio: • The Enterprises will continue to implement their approved retained portfolio plans so that these plans meet, even under adverse conditions, the annual PSPA requirements and the $250 billion PSPA cap by December 31, 2018. ◦ Any sales should be commercially reasonable transactions that consider impacts to the market, borrowers, and neighborhood stability.	**The objective was completed.** In 2015 we continued to implement our retained portfolio plan, which we describe in "MD&A—Business Segment Results—The Capital Markets Group's Mortgage Portfolio." During 2015 we reduced our retained mortgage portfolio to $345.1 billion as of December 31, 2015, below the $359.3 billion cap requested by FHFA. In meeting this goal, we completed our first three nonperforming loan sales, selling nonperforming loans with an aggregate unpaid principal balance of $2.1 billion. We received additional scorecard credit in meeting this goal by successfully selling less-liquid assets, by selling more than one asset category, and because the aggregate unpaid principal balance of nonperforming loans we sold was over $2 billion.
Implement private mortgage insurance eligibility requirements for Enterprise counterparties when finalized.	**The objective was completed.** In April 2015, we announced and published updated eligibility standards for approved private mortgage insurers, which were further revised in June and December 2015. The new standards include enhanced financial requirements and are designed to ensure that mortgage insurers have sufficient liquid assets to pay all claims under a hypothetical future stress scenario. The new standards also set forth enhanced operational performance expectations and define remedial actions that may be imposed should an approved mortgage insurer fail to comply with the revised requirements. See "MD&A—Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Mortgage Insurers" for additional information on these new standards.
Build a new single-family securitization infrastructure for use by the Enterprises and adaptable for use by other participants in the secondary market in the future—30% weight	
The Enterprises are to: **Continue working with FHFA, each other, and Common Securitization Solutions, LLC to build and test the Common Securitization Platform (CSP) and to implement the changes necessary to integrate the Enterprises' related systems and operations with the CSP.** The Enterprises' work on CSP should incorporate the following design principles: • Focus on the functions necessary for current Enterprise single-family securitization activities. • Include the development of the operational and system capabilities necessary to issue a Single Security for the Enterprises. • Allow for the integration of additional market participants in a future system.	**The objective was completed.** Fannie Mae continued to work with FHFA, Freddie Mac and CSS on building and testing the common securitization platform, as well as on implementing required changes to our systems and operations to integrate with the common securitization platform. See "Business—Housing Finance Reform—Conservator Developments" for more information on the progress of the common securitization platform initiative.
Finalize the Single Security structure, including security features, disclosure standards, and related requirements. Develop a plan to implement the Single Security in the market.	**The objective was completed.** During 2015, we, FHFA and Freddie Mac developed a plan to implement the single security. We also worked on a variety of issues relating to the implementation of the single security, including accounting matters, communication planning, industry outreach, risk assessments, privacy matters, legal and contractual issues and disclosures. FHFA has indicated that it expects both Fannie Mae and Freddie Mac to implement the single security on the common securitization platform in 2018. See "Business—Housing Finance Reform—Conservator Developments" for more information on the single security and "Risk Factors" for a discussion of the risks to our business associated with a single security for Fannie Mae and Freddie Mac.

Objectives and Weighting	Summary of Performance
Provide active support for mortgage data standardization initiatives: • Develop a plan for collecting the Uniform Closing Disclosure Dataset (UCD). • Develop the Uniform Loan Application Dataset (ULAD).	**The objectives were completed.** We supported these mortgage data standardization initiatives in 2015, which are designed to improve the accuracy and quality of loan data through the mortgage lifecycle with the development and implementation of the uniform data standards for single-family mortgages. Our UCD collection activities included: developing and publishing a joint GSE industry announcement outlining the high-level timeline for the collection of the UCD; engaging in outreach at industry events, through webinars and through customer channels to assist with implementation preparedness; engaging with lenders and vendors on collection solution capabilities; completing a detailed implementation plan for UCD collection; and jointly launching the UCD Advisory Board with Freddie Mac. Our ULAD activities included completing a detailed internal implementation plan; substantial lender and borrower usability testing of the Uniform Residential Loan Application (URLA); engaging in industry outreach through webinars and presenting the revisions made to the URLA to obtain feedback and address concerns; and publishing an announcement on the ULAD collection.

Assessment by Board of Directors of Company Performance

In March 2015, the Board of Directors established the 2015 Board of Directors' goals, which are presented in the table below. Performance against these goals was a factor the Board of Directors considered in determining the individual performance of the named executives for purposes of the individual performance-based component of the named executives' 2015 at-risk deferred salary. The Board of Directors did not assign any relative weight to the goals.

Over the course of 2015, management periodically reviewed the 2015 Board of Directors' goals and maintained a dialogue with the Board of Directors and appropriate committees of the Board of Directors as to management's performance against these goals.

In late 2015 and early 2016, the Compensation Committee reviewed performance against the 2015 Board of Directors' goals. In connection with the Compensation Committee's review, management provided the Compensation Committee with a report assessing management's performance against the goals, which was reviewed for accuracy by our Internal Audit group. The Compensation Committee considered management's assessment of its performance against the goals and also discussed with the Chief Executive Officer the performance of the company and of each named executive (other than the Chief Executive Officer).

The Compensation Committee noted in its review that management's achievements with respect to the 2015 Board of Directors' goals were accomplished in a complex political environment and a complicated and evolving operating environment, at a time when management was running the company's business at a high level and was continuing to implement major organizational changes, its Vision and Values initiative, and the project to relocate the company's headquarters and other offices. The Committee also favorably recognized management's efforts to address any issues with the 2015 Board of Directors' goals on an ongoing basis with FHFA, the Board of Directors and appropriate committees of the Board of Directors, which allowed management to identify and resolve problems throughout the year.

In January 2016, following its review of management's and the company's performance in 2015, and after discussions among all independent members of the Board of Directors, the Compensation Committee recommended and the Board of Directors determined that the individual component of the 2015 at-risk deferred salary should be funded at the 100% level as a result of management's significant achievements. The Compensation Committee also provided FHFA with its assessment of management's performance against the 2015 Board of Directors' goals and its qualitative assessment of management's performance against the 2015 conservatorship scorecard objectives. See "Assessment of 2015 Individual Performance" below for information regarding the review by the Compensation Committee and the Board of Directors of the named executives' individual performance in establishing the individual performance-based component of 2015 at-risk deferred salary.

The table below presents our 2015 Board of Directors' goals, and the assessment of achievement against these goals.

Board of Directors' Goals	Assessment of Performance
Sustain and grow partnerships with lenders and other key housing stakeholders.	**Achieved this goal.** We took significant steps in 2015 to sustain and grow our partnerships with lenders and other key housing stakeholders, including developing a model to transform the way we work in an effort to more effectively and efficiently deliver what our customers need. We also increased our attention on understanding how our customers perceive us and what we can do to improve the customer experience.
Serve the market by providing products and services that help people own, rent, or stay in their homes.	**Achieved this goal.** We served as a stable source of liquidity for purchases of homes and financing of multifamily rental housing, as well as for refinancing existing mortgages, providing approximately $516 billion in liquidity to the mortgage market in 2015 through our purchases of loans and guarantees of loans and securities. This liquidity enabled borrowers to complete approximately 1,188,000 single-family mortgage refinancings and approximately 954,000 single-family home purchases, and provided financing for approximately 569,000 units of multifamily housing. We also worked to increase access to mortgage credit for creditworthy borrowers consistent with the full extent of our applicable credit requirements and risk management practices. Our acquisitions of loans through our suite of affordable product offerings significantly surpassed our goals. In 2015 we also developed and launched HomeReady, our new affordable lending product. Finally, we provided approximately 122,000 loan workouts in 2015 to help homeowners stay in their homes or otherwise avoid foreclosure. For more information on these activities, see "Contributions to the Housing and Mortgage Markets" and "Single-Family Guaranty Book of Business—Providing Access to Credit Opportunities for Creditworthy Borrowers" in "Business—Executive Summary."
Build sustainable financial performance.	**Achieved this goal.** We recognized net income of $11.0 billion in 2015. We acquired single-family loans with strong credit profiles. See "Business—Executive Summary—Single-Family Guaranty Book of Business" for information on the credit performance, credit profile, and average charged guaranty fee on our 2015 acquisitions. Our multifamily new business volume also reflected loans with a solid credit profile. We are also working on a multi-year effort to improve our business efficiency and agility through simplification of our business processes and enhancements to our infrastructure. Our net worth has been positive at the end of each quarter of 2015 and, accordingly, Fannie Mae has not drawn funds from Treasury for 2015.
Maintain a disciplined risk, control, and compliance environment.	**Achieved this goal.** We maintained a disciplined risk, control, and compliance environment in 2015, managing our business within established risk limits, with timely remediation of instances where limits were exceeded and with the Board of Directors' approval for exceptions. We also resolved all medium and high priority internal audit issues and risk and control matters identified by FHFA within established timeframes or mutually acceptable extensions.

Board of Directors' Goals	Assessment of Performance
Improve the company's capabilities, infrastructure, and efficiency to prepare for a more competitive future.	**Achieved this goal.** We accomplished significant progress in 2015 toward successfully completing a number of top-tier, enterprise-level strategic projects to enhance our infrastructure or efficiency, with safety and soundness in mind. These efforts include replacing some of our systems with simpler, more automated infrastructure that will enable us to more efficiently process transactions and manage our book of business, as well as to better adapt to industry and regulatory changes in the future. Our strategic projects include projects to make required changes to our systems and operations to integrate with the CSP, to increase our operational efficiencies while improving our customers' experience in transacting business with us, and to implement a new third-party mortgage securities trading system and a new third-party securities accounting system and data repository, which simplified and integrated our processing of and accounting for mortgage securities transactions. We also made substantial progress on our workplace strategy initiative in anticipation of our move in a couple of years to new headquarters in Washington, DC.
Develop our workforce so that it is ready to meet the business challenges of today and into the future.	**Achieved this goal.** We took several important steps this year to prepare employees to meet the business challenges of today and the future, focusing particularly on recruiting, training and development; and succession planning. We also developed a corporate vision in 2015, to be America's most valued housing partner, and rolled out values to serve as guiding principles, as well as an articulation of specific employee behaviors demonstrating the values. The vision, values and supporting behaviors were integrated into recruitment, performance management, and employee recognition programs to help embed them into the company's culture. In addition, we launched several initiatives in support of maintaining a diverse and inclusive culture.

Assessment of 2015 Individual Performance

Overview. Half of each named executives' 2015 at-risk deferred salary was subject to reduction based on individual performance in 2015.

The Board of Directors assessed the Chief Executive Officer's performance with input from the Compensation Committee and from the Chief Executive Officer regarding his accomplishments. In approving compensation for each named executive, the Compensation Committee and the Board of Directors considered the Chief Executive Officer's recommendation and assessment of each named executive's performance and contribution to the company's achievement of the 2015 conservatorship goals and the 2015 Board of Directors' goals. Each of our named executives will be paid 100% of his individual performance-based at-risk deferred salary target for 2015 presented in the table above in "Summary of 2015 Compensation Actions."

Timothy Mayopoulos, President and Chief Executive Officer. In evaluating Mr. Mayopoulos's performance and determining his individual performance-based at-risk deferred salary for the period in 2015 during which he earned at-risk deferred salary, the Board of Directors acknowledged Mr. Mayopoulos's strong leadership in 2015 and his significant contributions to Fannie Mae's numerous accomplishments. For example, Fannie Mae completed or substantially completed all of its 2015 conservatorship scorecard objectives and all of the 2015 Board of Directors' goals, in a manner that the Board of Directors viewed as responsible, timely and of high quality. This was accomplished in a complicated and evolving operating environment, at a time when management was continuing to implement major organizational changes, its vision and values initiative, and the project to relocate the company's headquarters and other offices, and running Fannie Mae's business at a high level. Fannie Mae was profitable in 2015, with net income of $11.0 billion, while continuing to acquire loans with a strong credit profile and increasing access to affordable mortgage credit for creditworthy borrowers. Fannie Mae made substantial progress on initiatives to help prepare its business and infrastructure for changes in the U.S. housing finance system and to help ensure its safety and soundness during conservatorship. Mr. Mayopoulos has continued to develop a highly skilled and cohesive management team in order to meet the many goals and challenges set out for the company. Under Mr. Mayopoulos's leadership, in 2015 Fannie Mae developed a corporate vision to be America's most valued housing partner and values to serve as guiding principles, as well as an articulation of specific employee behaviors demonstrating the values. The vision, values and supporting behaviors were integrated into recruitment, performance management, and employee recognition programs to help embed them into the company's culture. Fannie Mae also developed a long-term strategic plan, redesigned its management-level corporate governance structure, further developed its credit risk transfer capabilities and strengthened its role as a thought leader with the launch of the Home Purchase Sentiment Index, or HPSI, a single, predictive indicator of consumer sentiment devoted exclusively to housing.

David Benson, Executive Vice President and Chief Financial Officer. In recommending and determining Mr. Benson's individual performance-based at-risk deferred salary, the Chief Executive Officer, the Compensation Committee and the Board of Directors considered Mr. Benson's many achievements in 2015, a number of which provided critical support to Fannie Mae's achievement of the 2015 conservatorship scorecard and the 2015 Board of Directors' goals. As Chief Financial Officer, Mr. Benson was instrumental in the development of Fannie Mae's long-term strategic plan; executed a key initiative supporting our multi-year effort to improve our business efficiency and agility through simplification of our business processes; helped ensure administrative expenses remained within plan; managed the risk of our retained mortgage portfolio; completed plans for reducing our retained mortgage portfolio in accordance with the 2015 conservatorship scorecard, including obtaining additional scorecard credit in doing so; met ambitious goals to reduce balances of illiquid assets we hold; and helped establish a successful program to sell nonperforming loans. In addition, Mr. Benson continued to provide leadership in Fannie Mae's interactions with FHFA, Treasury and with various persons and organizations in the industry.

Andrew Bon Salle, Executive Vice President-Single-Family Business. In recommending and determining Mr. Bon Salle's individual performance-based at-risk deferred salary, the Chief Executive Officer, the Compensation Committee and the Board of Directors considered Mr. Bon Salle's many achievements in 2015 and, in particular, the significant initiatives he led related to the 2015 conservatorship scorecard and the 2015 Board of Directors' goals. Mr. Bon Salle's accomplishments include developing the single-family component of Fannie Mae's long-term strategic plan; sustaining and growing partnerships with lenders and other key housing stakeholders; implementing plans for integrating Fannie Mae's systems with the common securitization platform and improving Fannie Mae's front-end business capabilities; supporting our initiative to simplify and integrate our processing of and accounting for mortgage securities transactions; building sustainable financial performance; managing Fannie Mae's single-family business within risk limits; improving the representation and warranty framework; exceeding goals to transfer credit risk, including through multiple transaction types and covering different loan types; and launching Collateral Underwriter and our new loan delivery platform for lenders.

Brian Brooks, Executive Vice President, General Counsel and Corporate Secretary. In recommending and determining Mr. Brooks' individual performance-based at-risk deferred salary, the Chief Executive Officer, the Compensation Committee and the Board of Directors considered Mr. Brooks' many achievements in 2015. These achievements include coordinating an enterprise cybersecurity program; redesigning Fannie Mae's management-level corporate governance structure; working with other divisions across the company to address troubled counterparty issues; building strong relationships with his counterparts throughout the industry; supporting Fannie Mae's multi-year effort to improve business efficiency and agility through simplification of our business processes; and launching a program to support development of legal department employees to meet our current and future business challenges.

Jeffery Hayward, Executive Vice President and Head of Multifamily. In recommending and determining Mr. Hayward's individual performance-based at-risk deferred salary, the Chief Executive Officer, the Compensation Committee and the Board of Directors considered Mr. Hayward's many achievements in 2015. These achievements include his leadership of our efforts to increase access to mortgage credit for creditworthy borrowers and to accomplish the multifamily goals in the 2015 conservatorship scorecard and the 2015 Board of Directors' goals; executing on our initiative to prepare our multifamily business and infrastructure for the future, particularly by deploying DUS Gateway™, a new technology system for lenders and Fannie Mae to manage multifamily loan sourcing and acquisition; helping to initiate the first multifamily customer loyalty survey for lenders and borrowers; evaluating the feasibility and benefits of potentially engaging in activities to transfer credit risk in our multifamily business; developing the multifamily component of Fannie Mae's long-term strategic plan; and simplifying multifamily business processes.

Other Executive Compensation Considerations

Role of Compensation Consultants

The Compensation Committee's independent compensation consultant is Frederic W. Cook & Co., Inc. ("FW Cook"). Management's outside compensation consultant is McLagan.

For 2015, McLagan advised management and the Compensation Committee on various compensation and human resources matters, including:

- providing guidance and feedback on the company's 2015 executive compensation program;
- defining the protocol regarding market peer group development and benchmarking for executives;
- advising on market trends, competitive pay levels and various compensation proposals for new hires and promotions; and

- providing market compensation data for senior management positions, including the named executives' positions.

For 2015, FW Cook advised the Compensation Committee and the Board of Directors on various executive compensation matters, including:

- assisting the Compensation Committee in its discussions with FHFA on the company's 2015 executive compensation program;
- preparing an analysis of compensation for executives in positions comparable to Fannie Mae executive positions at companies in our primary comparator group, based on information in proxy statements and other reports filed by those companies with the SEC;
- assisting the Compensation Committee in developing a proposal for FHFA review and consideration on executive compensation for the position of Fannie Mae's chief executive officer;
- reviewing McLagan's analysis of market compensation data for select senior management positions;
- reviewing various management proposals relating to compensation structures and levels, and for new hires and promotions;
- reviewing the company's risk assessment of its 2015 compensation program;
- assisting the Compensation Committee in its evaluation of the company's performance against the 2015 conservatorship scorecard and communicating its views to FHFA;
- assisting the Compensation Committee in its evaluation of the company's performance against the 2015 Board of Directors' goals;
- facilitating the Compensation Committee's evaluation of the Company's Chief Executive Officer's performance in 2015;
- informing the Compensation Committee of regulatory updates and market trends in compensation and benefits; and
- assisting with the preparation of executive compensation disclosure in this Annual Report on Form 10-K.

Compensation Consultant Independence Assessment

The Compensation Committee assessed the independence of FW Cook and McLagan. Based on its assessments, the Compensation Committee determined that FW Cook is independent from management. FW Cook's work for the Compensation Committee raises no conflicts of interest.

Because McLagan was retained by, and provides services to management, it is not an independent adviser. McLagan's work raises no material conflicts of interest, and any conflict of interest raised by the fact that McLagan is retained by and provides services to management as well as to the Compensation Committee is addressed by the fact that the Compensation Committee also receives the advice of, and has access to, FW Cook as its independent compensation consultant.

Comparator Group and Role of Benchmark Data

Our Compensation Committee typically requests benchmark compensation data for our senior executives on an annual basis to assess the compensation of the company's senior executives as compared to a group of similar firms. Finding comparable firms for purposes of benchmarking executive compensation is challenging due to our unique business, structure and mission, and the large size of our book of business compared to other financial services firms. The only directly comparable firm to us is Freddie Mac. At FHFA's request, we and Freddie Mac use the same comparator group of companies for benchmarking executive compensation to provide consistency in the market data used for compensation decisions. Factors relevant to the selection of companies for our comparator group included their status as U.S. public companies, the industry in which they operate (each is a commercial bank, insurance company, finance lessor or government-sponsored enterprise) and their size (in terms of total revenues) relative to the size of Fannie Mae. Our primary comparator group, which was established by the Compensation Committee in 2012, consists of the following 17 companies:

- Allstate Corporation
- Ally Financial Inc.
- American International Group Inc.
- Bank of New York Mellon Corporation
- BB&T Corporation
- Capital One Financial Corporation
- Fifth Third Bancorp
- Freddie Mac
- Hartford Financial Services Group, Inc.
- MetLife, Inc.
- Northern Trust Corporation
- PNC Financial Services Group, Inc.
- Prudential Financial, Inc.
- Regions Financial Corporation
- State Street Corporation
- SunTrust Banks, Inc.
- U.S. Bancorp

The Compensation Committee follows a bifurcated approach to benchmarking senior executive positions. Under this approach, while the comparator group noted above is the primary group of companies used for benchmarking senior management pay levels, for certain senior management roles that are more comparable in function and/or scope to roles at firms outside this comparator group, the Compensation Committee considers pay levels against a broader group of companies. The company believes this more comprehensive approach results in better market data.

The named executives' compensation was compared to compensation at other companies as follows:

- The compensation of our Chief Executive Officer (Mr. Mayopoulos), our Chief Financial Officer (Mr. Benson) and our Executive Vice President, General Counsel and Corporate Secretary (Mr. Brooks) was benchmarked against our primary comparator group identified above;
- The compensation of our Executive Vice President—Single-Family Business (Mr. Bon Salle) was benchmarked against our primary comparator group as well as a group of large banks consisting of Bank of America Corporation, Citigroup Inc., JPMorgan Chase & Co., Wells Fargo & Company and other specialty mortgage lending organizations, to the extent those firms have executives in comparable positions; and
- The compensation of our Executive Vice President—Multifamily (Mr. Hayward) was benchmarked against our primary comparator group as well as large banks consisting of Bank of America Corporation, JPMorgan Chase & Co., Wells Fargo & Company and other specialty commercial real estate organizations, to the extent those firms have executives in comparable positions.

In late 2015, FW Cook provided the Compensation Committee with a comparison of our named executives' total target direct compensation for 2015 with compensation for comparable positions at companies in our primary comparator group, based on FW Cook's analysis of proxy statements and other SEC filings. McLagan also provided the Compensation Committee with updated benchmarking data for our named executives other than our Chief Executive Officer and our Chief Financial Officer. The McLagan data compared the named executives' total direct compensation for 2015 with the 25th percentile, 50th percentile and 75th percentile of 2014 direct compensation for comparable positions in the applicable comparator group of companies based on McLagan's proprietary database. Members of the Compensation Committee reviewed and discussed this data in late 2015. Our named executives' total target direct compensation under the 2015 executive compensation program in aggregate was substantially below the market median for comparable firms.

Compensation Recoupment Policy

Our executive officers' compensation (other than executive officers serving on an interim basis) is subject to the following forfeiture and repayment provisions, also known as "clawback" provisions:

- *Materially Inaccurate Information.* If an executive officer has been granted deferred salary or incentive payments (including performance-based compensation) based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria, he or she will forfeit or must repay amounts granted in excess of the amounts the Board of Directors determines would likely have been granted using accurate metrics.
- *Termination for Cause.* If we terminate an executive officer's employment for cause, he or she will immediately forfeit all deferred salary and any incentive payments that have not yet been paid. We may terminate an executive officer's employment for cause if we determine that the officer has: (a) materially harmed the company by, in connection with the officer's performance of his or her duties for the company, engaging in gross misconduct or performing his or her duties in a grossly negligent manner, or (b) been convicted of, or pleaded *nolo contendere* with respect to, a felony.
- *Subsequent Determination of Cause.* If an executive officer's employment was not terminated for cause, but the Board of Directors later determines, within a specified period of time, that he or she could have been terminated for cause and

that the officer's actions materially harmed the business or reputation of the company, the officer will forfeit or must repay, as the case may be, deferred salary and any incentive payments received by the officer to the extent the Board of Directors deems appropriate under the circumstances. The Board of Directors may require the forfeiture or repayment of all deferred salary and any incentive payments so that the officer is in the same economic position as if he or she had been terminated for cause as of the date of termination of his or her employment.

- *Effect of Willful Misconduct.* If an executive officer's employment: (a) is terminated for cause (or the Board of Directors later determines that cause for termination existed) due to either (i) willful misconduct by the officer in connection with his or her performance of his or her duties for the company or (ii) the officer has been convicted of, or pleaded *nolo contendere* with respect to, a felony consisting of an act of willful misconduct in the performance of his or her duties for the company and (b) in the determination of the Board of Directors, this has materially harmed the business or reputation of the company, then, to the extent the Board of Directors deems it appropriate under the circumstances, in addition to the forfeiture or repayment of deferred salary and any incentive payments described above, the executive officer will also forfeit or must repay, as the case may be, deferred salary and annual incentives or long-term awards paid to him or her in the two-year period prior to the date of termination of his or her employment or payable to him or her in the future. Misconduct is not considered willful unless it is done or omitted to be done by the officer in bad faith or without reasonable belief that his or her action or omission was in the best interest of the company.

Certain of the incentive-based compensation for our Chief Executive Officer and Chief Financial Officer also may be subject to a requirement that they be reimbursed to the company in the event that Section 304 of the Sarbanes-Oxley Act of 2002 applies to that compensation.

Stock Ownership and Hedging Policies

We ceased paying new stock-based compensation to our executives after entering into conservatorship in September 2008. In 2009, our Board of Directors eliminated our stock ownership requirements. All employees, including our named executives, are prohibited from transacting in derivative securities related to our securities, including options, puts and calls, other than pursuant to our stock-based benefit plans.

Tax Deductibility of our Compensation Expenses

Subject to certain exceptions, Section 162(m) of the Internal Revenue Code imposes a $1 million limit on the amount that a company may annually deduct for compensation to its Chief Executive Officer and certain other named executives, unless, among other things, the compensation is "performance-based," as defined in Section 162(m), and provided under a plan that has been approved by the shareholders. Compensation the company pays the named executives does not qualify as performance-based compensation under Section 162(m). We have not adopted a policy requiring all compensation to be deductible under Section 162(m). This approach allows us flexibility in light of the conservatorship.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors of Fannie Mae has reviewed and discussed the Compensation Discussion and Analysis included in this Form 10-K with management. Based on such review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Form 10-K.

Compensation Committee:

Brenda J. Gaines, Chair
Diane C. Nordin
Jonathan Plutzik
David H. Sidwell

COMPENSATION RISK ASSESSMENT

Our Enterprise Risk Management division conducted a risk assessment of our 2015 employee compensation policies and practices. In conducting this risk assessment, the division reviewed, among other things, our performance goals, pay mix and compensation structure, variable compensation plans applicable to some employees who support our credit portfolio management division, our severance arrangements, including a voluntary exit program offered during 2015 to certain employees meeting age and service requirements, our compensation recoupment policy, oversight of aspects of our compensation by FHFA, the Compensation Committee and the Board of Directors, our corporate culture with regard to risk, and our performance appraisal management process. The division considered the impact of the Equity in Government Compensation Act of 2015, which reduced annual direct compensation for our Chief Executive Officer to $600,000, consisting solely of base salary, as we describe in "Compensation Discussion and Analysis—Chief Executive Officer Compensation and 2015 Executive Compensation Program—Compensation for our Chief Executive Officer." The division also assessed whether policies, procedures or other mitigating controls existed that would reduce the opportunity for excessive or inappropriate risk-taking within our compensation policies and practices. Our Chief Risk Officer discussed the risk assessment of the company's 2015 compensation policies and practices with the Compensation Committee of the Board of Directors.

Based on the risk assessment, management concluded that our 2015 employee compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the company. Several factors contributed to this conclusion, including:

- Payment of performance-based compensation for achievement of the 2015 conservatorship scorecard objectives and the 2015 Board of Directors' goals is based on the achievement of goals that we have concluded do not encourage unnecessary or excessive risk-taking.
- Our extensive performance appraisal process is designed to ensure achievement of goals without encouraging executives or employees to take excessive risks.
- Deferred salary for our SEC executive officers is subject to the terms of the recoupment policy.

However, management concluded in its risk assessment that restoration of the $600,000 cap on our Chief Executive Officer compensation under the Equity in Government Compensation Act of 2015 could negatively affect our ability to retain our Chief Executive Officer and engage in effective succession planning for this critical role and that the constraints on our compensation could adversely affect our ability to attract qualified candidates given the uncertainty around Chief Executive Officer compensation.

As discussed in "Risk Factors," the conservatorship, the uncertainty of our future, limitations on our compensation and negative publicity concerning the GSEs materially increase the human capital risk to the company.

COMPENSATION TABLES

Summary Compensation Table for 2015, 2014 and 2013

The following table shows summary compensation information for 2015, 2014 and 2013 for the named executives. For more information on the compensation reflected in this table, see the footnotes following the table.

Name and Principal Position	Year	Salary ($) Base Salary ($)[1]	Salary ($) Fixed Deferred Salary (Service-Based)[2]	Bonus ($)[3]	Non-Equity Incentive Plan Compensation ($)[4]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)[5]	All Other Compensation ($)[6]	Total ($)
Timothy Mayopoulos[7]	2015	660,577	825,616	—	476,634	—	53,878	2,016,705
President and Chief	2014	600,000	—	—	—	—	48,000	648,000
Executive Officer	2013	599,615	—	—	—	—	87,969	687,584
David Benson	2015	600,000	1,500,000	—	887,608	20,219	147,875	3,155,702
Executive Vice President	2014	600,000	1,500,000	—	900,585	210,000	143,164	3,353,749
and Chief Financial Officer	2013	574,231	1,436,462	—	818,170	332,926	66,825	3,228,614
Andrew Bon Salle	2015	500,000	1,110,000	—	680,500	—	79,450	2,369,950
Executive Vice President —Single-Family Business	2014	475,769	860,385	—	572,680	209,000	74,982	2,192,816
Brian Brooks Executive Vice President General Counsel and Corporate Secretary	2015	500,000	1,180,000	625,000	710,087	—	41,475	3,056,562
Jeffery Hayward Executive Vice President and Head of Multifamily	2015	475,000	960,000	—	606,532	119,932	105,969	2,267,433

(1) Amounts shown in this sub-column consist of base salary paid during the year on a bi-weekly basis.

(2) Amounts shown in this sub-column for 2015 consist of the fixed, service-based portion of deferred salary. As described in footnote 4 below, the remaining portion of 2015 deferred salary is included in the "Non-Equity Incentive Plan Compensation" column because it is performance-based. Deferred salary shown for 2015 generally will be paid in four equal installments in March, June, September and December 2016. Because Mr. Mayopoulos earned deferred salary only during the period from July 2015 to late November 2015, his deferred salary will be paid in September and December 2016. Beginning in 2014, deferred salary accrues interest at one-half of the one-year Treasury Bill rate in effect on the last business day immediately preceding the year in which the deferred salary is earned. For deferred salary earned in 2015, this rate is 0.125% per year. Interest on the named executives' 2014 and 2015 fixed deferred salary is shown in the "All Other Compensation" column. Deferred salary shown for 2014 was paid to our named executives during 2015. More information about 2015 deferred salary is presented above in "Compensation Discussion and Analysis—Chief Executive Officer Compensation and 2015 Executive Compensation Program—Elements of 2015 Executive Compensation Program—Direct Compensation."

(3) Amounts shown in this column consist of installments of a sign-on award paid to Mr. Brooks in 2015. Mr. Brooks was granted a sign-on award of $1,250,000 in 2014 when he joined Fannie Mae, of which the final $625,000 was paid in two equal installments during 2015. Under its terms, Mr. Brooks' sign-on award is subject to repayment if he leaves Fannie Mae within 24 months of joining the company as follows: the award became 50% vested in November 2015, after Mr. Brooks had been with the company for 12 months, and vests with respect to an additional 25% in May 2016, and the final 25% in November 2016.

(4) Amounts shown in this column consist of the at-risk, performance-based portion of deferred salary earned during the year and, beginning in 2014, interest payable on that deferred salary. Half of at-risk deferred salary for each named executive was subject to reduction based on corporate performance for the year and the remaining half was subject to reduction based on individual performance for the year. The table below provides more detail on the 2015 at-risk deferred salary awarded to our named executives. As described in "Compensation Discussion and Analysis—Chief Executive Officer Compensation and 2015 Executive Compensation Program—Compensation of our Chief Executive Officer," Mr. Mayopoulos earned deferred salary for only a portion of 2015.

Name	2015 Corporate Performance-Based At-Risk Deferred Salary ($)	2015 Individual Performance-Based At-Risk Deferred Salary ($)	Interest Payable on 2015 At-Risk Deferred Salary ($)	Total ($)
Timothy Mayopoulos	234,395	241,644	595	476,634
David Benson	436,500	450,000	1,108	887,608
Andrew Bon Salle	334,650	345,000	850	680,500
Brian Brooks	349,200	360,000	887	710,087
Jeffery Hayward	298,275	307,500	757	606,532

(5) None of our named executives received above-market or preferential earnings on nonqualified deferred compensation.

Pursuant to a directive from FHFA, we terminated our defined benefit pension plans for employees as of December 31, 2013, and we distributed all benefits remaining in the plans in 2015. Messrs. Benson, Bon Salle and Hayward were entitled to receive benefits under our tax-qualified defined benefit pension plan, which we refer to as the "Retirement Plan," as well as under two non-tax-qualified supplemental plans. Messrs. Mayopoulos and Brooks joined the company after 2007 and were therefore not eligible to participate in Fannie Mae's defined benefit pension plans.

The amounts reported for 2015 represent the net change in the value of pension benefits from December 31, 2014 through the time Fannie Mae distributed the benefits in 2015, except that, in accordance with SEC rules, no amount is shown for Mr. Bon Salle because the net change in his pension benefits during that time period was negative, as shown in the table below. Mr. Benson and Mr. Bon Salle both experienced a decrease in the value of their benefits under the Retirement Plan during that period because of the difference between the assumptions we used in calculating their benefits as of December 31, 2014 and the actual factors that determined the value of their benefits when actually paid out. In calculating the value of their pension benefits as of December 31, 2014, consistent with our assumptions used for financial reporting purposes, we assumed that each named executive would elect to receive 80% of his benefits under the Retirement Plan in the form of a lump sum payment and 20% in the form of an annuity. Under the terms of the Retirement Plan, each executive could elect to receive all of his benefits under that plan either in a lump sum or in an annuity, but not in a combination of both. Payouts in the form of annuities resulted in higher costs to us to cover the premiums paid to the annuity provider versus the cost of lump sum payouts. As a result, Mr. Benson's and Mr. Bon Salle's calculated pension benefits under the Retirement Plan (but not the supplemental plans) decreased in value as a result of their election to receive lump sum payouts, while Mr. Hayward's increased as a result of his election to receive an annuity. The table below shows more detail regarding the change in pension value for 2015.

Name	Interest cost ($)	Change from actuarial assumptions to actual outcome (primarily relating to whether the named executive elected to receive a lump sum or an annuity from the Retirement Plan) ($)	Total ($)
David Benson	36,000	(15,781)	20,219
Andrew Bon Salle	34,000	(38,185)	(4,185)
Jeffery Hayward	67,000	52,932	119,932

(6) The table below shows more information about the amounts reported for 2015 in the "All Other Compensation" column, which consist of (1) company contributions under our Retirement Savings Plan (401(k) Plan); (2) company credits to our Supplemental Retirement Savings Plan; (3) matching charitable contributions under our matching charitable gifts program; and (4) interest payable on 2015 fixed deferred salary.

Name	Company Contributions to Retirement Savings (401(k)) Plan ($)	Company Credits to Supplemental Retirement Savings Plan ($)	Charitable Award Programs ($)	Interest Payable on 2015 Fixed Deferred Salary ($)	Total ($)
Timothy Mayopoulos	21,200	31,646	—	1,032	53,878
David Benson	31,800	112,200	2,000	1,875	147,875
Andrew Bon Salle	21,200	56,862	—	1,388	79,450
Brian Brooks	21,200	18,800	—	1,475	41,475
Jeffery Hayward	31,800	72,969	—	1,200	105,969

In accordance with SEC rules, amounts shown under "All Other Compensation" for 2015 do not include perquisites or personal benefits for a named executive that, in the aggregate, amount to less than $10,000. In aggregate, the perquisites we provided to all of our named executives in 2015 did not exceed $1,000.

See "Pension Benefits" for the vesting provisions for company contributions to the Retirement Savings Plan and "Nonqualified Deferred Compensation" for the vesting provisions for company credits to the Supplemental Retirement Savings Plan. As discussed below in "Pension Benefits—Termination of Defined Benefit Pension Plans," in connection with the termination of our defined benefit pension plan, we are making additional contributions to the Retirement Savings Plan and the Supplemental Retirement Savings Plan for employees close to retirement who satisfied a rule of 65. Amounts shown for Mr. Benson and Mr. Hayward reflect these additional contributions.

Amounts shown in the "Charitable Award Programs" column reflect gifts we made on behalf of our named executives under our matching charitable gifts program, under which gifts made by our employees and directors to Section 501(c)(3) charities were matched, up to an aggregate total of $2,500 for the 2015 calendar year.

(7) Amounts shown for 2015 for Mr. Mayopoulos reflect that his direct compensation consisted solely of base salary at an annual rate of $600,000 for the periods from January 1 to June 30, 2015 and from November 25 to December 31, 2015, while his direct compensation consisted of base salary at an annual rate of $750,000, fixed deferred salary at an annual rate of $2,050,000, and at-risk deferred salary with an annual target amount of $1,200,000 for the period from July 1, 2015 to November 24, 2015. See "Compensation Discussion and Analysis—Chief Executive Officer Compensation and 2015 Executive Compensation Program—Compensation of Our Chief Executive Officer" for more information about Mr. Mayopoulos's 2015 compensation.

Grants of Plan-Based Awards in 2015

The following table shows the at-risk grants of deferred salary made to the named executives during 2015. The terms of 2015 deferred salary are described in "Compensation Discussion and Analysis—Chief Executive Officer Compensation and 2015 Executive Compensation Program—Elements of 2015 Executive Compensation Program—Direct Compensation." Deferred salary amounts shown represent only the at-risk, performance-based portion of the named executives' 2015 deferred salary.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards ($)(1)		
Name	Award Type	Threshold	Target	Maximum
Timothy Mayopoulos(2)	At-risk deferred salary—Corporate	—	241,644	241,644
	At-risk deferred salary—Individual	—	241,644	241,644
	Total at-risk deferred salary	**—**	**483,288**	**483,288**
David Benson	At-risk deferred salary—Corporate	—	450,000	450,000
	At-risk deferred salary—Individual	—	450,000	450,000
	Total at-risk deferred salary	**—**	**900,000**	**900,000**
Andrew Bon Salle	At-risk deferred salary—Corporate	—	345,000	345,000
	At-risk deferred salary—Individual	—	345,000	345,000
	Total at-risk deferred salary	**—**	**690,000**	**690,000**
Brian Brooks	At-risk deferred salary—Corporate	—	360,000	360,000
	At-risk deferred salary—Individual	—	360,000	360,000
	Total at-risk deferred salary	**—**	**720,000**	**720,000**
Jeffery Hayward	At-risk deferred salary—Corporate	—	307,500	307,500
	At-risk deferred salary—Individual	—	307,500	307,500
	Total at-risk deferred salary	**—**	**615,000**	**615,000**

(1) Amounts shown are the target amounts of the at-risk, performance-based portion of the named executives' 2015 deferred salary. Half of 2015 at-risk deferred salary was subject to reduction based on corporate performance against the 2015 conservatorship scorecard, as determined by FHFA, and half was subject to reduction based on individual performance in 2015, taking into account corporate performance against the 2015 Board of Directors' goals, as determined by the Board of Directors with FHFA's review. No amounts are shown in the "Threshold" column because deferred salary does not specify a threshold payout amount. The amounts shown in the "Maximum" column are the same as the amounts shown in the "Target" column because 2015 deferred salary is only subject to reduction; amounts higher than the target amount cannot be awarded. The actual amounts of the at-risk portion of 2015 deferred salary that will be paid to the named executives for 2015 performance are included in the "Non-Equity Incentive Plan Compensation" column of the "Summary Compensation Table for 2015, 2014 and 2013" and explained in footnote 4 to that table.

(2) As described in "Compensation Discussion and Analysis—Chief Executive Officer Compensation and 2015 Executive Compensation Program—Compensation of our Chief Executive Officer," Mr. Mayopoulos earned deferred salary for only a portion of 2015.

Pension Benefits

Termination of Defined Benefit Pension Plans.

In 2013, pursuant to a directive from FHFA, our Board of Directors approved the termination of our qualified pension plan, The Federal National Mortgage Association Retirement Plan for Employees Not Covered Under Civil Service Retirement Law, referred to as the "Retirement Plan," as well as the Supplemental Pension Plan and the 2003 Supplemental Pension Plan, referred to collectively as the "Supplemental Plans," in each case effective December 31, 2013. These terminations follow the cessation (or "freeze") of benefit accruals under all of the plans in 2008 for all employees who did not then satisfy a rule of 45 (that is, the sum of their age plus years of service was 45 or greater) and in June 2013 for all employees who continued to accrue benefits after the initial freeze in 2008. Mr. Benson, Mr. Bon Salle and Mr. Hayward are the only named executives who participated in the Retirement Plan and the Supplemental Plans.

We distributed all benefits remaining in the Retirement Plan during 2015. Except for retirees who were already receiving payments under the Retirement Plan (or "in pay status"), participants in that plan had the choice of receiving either a lump sum payment or an annuity. For participants who elected to receive a lump sum payment, the amount they received represented the actuarial equivalent value of the participant's accrued benefit under the Retirement Plan as of the distribution date, calculated in accordance with the amended terms of the Retirement Plan using the plan's benefit reduction factors for early retirement applicable for annuity payments and based on the participant's age on the distribution date. For participants electing an annuity, we purchased annuities from an annuity provider.

We also distributed all benefits remaining in the Supplemental Plans in July 2015. Each participant received a lump sum payment representing the actuarial equivalent value of the participant's remaining accrued benefits under the Supplemental Plans as of the distribution dates, calculated in accordance with the terms of those plans using the Supplemental Plans' benefit reduction factors for early retirement applicable for annuity payments and based on the participant's age on the distribution dates.

In connection with the termination of our qualified defined benefit pension plan, we are making additional contributions to the Retirement Savings Plan and the Supplemental Retirement Savings Plan for employees who participated in the Retirement Plan who were close to retirement and satisfied a rule of 65, including Mr. Benson and Mr. Hayward. These contributions consist of fully vested contributions to the Retirement Savings Plan equal to 4% of eligible earnings (subject to applicable IRS limits on contributions) and to the Supplemental Retirement Savings Plan for earnings in excess of the applicable IRS limits (subject to an overall limit of two times base salary), during the period from July 1, 2013 through June 2018. To satisfy the rule of 65 for this additional contribution, as of June 30, 2013 an employee must have been at least age 50 and the sum of the employee's age plus years of vesting service under the Retirement Plan must have equaled at least 65.

Retirement Savings Plan

The Retirement Savings Plan is a tax-qualified defined contribution plan for which all of our employees are generally eligible that includes a 401(k) before-tax feature, a regular after-tax feature and a Roth after-tax feature. Under the plan, eligible employees may allocate investment balances to a variety of investment options. Subject to IRS limits for 401(k) plans, we make a contribution to the Retirement Savings Plan for our employees equal to 2% of salary and eligible incentive compensation, which includes the deferred salary element of our executive compensation program. Participants are fully vested in this 2% contribution after three years of service. In addition, we match in cash employee contributions up to 6% of base salary and eligible incentive compensation. Employees are 100% vested in our matching contributions. Also, for employees who satisfied the rule of 65, including Mr. Benson and Mr. Hayward, the company is making the additional contributions described in "Termination of Defined Benefit Pension Plans."

Terminated Defined Benefit Pension Plans

Retirement Plan. The Retirement Plan was a tax-qualified defined benefit pension plan. Prior to the freeze on June 30, 2013 of benefit accruals under, and termination effective December 31, 2013 of, the Retirement Plan, participation in the Retirement Plan was frozen. After December 31, 2007, newly hired employees were not eligible for the plan and employees who had not satisfied the rule of 45 did not earn additional benefits under the Retirement Plan after June 30, 2008. Prior to 2007, participation in the Retirement Plan was generally available to employees. Mr. Benson, Mr. Bon Salle and Mr. Hayward were the only named executives who participated in the Retirement Plan.

Under the Retirement Plan, normal retirement benefits were computed on a single life basis using a formula based on final average annual earnings and years of credited service. For years of service after 1988, the pension formula was:

- 1 1/2% multiplied by final average annual earnings, plus
- 1/2% multiplied by final average annual earnings over Social Security-covered compensation multiplied by years of credited service.

Final average annual earnings were average annual base salary in the participant's highest paid 36 consecutive calendar months during the participant's last 120 calendar months of employment prior to June 30, 2013. As a result of the freeze of benefits under the Retirement Plan, earnings and service after June 30, 2013 were not taken into account in determining plan benefits. Provisions of the Internal Revenue Code of 1986, as amended, limit the amount of annual compensation that may be used for calculating pension benefits and the annual benefit that may be paid. For 2013, the last year during which benefits accrued under the Retirement Plan, the statutory compensation cap was $255,000 and the benefit cap was $205,000.

Supplemental Pension Plan and 2003 Supplemental Pension Plan. Prior to the freeze of benefit accruals on June 30, 2013 and termination of the Supplemental Plans effective December 31, 2013, the purpose of the Supplemental Pension Plan was to provide supplemental retirement benefits using the Retirement Plan formula to employees whose base salary exceeded the statutory compensation cap applicable to the Retirement Plan or whose benefit under the Retirement Plan was limited by the statutory benefit cap applicable to the Retirement Plan. The purpose of the Supplemental Pension Plan of 2003 was to provide additional benefits based on eligible incentive compensation not taken into account under the Retirement Plan or the Supplemental Pension Plan. Eligible incentive compensation included deferred salary and incentive compensation. For purposes of determining benefits under the Supplemental Pension Plan of 2003, the amount of an officer's eligible incentive compensation taken into account was limited in the aggregate to 50% of base salary. Mr. Benson, Mr. Bon Salle and Mr. Hayward are the only named executives who participated in the Supplemental Plans.

In 2015, we distributed all benefits remaining in our qualified and supplemental defined benefit pension plans. As a result, there were no accumulated benefits remaining under the plan as of December 31, 2015. The table below shows payments made during 2015 for each named executive under our defined benefit pension plans.

Pension Benefits for 2015

Name	Plan Name	Payments during 2015 ($)(1)
Timothy Mayopoulos	Not applicable	
David Benson	Retirement Plan	535,050
	Supplemental Pension Plan	628,084
	2003 Supplemental Pension Plan	610,085
Andrew Bon Salle	Retirement Plan	730,917
	Supplemental Pension Plan	351,536
	2003 Supplemental Pension Plan	584,362
Brian Brooks	Not applicable	
Jeffery Hayward	Retirement Plan	1,585,000
	Supplemental Pension Plan	651,699
	2003 Supplemental Pension Plan	1,143,233

(1) For Mr. Benson and Mr. Bon Salle, the reported amounts for the Retirement Plan reflect lump sum payments we made to them in accordance with their election as a result of the termination of the plan. For Mr. Hayward, the reported amount reflects the price of the annuity we purchased for him in accordance with his election. Amounts shown for the Supplemental Plans reflect lump sum payments to the named executives.

Nonqualified Deferred Compensation

We provide nonqualified deferred compensation to the named executives pursuant to our Supplemental Retirement Savings Plan. Our Supplemental Retirement Savings Plan is an unfunded, non-tax-qualified defined contribution plan. The Supplemental Retirement Savings Plan is intended to supplement our Retirement Savings Plan, or 401(k) plan, by providing benefits to participants whose eligible earnings exceed the IRS annual limit on eligible compensation for 401(k) plans (for 2015, the annual limit was $265,000). All of our named executives participate in the Supplemental Retirement Savings Plan.

We credit 8% of the eligible compensation for our named executives that exceeds the applicable IRS annual limit. Eligible compensation in any year consists of base salary plus any eligible incentive compensation (which includes deferred salary) earned for that year, up to a combined maximum of two times base salary. The 8% credit consists of two parts: (1) a 2% credit that will vest after the participant has completed three years of service with us; and (2) a 6% credit that is immediately vested. Also, for employees who satisfied the rule of 65, including Mr. Benson and Mr. Hayward, the company is making the additional contributions described in "Pension Benefits—Termination of Defined Benefit Pension Plans."

While the Supplemental Retirement Savings Plan is not funded, amounts credited on behalf of a participant under the Supplemental Retirement Savings Plan are deemed to be invested in mutual fund investments selected by the participant that are similar to the investments offered under our Retirement Savings Plan.

Amounts deferred under the Supplemental Retirement Savings Plan are payable to participants in the January or July following separation from service with us, subject to a six month delay in payment for our 50 most highly-compensated officers. Participants may not withdraw amounts from the Supplemental Retirement Savings Plan while they are employees.

The table below provides information on the nonqualified deferred compensation of the named executives in 2015, all of which was provided pursuant to our Supplemental Retirement Savings Plan.

Nonqualified Deferred Compensation for 2015

Name	Executive Contributions in 2015 ($)	Company Contributions in 2015 ($)(1)	Aggregate Earnings in 2015 ($)(2)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at December 31, 2015 ($)(3)
Timothy Mayopoulos	—	31,646	(3,099)	—	388,501
David Benson(4)	—	112,200	—	—	270,293
Andrew Bon Salle	—	56,862	(2,479)	—	120,851
Brian Brooks	—	18,800	(32)	—	18,768
Jeffery Hayward(4)	—	72,969	(1,658)	—	142,089

(1) All amounts reported in this column as company contributions in the last fiscal year are also reported as 2015 compensation in the "All Other Compensation" column of the "Summary Compensation Table for 2015, 2014 and 2013."

(2) None of the earnings reported in this column are reported as 2015 compensation in the "Summary Compensation Table for 2015, 2014 and 2013" because the earnings are neither above-market nor preferential.

(3) Amounts reported in this column for Mr. Mayopoulos include company contributions in 2014 and 2013 to the Supplemental Retirement Savings Plan of $27,200 and $67,569, respectively, that are also reported as compensation for those years, respectively, in the "All Other Compensation" column of the "Summary Compensation Table for 2015, 2014 and 2013."

Amounts reported in this column for Mr. Benson include company contributions in 2014 and 2013 to the Supplemental Retirement Savings Plan of $110,739 and $42,900, respectively, that are also reported as compensation for those years, respectively, in the "All Other Compensation" column of the "Summary Compensation Table for 2015, 2014 and 2013."

Amounts reported in this column for Mr. Bon Salle include company contributions in 2014 to the Supplemental Retirement Savings Plan of $51,123 that are also reported as 2014 compensation in the "All Other Compensation" column of the "Summary Compensation Table for 2015, 2014 and 2013."

(4) Company contributions for Mr. Benson and Mr. Hayward include the additional credits each receives as a result of satisfying the rule of 65, which are described above under "Pension Benefits—Termination of Defined Benefit Pension Plans."

Potential Payments Upon Termination or Change-in-Control

The information below describes and quantifies certain compensation and benefits that would have become payable to each of our named executives under our existing plans and arrangements if the named executive's employment had terminated on December 31, 2015 under each of the circumstances described below, taking into account the named executive's compensation and service levels as of that date. The discussion below does not reflect retirement or deferred compensation plan benefits to which our named executives may be entitled, as these benefits are described above under "Pension Benefits" and "Nonqualified Deferred Compensation." The information below also does not generally reflect compensation and benefits available to all salaried employees upon termination of employment with us under similar circumstances. We are not obligated to provide any additional compensation to our named executives in connection with a change-in-control.

Potential Payments to Named Executives

We have not entered into agreements with any of our named executives that would entitle the executive to severance benefits. Under the 2015 executive compensation program, a named executive would be entitled to receive a specified portion of his earned but unpaid 2015 deferred salary if his employment was terminated for any reason, other than for cause.

Below we discuss various elements of the named executives' compensation that would become payable in the event a named executive dies, resigns, retires, or his employment is terminated by the company. We then quantify the amounts that would be paid to our named executives in these circumstances, in each case assuming the triggering event occurred on December 31, 2015.

- *Deferred Salary.* If a named executive is separated from employment with the company for any reason other than termination for cause (including his death, resignation, retirement or the termination of his employment by the company without cause), he would receive:
  - the earned but unpaid portion of his fixed deferred salary, reduced by 2% for each full or partial month by which the named executive's termination precedes January 31 of the second year following the performance year (or, if later, the end of the twenty-fourth month following the month in which the named executive first earned deferred salary), except that the reduction will not apply if at the time of separation the named executive is age 62 or older, or age 55 with 10 years of service with Fannie Mae;
  - the earned but unpaid portion of his at-risk deferred salary, subject to reduction from the target level for corporate and individual performance for the applicable performance year; and
  - interest on the earned but unpaid portion of his 2015 deferred salary, which accrues at one-half of the one-year Treasury Bill rate in effect on the last business day immediately preceding the year in which the deferred salary is earned. For 2015 deferred salary, interest accrues at an annual rate of 0.125%.

  Installment payments of deferred salary would be made on the original payment schedule.

  If a named executive's employment is terminated by the company for cause, he would not receive any of the earned but unpaid portion of his deferred salary. The company may terminate an executive for cause if it determines that the executive has: (a) materially harmed the company by, in connection with the performance of his duties for the company, engaging in gross misconduct or performing his duties in a grossly negligent manner; or (b) been convicted of, or pleaded *nolo contendere* with respect to, a felony.
- *Retiree Medical Benefits.* We currently make certain retiree medical benefits available to our full-time employees who meet certain age and service requirements at the time of retirement.

The table below shows the amounts that would have become payable to each of our named executives if his employment had terminated on December 31, 2015.

Potential Payments Upon Termination as of December 31, 2015

Name	2015 Fixed Deferred Salary ($)[1]	2015 At-Risk Deferred Salary ($)[2]	Total ($)
Timothy Mayopoulos			
Resignation, retirement, death or termination without cause	512,522	476,634	989,156
Termination for cause	—	—	—
David Benson			
Resignation, retirement, death or termination without cause	1,501,875	887,608	2,389,483
Termination for cause	—	—	—
Andrew Bon Salle			
Resignation, retirement, death or termination without cause	822,427	680,500	1,502,927
Termination for cause	—	—	—
Brian Brooks			
Resignation, retirement, death or termination without cause	874,292	710,087	1,584,379
Termination for cause	—	—	—
Jeffery Hayward			
Resignation, retirement, death or termination without cause	961,200	606,532	1,567,732
Termination for cause	—	—	—

(1) Mr. Bon Salle and Mr. Brooks would have each received 74% of his 2015 fixed deferred salary, which is the earned but unpaid portion of his 2015 fixed deferred salary as of December 31, 2015, reduced by 2% for each full or partial month by which the named executive's separation from employment preceded January 31, 2017. Because Mr. Mayopoulos did not earn deferred salary until July 2015, he would have received the earned but unpaid portion of his 2015 fixed deferred salary as of December 31, 2015 reduced by 2% for each full or partial month by which his separation from employment preceded July 31, 2017, or 62% of his 2015 fixed deferred salary. Mr. Benson and Mr. Hayward would have each received 100% of his 2015 fixed deferred salary, with no reduction, because each would have been age 55 with 10 years of service with Fannie Mae at the time of termination. Amounts shown in the table include interest payable on the fixed deferred salary.

(2) In the event of resignation, retirement, death or termination without cause, each named executive would have received all of his earned but unpaid 2015 at-risk deferred salary, as determined by FHFA and the Board of Directors in early 2016 (that is, his earned but unpaid 2015 at-risk deferred salary target, reduced by the amounts determined by FHFA and the Board of Directors in early 2016 as a result of corporate and individual performance). See the "At-Risk Deferred Salary (Performance-Based)" sub-column of the "Summary Compensation Table for 2015, 2014 and 2013" above for the amount of 2015 at-risk deferred salary that was awarded to each named executive. Amounts shown in the table include interest payable on the at-risk deferred salary.

Director Compensation

Our non-management directors receive cash compensation pursuant to a program authorized by FHFA in November 2008. This compensation for the directors is designed to be reasonable, appropriate and commensurate with the duties and responsibilities of their Board service.

The total 2015 compensation for our non-management directors is shown in the table below. Mr. Mayopoulos, our only director who also served as an employee of Fannie Mae during 2015, was not entitled to receive any additional compensation for his service as a director.

2015 Non-Employee Director Compensation Table

Name	Fees Earned or Paid in Cash ($)(1)
Amy E. Alving	160,000
William Thomas Forrester	185,000
Brenda J. Gaines	180,000
Charlynn Goins	127,500
Frederick B. "Bart" Harvey III	162,151
Robert H. Herz	170,000
Diane C. Nordin	170,000
Egbert L. J. Perry	290,000
Jonathan Plutzik	170,000
David H. Sidwell	175,000

(1) Directors who chair a Board committee or serve on the Audit Committee receive additional fees for their service. Amounts shown in this table reflect Ms. Goins' resignation from the Board of Directors in September 2015, and Mr. Harvey's succeeding her in the role of Chair of the Nominating & Corporate Governance Committee.

Compensation Arrangements for our Non-Management Directors

Our non-management directors receive a retainer at an annual rate of $160,000, with no meeting fees. Committee chairs and Audit Committee members receive an additional retainer at an annual rate of $25,000 for the Audit Committee chair, $15,000 for the Risk Policy & Capital Committee chair and $10,000 for all other committee chairs and each member of the Audit Committee. In recognition of the substantial amount of time and effort necessary to fulfill the duties of non-executive Chairman of the Board, the annual retainer for our non-executive Chairman, Mr. Perry, is $290,000. Our directors receive no equity compensation.

Additional Arrangements with our Non-Management Directors

Matching Charitable Gifts Program. To further our support for charitable giving, non-employee directors are able to participate in our corporate matching gifts program on the same terms as our employees. Under this program, gifts made by employees and directors to Section 501(c)(3) charities are matched, up to an aggregate total of $2,500 for the 2015 calendar year. No non-employee directors participated in our matching gifts program in 2015.

Stock Ownership Guidelines for Directors. In 2009, our Board of Directors eliminated our stock ownership requirements for directors.

Other Expenses. We also pay for or reimburse directors for out-of-pocket expenses incurred in connection with their service on the Board of Directors, including travel to and from our meetings, accommodations, meals and training.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about shares of common stock that may be issued under our equity compensation plans. However, we are prohibited from issuing new stock without the prior written consent of Treasury other than as required by the terms of any binding agreement in effect on the date of the senior preferred stock purchase agreement.

Equity Compensation Plan Information

	As of December 31, 2015		
Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by stockholders	4,817 [1]	N/A [2]	11,960,258 [3]
Equity compensation plans not approved by stockholders	N/A	N/A	N/A
Total	4,817	N/A	11,960,258

(1) These shares of common stock underlie deferred shares that were issued under the Fannie Mae Stock Compensation Plan of 2003. These shares will become payable to the holder of the deferred shares in accordance with the terms of that plan.

(2) There is no exercise price associated with the payout of deferred shares.

(3) Our only plan under which shares remain available for issuance is the 1985 Employee Stock Purchase Plan. Under the terms of our senior preferred stock purchase agreement with Treasury, we may not sell or issue any equity securities without the prior written consent of Treasury, other than as required by the terms of any binding agreement in effect on the date of the senior preferred stock purchase agreement.

BENEFICIAL OWNERSHIP

The following table shows the beneficial ownership of our common stock by each of our current directors and the named executives, and all current directors and executive officers as a group, as of February 15, 2016. As of that date, no director or named executive, nor all directors and current executive officers as a group, owned as much as 1% of our outstanding common stock or preferred stock.

	Number of Shares Beneficially Owned[1]	
Name and Position	**8.25% Non-Cumulative Series T Preferred Stock**	**Common Stock**
Amy E. Alving Director	0	0
David C. Benson Executive Vice President—Chief Financial Officer	0	0
Andrew J. Bon Salle Executive Vice President—Single-Family Business	1,000	0
Brian P. Brooks Executive Vice President, General Counsel and Corporate Secretary	0	0
William Thomas Forrester Director	0	0
Hugh R. Frater Director	0	0
Brenda J. Gaines Director	0	487
Renee L. Glover Director	0	0
Frederick B. Harvey, III Director	0	0
Jeffery R. Hayward Executive Vice President and Head of Multifamily	0	14,868
Robert H. Herz Director	0	0
Timothy J. Mayopoulos President and Chief Executive Officer	0	0
Diane C. Nordin Director	0	0
Egbert L. J. Perry Chairman of the Board	0	0
Jonathan Plutzik Director	0	0
David H. Sidwell Director	0	0
All directors and current executive officers as a group (20 persons)	2,000	56,038

(1) Beneficial ownership is determined in accordance with the rules of the SEC for computing the number of shares of common stock beneficially owned by each person and the percentage owned. Each holder has sole investment and voting power over the shares referenced in this table.

The following table shows the beneficial ownership of our common stock by each holder of more than 5% of our common stock as of February 15, 2016.

5% Holders	Common Stock Beneficially Owned	Percent of Class
Department of the Treasury	Variable[(1)]	79.9%
1500 Pennsylvania Avenue, NW., Room 3000 Washington, DC 20220		
Pershing Square Capital Management, L.P. PS Management GP, LLC William A. Ackman	115,569,796[(2)]	9.98%
888 Seventh Avenue, 42nd Floor New York, New York 10019		

(1) In September 2008, we issued to Treasury a warrant to purchase, for one one-thousandth of a cent ($0.00001) per share, shares of our common stock equal to 79.9% of the total number of shares of our common stock outstanding on a fully diluted basis at the time the warrant is exercised. The warrant may be exercised in whole or in part at any time until September 7, 2028. As of February 19, 2016, Treasury has not exercised the warrant. The information above assumes Treasury beneficially owns no other shares of our common stock.

(2) Information regarding these shares and their holders is based solely on information contained in a Schedule 13D filed with the SEC on November 15, 2013, as amended by an amendment to the Schedule 13D filed on March 31, 2014. The Schedule 13D and its amendment were filed by these holders as well as by Pershing Square GP, LLC. According to the original Schedule 13D Pershing Square Capital Management, L.P., as investment adviser for a number of funds for which it purchased the shares reported in the table above, and PS Management GP, LLC, its general partner, may be deemed to share voting and dispositive power for the shares. Pershing Square GP, LLC, as general partner of two of the funds, may be deemed to share voting and dispositive power for 40,114,044 of the shares reported in the table above, which are held by the two funds. As the Chief Executive Officer of Pershing Square Capital Management, L.P. and managing member of each of PS Management GP, LLC and Pershing Square GP, LLC, William A. Ackman may be deemed to share voting and dispositive power for all of the shares reported in the table above. In the amendment, the parties further reported that certain of them had entered into swap transactions resulting in their having additional economic exposure to approximately 15,434,715 notional shares of common stock under certain cash-settled total return swaps, bringing their total aggregate economic exposure to 131,004,511 shares of common stock (approximately 11.31% of the outstanding common stock).

In the amendment to the Schedule 13D, these parties indicated that they would forgo future reporting on Schedule 13D based on their determination that shares of the common stock are not voting securities as such term is used in Rule 13d-1(i) under the Securities Exchange Act. As a result, the information in the table above does not reflect any acquisitions or dispositions by these holders of Fannie Mae common stock that occurred after March 31, 2014.

Item 13. Certain Relationships and Related Transactions, and Director Independence

POLICIES AND PROCEDURES RELATING TO TRANSACTIONS WITH RELATED PERSONS

We review transactions in which Fannie Mae is a participant and in which any of our directors or executive officers or their immediate family members may have a material interest to determine whether any of those persons has a material interest in the transaction. Our current written policies and procedures for the review, approval or ratification of transactions with related persons that are required to be reported under Item 404(a) of Regulation S-K are set forth in our:

- Code of Conduct and Conflicts of Interest Policy for Members of the Board of Directors;
- Nominating & Corporate Governance Committee Charter;
- Board of Directors' delegation of authorities and reservation of powers;
- Code of Conduct for employees; and
- Conflict of Interest Policy and Conflict of Interest Procedure for employees.

In addition, depending on the circumstances, relationships and transactions with related persons may require approval of the conservator pursuant to the 2012 instructions issued to the Board of Directors by the conservator or may require the approval of Treasury pursuant to the senior preferred stock purchase agreement.

Our Code of Conduct and Conflicts of Interest Policy for Members of the Board of Directors prohibits our directors from engaging in any conduct or activity that is inconsistent with our best interests, as defined by the conservator's express directions, its policies and applicable federal law. The Code of Conduct and Conflicts of Interest Policy for Members of the Board of Directors requires each of our directors to excuse himself or herself from voting on any issue before the Board that could result in a conflict, self-dealing or other circumstance where the director's position as a director would be detrimental to us or result in a noncompetitive, favored or unfair advantage to either the director or the director's associates. In addition, our directors must disclose to the Chair of the Nominating & Corporate Governance Committee, or another member of the committee, any situation that involves or appears to involve a conflict of interest. This includes, for example, any financial interest of a director, an immediate family member of a director or a business associate of a director in any transaction being considered by the Board, as well as any financial interest a director may have in an organization doing business with us. Each of our directors also must annually certify compliance with the Code of Conduct and Conflicts of Interest Policy for Members of the Board of Directors.

The Nominating & Corporate Governance Committee Charter and our Board's delegation of authorities and reservation of powers require the Nominating & Corporate Governance Committee to approve any transaction that Fannie Mae engages in with any director, nominee for director or executive officer, or any immediate family member of a director, nominee for director or executive officer, that is required to be disclosed pursuant to Item 404 of Regulation S-K. In addition, the Board's delegation of authorities and reservation of powers requires the Board and the conservator to approve any action that in the reasonable business judgment of management at the time the action is taken is likely to cause significant reputational risk to the company or result in substantial negative publicity. Depending on management's business judgment, this requirement might include a related party transaction.

Our Code of Conduct for employees requires that we and our employees seek to avoid any actual or apparent conflict between our business interests and the personal interests of our employees or their family members. An employee who knows or suspects a violation of our Code of Conduct must raise the issue with the employee's manager, another appropriate member of management, a member of our Human Resources division or our Compliance and Ethics division.

Our Conflict of Interest Policy and Conflict of Interest Procedure for employees requires that our executive officers report to the Compliance & Ethics division any existing or currently proposed transaction with us, whether or not in the ordinary course of business, in which the executive officer or any immediate family member of the executive officer has a direct or indirect interest. Our Conflict of Interest Procedure for employees provides that the Compliance & Ethics division will refer any such report to the Legal department for review to determine whether the Nominating & Corporate Governance Committee or FHFA is required to review and approve the transaction pursuant to the Nominating & Corporate Governance Committee Charter and/or the Board's delegation of authorities and reservation of powers.

We are required by the conservator to obtain its approval for various matters, some of which may involve relationships or transactions with related persons. These matters include actions involving the senior preferred stock purchase agreement, the creation of any subsidiary or affiliate, any substantial non-ordinary course transaction with a subsidiary or affiliate, the compensation or benefits of directors and officers at the senior vice president level and above and other executives FHFA may designate, and actions that in the reasonable business judgment of management at the time that the action is to be taken are likely to cause significant reputational risk or result in substantial negative publicity. The senior preferred stock purchase agreement requires us to obtain written Treasury approval of transactions with affiliates unless, among other things, the transaction is upon terms no less favorable to us than would be obtained in a comparable arm's-length transaction with a non-affiliate or the transaction is undertaken in the ordinary course or pursuant to a contractual obligation or customary employment arrangement in existence at the time the senior preferred stock purchase agreement was entered into.

We also require our directors and executive officers, not less than annually, to describe to us any situation involving a transaction with us in which a director or executive officer could potentially have a personal interest that would require disclosure under Item 404 of Regulation S-K.

TRANSACTIONS WITH RELATED PERSONS

Transactions with Treasury

Treasury beneficially owns more than 5% of the outstanding shares of our common stock by virtue of the warrant we issued to Treasury on September 7, 2008. The warrant entitles Treasury to purchase shares of our common stock equal to 79.9% of our outstanding common stock on a fully diluted basis on the date of exercise, for an exercise price of $0.00001 per share, and is exercisable in whole or in part at any time on or before September 7, 2028. We describe below our current agreements with Treasury, as well as payments we are making to Treasury pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011 and payments we expect to make to Treasury beginning in 2016 pursuant to the GSE Act.

FHFA, as conservator, approved the senior preferred stock purchase agreement and the amendments to the agreement, our role as program administrator for the Home Affordable Modification Program and other initiatives under the Making Home Affordable Program, and the housing finance agency transactions described below.

Treasury Senior Preferred Stock Purchase Agreement

We issued the warrant to Treasury pursuant to the terms of the senior preferred stock purchase agreement we entered into with Treasury on September 7, 2008. Under the senior preferred stock purchase agreement, we also issued to Treasury one million shares of senior preferred stock. We issued the warrant and the senior preferred stock as an initial commitment fee in consideration of Treasury's commitment to provide funds to us under the terms and conditions set forth in the senior preferred stock purchase agreement. The senior preferred stock purchase agreement was subsequently amended on September 26, 2008, May 6, 2009, December 24, 2009 and August 17, 2012. See "Business—Conservatorship and Treasury Agreements—Treasury Agreements" for a description of the terms of the senior preferred stock purchase agreement, the senior preferred stock and the warrant, including the revisions to the agreement and the senior preferred stock set forth in the August 2012 amendment to the agreement.

As of December 31, 2015, we had received an aggregate of $116.1 billion from Treasury under the senior preferred stock purchase agreement, and the remaining amount of funding available to us under the agreement was $117.6 billion. Through December 31, 2015, we had paid an aggregate of $144.8 billion to Treasury in dividends on the senior preferred stock. We expect to pay Treasury additional senior preferred stock dividends of $2.9 billion for the first quarter of 2016.

Treasury Making Home Affordable Program

In February 2009, the Obama Administration announced its Homeowner Affordability and Stability Plan, a plan to provide stability and affordability to the U.S. housing market. Pursuant to this plan, in March 2009, the Administration announced the details of its Making Home Affordable Program, a program intended to provide assistance to homeowners and prevent foreclosures. One of the primary initiatives under the Making Home Affordable Program is the Home Affordable Modification Program, or HAMP, which is aimed at helping borrowers whose loan is either currently delinquent or at imminent risk of default by modifying their mortgage loan to make their monthly payments more affordable. In addition to our participation in the Administration's initiatives under the Making Home Affordable Program, Treasury engaged us to serve as program administrator for loans modified under HAMP and other initiatives under the Making Home Affordable Program pursuant to a financial agency agreement between Treasury and us, dated February 18, 2009. Our principal activities as program administrator include:

- implementing the guidelines and policies of the Treasury program;
- preparing the requisite forms, tools and training to facilitate efficient loan modifications by servicers;
- creating, making available and managing the process for servicers to report modification activity and program performance;
- calculating incentive compensation consistent with program guidelines;
- acting as record-keeper for executed loan modifications and program administration;
- coordinating with Treasury and other parties toward achievement of the program's goals, including assisting with development and implementation of updates to the program and initiatives expanding the program's reach;
- helping servicers implement the program; and
- performing other tasks as directed by Treasury from time to time.

In June 2014, the Administration announced an extension of the Making Home Affordable Program until at least December 31, 2016, and, in December 2015, the termination of the Making Home Affordable Program was set at December 31, 2016 under the Consolidated Appropriations Act, 2016. We expect our role as program administrator will continue for several years after the termination of the program.

Under our arrangement with Treasury, Treasury has agreed to compensate us for a significant portion of the work we have performed in our role as program administrator for HAMP and other initiatives under the Making Home Affordable Program. We expect we will have received an aggregate of approximately $425 million from Treasury for our work as program administrator from 2009 through 2015, as well as an additional amount of approximately $115 million for this period to be passed through to third-party vendors engaged by us for HAMP and other initiatives under the Making Home Affordable Program. We expect to continue to receive reimbursements from Treasury for our work as program administrator for HAMP and other initiatives under the Making Home Affordable Program in future years, even after the termination of HAMP, through the completion of our role as program administrator.

In January 2015, we announced an additional borrower "pay for performance" incentive of $5,000 for Fannie Mae borrowers whose loans have been modified under HAMP and who remain in good standing in year six of the modification. Treasury is funding certain of these borrower "pay for performance" incentives from the Troubled Asset Relief Program.

Treasury Housing Finance Agency Initiative

In 2009, we entered into a memorandum of understanding with Treasury, FHFA and Freddie Mac that established terms under which we, Freddie Mac and Treasury would provide assistance to state and local housing finance agencies ("HFAs") so that the HFAs could continue to meet their mission of providing affordable financing for both single-family and multifamily housing. Pursuant to this HFA initiative, we, Freddie Mac and Treasury have provided assistance to the HFAs through two primary programs: a temporary credit and liquidity facilities ("TCLF") program, which was intended to improve the HFAs' access to liquidity for outstanding HFA bonds, and a new issue bond ("NIB") program, which was intended to support new lending by the HFAs. We entered into various agreements in 2009 to implement these HFA assistance programs, including several to which Treasury is a party. Pursuant to the TCLF program, Treasury purchased participation interests in temporary credit and liquidity facilities provided by us and Freddie Mac to the HFAs, which facilities created a credit and liquidity backstop for the HFAs. Pursuant to the NIB program, Treasury purchased new securities issued and guaranteed by us and Freddie Mac, which are backed by new housing bonds issued by the HFAs.

In 2011, we entered into an Omnibus Consent to HFA Initiative Program Modifications with Treasury, Freddie Mac and FHFA pursuant to which the parties agreed to specified modifications to the HFA initiative programs, including a three-year extension of the expiration date for the TCLFs from December 2012 to December 2015, and a one-year extension of the expiration date for release of escrowed funds for the NIB program from December 31, 2011 to December 31, 2012.

The total amount originally established by Treasury for the TCLF program and the NIB program was $23.4 billion: an aggregate of $8.2 billion for the TCLF program (of which $7.7 billion consisted of principal and approximately $500 million consisted of accrued interest) and an aggregate of $15.2 billion for the NIB program (of which $12.4 billion related to single-family bonds and $2.8 billion related to multifamily bonds).

We and Freddie Mac have administered these programs on a coordinated basis. We issued temporary credit and liquidity facilities and securities backed by HFA bonds on a 50-50 pro rata basis with Freddie Mac under these programs. Treasury bears the initial losses of principal under the NIB program up to 35% of total original principal on a program-wide basis, and thereafter we and Freddie Mac each bear the losses of principal that are attributable to our own portion of the securities that we have issued. Treasury also bears any losses of unpaid interest under NIB program. As of December 31, 2015, there had been no losses of principal or interest under the TCLF program or the NIB program.

The amounts outstanding under these programs have decreased over time as liquidity facilities under the TCLF program were replaced by the HFAs and as principal payments were received on the mortgage loans financed by the NIB program. As of December 31, 2015, no amount remained outstanding under the TCLF program, which ended as scheduled during 2015. The total unpaid principal amount outstanding under the NIB program for both Fannie Mae and Freddie Mac as of December 31, 2015 was $7.5 billion, which is less than 35% of the total original principal under the program, the amount of losses that Treasury would bear. Accordingly, as of December 31, 2015, we no longer had a potential risk of loss under either the TCLF program or under the NIB program.

Temporary Payroll Tax Cut Continuation Act of 2011

In December 2011, Congress enacted the Temporary Payroll Tax Cut Continuation Act of 2011 which, among other provisions, required that we increase our single-family guaranty fees by at least 10 basis points and remit this increase to Treasury. To meet our obligations under the TCCA and at the direction of FHFA, we increased the guaranty fee on all single-family residential mortgages delivered to us by 10 basis points effective April 1, 2012. FHFA and Treasury advised us to remit this fee increase to Treasury with respect to all loans acquired by us on or after April 1, 2012 and before January 1, 2022, and to continue to remit these amounts to Treasury on and after January 1, 2022 with respect to loans we acquired before this date until those loans are paid off or otherwise liquidated. We paid $1.6 billion to Treasury in 2015 for our obligations under the TCCA, and as of December 31, 2015 our liability to Treasury for TCCA-related guaranty fees for the fourth quarter of 2015 was $429 million.

Treasury Interest in Affordable Housing Allocations

The GSE Act requires us to set aside each fiscal year an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of our total new business purchases and to pay this amount to specified HUD and Treasury funds. In November 2008, FHFA suspended this requirement and directed us to not set aside or allocate funds until further notice. In December 2014, FHFA terminated this suspension and directed us to begin making contributions to the funds. Based on

FHFA's directive and the amount of our new business purchases in 2015, we expect to make our first payment of $217 million to the funds on or before February 29, 2016. Pursuant to the GSE Act and directions from FHFA, we expect to pay $54 million of this amount to Treasury's HOPE Fund, $57 million to Treasury's Capital Magnet Fund and $106 million to HUD's Housing Trust Fund. See "Business—Our Charter and Regulation of Our Activities—The GSE Act—Affordable Housing Allocations" for more information regarding the GSE Act's affordable housing allocation requirements.

Transactions involving The Integral Group LLC

Egbert L. J. Perry, who is the Chairman of our Board and who has been a member of our Board since December 2008, is the Chairman, Chief Executive Officer and controlling member of The Integral Group LLC, referred to as Integral. Prior to Mr. Perry joining our Board, our Multifamily business made indirect investments over a number of years in certain limited partnerships or limited liability companies that are controlled and managed by entities affiliated with Integral, in the capacity of general partner or managing member, as the case may be. These limited partnerships or limited liability companies are referred to as the Integral Property Partnerships. The Integral Property Partnerships own and manage LIHTC properties. We also hold multifamily mortgage loans made to borrowing entities sponsored by Integral. We believe that Mr. Perry has no material direct or indirect interest in these transactions, and therefore disclosure of these transactions in this report is not required pursuant to Item 404 of Regulation S-K. In addition, as described in "Director Independence—Our Board of Directors" below, the Board of Directors has concluded that these business relationships are not material to Mr. Perry's independence.

Mr. Perry has informed us that Integral accepted no further equity investments from us relating to Integral Property Partnerships beginning in December 2008, when he joined our Board. Mr. Perry has also informed us that Integral does not intend to seek debt financing intended specifically to be purchased by us, although, as a secondary market participant, in the ordinary course of our business we may purchase multifamily mortgage loans made to borrowing entities sponsored by Integral.

DIRECTOR INDEPENDENCE

Our Board of Directors, with the assistance of the Nominating & Corporate Governance Committee, has reviewed the independence of all current Board members under the requirements set forth in FHFA's corporate governance regulations (which requires the standard of independence adopted by the NYSE) and under the standards of independence adopted by the Board, as set forth in our Corporate Governance Guidelines and outlined below. It is the policy of our Board of Directors that a substantial majority of our seated directors will be independent in accordance with these standards. Our Board is currently structured so that all but one of our directors, our Chief Executive Officer, is independent. Based on its review, the Board has determined that all of our non-employee directors meet the director independence requirements set forth in FHFA's corporate governance regulations and in our Corporate Governance Guidelines.

Independence Standards

Under the standards of independence adopted by our Board, which meet the independence requirements set forth in FHFA's corporate governance regulations (which requires the standard of independence adopted by the NYSE), an "independent director" must be determined to have no material relationship with us, either directly or through an organization that has a material relationship with us. A relationship is "material" if, in the judgment of the Board, it would interfere with the director's independent judgment. The Board did not consider the Board's duties to the conservator, together with the federal government's controlling beneficial ownership of Fannie Mae, in determining independence of the Board members.

In addition, under FHFA's corporate governance regulations, both our Audit Committee and our Compensation Committee are required to be in compliance with the NYSE's listing requirements for these committees, under which committee members must meet additional, heightened independence criteria. Our own independence standards require all independent directors to meet the criteria for Audit Committee members.

To assist it in determining whether a director is independent, our Board has adopted the standards set forth below, which are posted on our website, www.fanniemae.com, under "Governance" in the "About Us" section of our website:

- A director will not be considered independent if, within the preceding three years:
  - the director was our employee; or
  - an immediate family member of the director was employed by us as an executive officer.

- A director will not be considered independent if:
  - the director is a current partner or employee of our external auditor, or within the preceding three years, was (but is no longer) a partner or employee of our external auditor and personally worked on our audit within that time; or
  - an immediate family member of the director is a current partner of our external auditor, or is a current employee of our external auditor and personally works on Fannie Mae's audit, or, within the preceding three years, was (but is no longer) a partner or employee of our external auditor and personally worked on our audit within that time.
- A director will not be considered independent if, within the preceding three years:
  - the director was employed by a company at a time when one of our current executive officers sat on that company's compensation committee; or
  - an immediate family member of the director was employed as an officer by a company at a time when one of our current executive officers sat on that company's compensation committee.
- A director will not be considered independent if, within the preceding three years:
  - the director received any compensation from us, directly or indirectly, other than fees for service as a director; or
  - an immediate family member of the director received any compensation from us, directly or indirectly, other than compensation received for service as our employee (other than an executive officer).
- A director will not be considered independent if:
  - the director is a current executive officer, employee, controlling stockholder or partner of a company or other entity that does or did business with us and to which we made, or from which we received, payments within the preceding three years that, in any single fiscal year, were in excess of $1 million or 2% of the entity's consolidated gross annual revenues, whichever is greater; or
  - an immediate family member of the director is a current executive officer of a company or other entity that does or did business with us and to which we made, or from which we received, payments within the preceding three years that, in any single fiscal year, were in excess of $1 million or 2% of the entity's consolidated gross annual revenues, whichever is greater.
- A director will not be considered independent if the director or the director's spouse is an executive officer, employee, director or trustee of a nonprofit organization to which we make or have made contributions within the preceding three years that, in a single year, were in excess of the greater of 2% of the organization's consolidated gross annual revenues or $1 million.

After considering all the facts and circumstances, our Board may determine in its judgment that a director is independent (in other words, the director has no relationship with us that would interfere with the director's independent judgment), even though the director does not meet the standards listed above, so long as the determination of independence is consistent with the NYSE definition of "independence." Where the standards above do not address a particular relationship, the determination of whether the relationship is material, and whether a director is independent, will be made by our Board, based upon the recommendation of the Nominating & Corporate Governance Committee.

Our Board of Directors

Our Board of Directors, with the assistance of the Nominating & Corporate Governance Committee, reviewed the independence of all Board members under the requirements set forth in FHFA's corporate governance regulations (which requires the standard of independence adopted by the NYSE) and under the standards of independence adopted by the Board contained in our Corporate Governance Guidelines, as outlined above. Based on its review, the Board has affirmatively determined that all of our non-employee directors meet the director independence standards of our Guidelines and the NYSE, and that each of the following eleven directors is independent: Egbert L. J. Perry, Amy E. Alving, William Thomas Forrester, Hugh R. Frater, Brenda J. Gaines, Renee L. Glover, Frederick B. Harvey III, Robert H. Herz, Diane C. Nordin, Jonathan Plutzik and David H. Sidwell. In January 2015, our Board of Directors also determined that Charlynn Goins, who served as a member of our Board until September 2015, met our director independence standards.

In determining the independence of each of these Board members, the Board of Directors considered the following relationships in addition to those addressed by the standards contained in our Guidelines as set forth above:

- Certain of these Board members and an immediate family member of another Board member serve as directors or advisory Board members of other companies that engage in business with Fannie Mae. In each of these cases, the Board members and the immediate family member are currently only directors or advisory Board members of these other companies. In one case, prior to joining Fannie Mae's Board of Directors a director served as an executive officer of, and then as Chairman of and a consultant to, a company that engages in business with Fannie Mae. In most instances, the payments made by or to Fannie Mae pursuant to these relationships during the past three years were determined to fall below our Guidelines' thresholds of materiality for a Board member that is a current executive officer, employee, controlling shareholder or partner of a company engaged in business with Fannie Mae. In light of these facts, the Board of Directors has concluded that these business relationships are not material to the independence of these Board members.

- Two Board members serve as Board members of charitable organizations that have received fees from Fannie Mae. The amount of these fees fell substantially below our Guidelines' thresholds of materiality for a Board member who is a current trustee or board member of a charitable organization that receives donations from Fannie Mae. In light of this fact, the Board of Directors has concluded that these relationships with the charitable organizations are not material to the independence of these Board members.
- Certain of these Board members serve as directors of other companies that hold Fannie Mae fixed income securities or control entities that direct investments in such securities. It is not possible for Fannie Mae to determine the extent of the holdings of these companies in Fannie Mae fixed income securities as all payments to holders are made through the Federal Reserve, and most of these securities are held in turn by financial intermediaries. Each director has confirmed that the transactions by these other companies in Fannie Mae fixed income securities are entered into in the ordinary course of business of these companies and are not entered into at the direction of, or upon approval by, the director in his capacity as a director of these companies. In light of these facts, the Board of Directors has concluded that these business relationships are not material to the independence of these Board members.
- Mr. Perry is an executive officer and majority member of The Integral Group LLC, which has had multiple indirect business relationships with Fannie Mae during the past three years. These business relationships include the following:
  - Since 2006, Fannie Mae has held six multifamily mortgage loans made to six borrowing entities sponsored by Integral. During 2014, Integral paid off four of these loans, and only two remain. In each case, Integral participates in the borrowing entity as a general partner of the limited partnership, or as a managing member of the limited liability company, as the case may be, and holds a 0.01% economic interest in such entity. The aggregate unpaid principal balance of the remaining loans as of December 31, 2015 constituted approximately 2% of Integral's total debt outstanding. The borrowing entities have made interest payments on these loans. The total amount of these interest payments did not exceed $1 million in any of the last three years.
  - Fannie Mae has invested as a limited partner or member in certain LIHTC funds that in turn have invested as a limited partner or member in various Integral Property Partnerships, which are lower-tier project partnerships or limited liability companies that own LIHTC properties. Integral participates indirectly as a member or the general partner of the Integral Property Partnerships (each a "Project General Partner"). The Integral Property Partnerships construct, develop and manage housing projects, a portion of which includes affordable housing units. Each Project General Partner and its affiliates earn certain fees each year in connection with those project activities, and such fees are paid from income generated by the project (other than certain developer fees paid from development sources). Fannie Mae's indirect investments in the Integral Property Partnerships, through the LIHTC funds, have not resulted in any direct payments by Fannie Mae to any Project General Partner or its affiliates, including Integral. Fannie Mae's indirect equity investment in the Integral Property Partnerships as of December 31, 2015 constituted approximately 1% of the total capitalization and approximately 3% of the total equity in all of the Integral Property Partnerships.

  The aggregate debt service and other required payments made, directly and indirectly, to or on behalf of Fannie Mae pursuant to these relationships with Integral for each of the past three years fall below our Guidelines' thresholds of materiality for a Board member who is a current executive officer, employee, controlling shareholder or partner of a company that engages in business with Fannie Mae. In addition, as a limited partner or member in the LIHTC funds, which in turn are limited partners in the Integral Property Partnerships, Fannie Mae has no direct dealings with Integral or Mr. Perry and has not been involved in the management of the Integral Property Partnerships. Mr. Perry also was not generally aware of the identity of the limited partners or members of the LIHTC funds, as Integral sells the partnership or LLC interests to syndicators who, in turn, syndicate these interests to limited partners or members of their choosing. Further, Integral has not accepted additional equity investments from Fannie Mae since Mr. Perry joined the Board. Mr. Perry has informed Fannie Mae that Integral does not intend to seek debt financing specifically to be purchased by Fannie Mae. Based on the foregoing, the Board of Directors has concluded that these business relationships are not material to Mr. Perry's independence.

The Board determined that none of these relationships would interfere with the director's independent judgment.

Mr. Mayopoulos is not considered an independent director under the Guidelines because of his position as Chief Executive Officer.

Item 14. Principal Accounting Fees and Services

The Audit Committee of our Board of Directors is directly responsible for the appointment, oversight and evaluation of our independent registered public accounting firm, subject to conservator approval of matters relating to retention and termination. In accordance with the Audit Committee's charter, it must approve, in advance of the service, all audit and permissible non-audit services to be provided by our independent registered public accounting firm and establish policies and procedures for the engagement of the external auditor to provide audit and permissible non-audit services. Our independent registered public accounting firm may not be retained to perform non-audit services specified in Section 10A(g) of the Exchange Act.

Deloitte & Touche LLP was our independent registered public accounting firm for the years ended December 31, 2015 and 2014. Deloitte & Touche LLP has advised the Audit Committee that they are independent accountants with respect to the company, within the meaning of standards established by the PCAOB and federal securities laws administered by the SEC.

The following table displays the aggregate estimated or actual fees for professional services provided by Deloitte & Touche LLP, including audit fees.

	For the Year Ended December 31,	
	2015	2014
Description of fees:		
Audit fees	$34,624,000	$33,300,000
Audit-related fees[(1)]	249,000	247,000
Tax fees	35,000	—
Total fees	$34,908,000	$33,547,000

(1) Consists of fees billed for attest-related services on debt offerings and compliance with the covenants in the senior preferred stock purchase agreement with Treasury.

Pre-Approval Policy

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services to be provided by the independent registered public accounting firm. The independent registered public accounting firm and management are required to present reports on the nature of the services provided by the independent registered public accounting firm for the past year and the fees for such services, categorized into audit services, audit-related services, tax services and other services.

In connection with its approval of Deloitte & Touche as Fannie Mae's independent registered public accounting firm for Fannie Mae's 2015 integrated audit, the Audit Committee delegated the authority to pre-approve any additional audit and audit-related services to its Chairman, Mr. Forrester, who was required to report any such pre-approvals at the next scheduled meeting of the Audit Committee. Additionally, any services provided by Deloitte & Touche outside of the scope of the integrated audit must be approved by the conservator.

In 2015, we paid no fees to the independent registered public accounting firm pursuant to the de minimis exception established by the SEC, and all services were pre-approved.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report

1. Consolidated Financial Statements

An index to financial statements has been filed as part of this report beginning on page F-1 and is incorporated herein by reference.

2. Financial Statement Schedules

None.

3. Exhibits

An index to exhibits has been filed as part of this report beginning on page E-1 and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Federal National Mortgage Association

/s/ Timothy J. Mayopoulos

Timothy J. Mayopoulos
President and Chief Executive Officer

Date: February 19, 2016

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Timothy J. Mayopoulos and David C. Benson and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with the Annual Report on Form 10-K and any and all amendments hereto, as fully for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Egbert L. J. Perry Egbert L. J. Perry	Chairman of the Board of Directors	February 19, 2016
/s/ Timothy J. Mayopoulos Timothy J. Mayopoulos	President and Chief Executive Officer and Director	February 19, 2016
/s/ David C. Benson David C. Benson	Executive Vice President and Chief Financial Officer	February 19, 2016
/s/ Gregory A. Fink Gregory A. Fink	Senior Vice President and Controller	February 19, 2016
/s/ Amy E. Alving Amy E. Alving	Director	February 19, 2016

Signature	Title	Date
/s/ William Thomas Forrester William Thomas Forrester	Director	February 19, 2016
/s/ Hugh R. Frater Hugh R. Frater	Director	February 19, 2016
/s/ Brenda J. Gaines Brenda J. Gaines	Director	February 19, 2016
/s/ Renee L. Glover Renee L. Glover	Director	February 19, 2016
/s/ Frederick B. Harvey III Frederick B. Harvey III	Director	February 19, 2016
/s/ Robert H. Herz Robert H. Herz	Director	February 19, 2016
/s/ Diane C. Nordin Diane C. Nordin	Director	February 19, 2016
/s/ Jonathan Plutzik Jonathan Plutzik	Director	February 19, 2016
/s/ David H. Sidwell David H. Sidwell	Director	February 19, 2016

INDEX TO EXHIBITS

Item	Description
3.1	Fannie Mae Charter Act (12 U.S.C. § 1716 et seq.) as amended through July 21, 2010 (Incorporated by reference to Exhibit 3.1 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 000-50231) for the quarter ended June 30, 2015, filed August 6, 2015.)
3.2	Fannie Mae Bylaws, as amended through January 30, 2009 (Incorporated by reference to Exhibit 3.2 to Fannie Mae's Annual Report on Form 10-K (Commission file number 001-34140) for the year ended December 31, 2008, filed February 26, 2009.)
4.1	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series D (Incorporated by reference to Exhibit 4.1 to Fannie Mae's registration statement on Form 10 (Commission file number 000-50231), filed March 31, 2003.)
4.2	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series E (Incorporated by reference to Exhibit 4.2 to Fannie Mae's registration statement on Form 10 (Commission file number 000-50231), filed March 31, 2003.)
4.3	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series F (Incorporated by reference to Exhibit 4.3 to Fannie Mae's registration statement on Form 10 (Commission file number 000-50231), filed March 31, 2003.)
4.4	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series G (Incorporated by reference to Exhibit 4.4 to Fannie Mae's registration statement on Form 10 (Commission file number 000-50231), filed March 31, 2003.)
4.5	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series H (Incorporated by reference to Exhibit 4.5 to Fannie Mae's registration statement on Form 10 (Commission file number 000-50231), filed March 31, 2003.)
4.6	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series I (Incorporated by reference to Exhibit 4.6 to Fannie Mae's registration statement on Form 10 (Commission file number 000-50231), filed March 31, 2003.)
4.7	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series L (Incorporated by reference to Exhibit 4.7 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 001-34140), filed August 8, 2008.)
4.8	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series M (Incorporated by reference to Exhibit 4.8 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 001-34140), filed August 8, 2008.)
4.9	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series N (Incorporated by reference to Exhibit 4.9 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 001-34140), filed August 8, 2008.)
4.10	Certificate of Designation of Terms of Fannie Mae Non-Cumulative Convertible Preferred Stock, Series 2004-1 (Incorporated by reference to Exhibit 4.10 to Fannie Mae's Annual Report on Form 10-K (Commission file number 001-34140) for the year ended December 31, 2009, filed February 26, 2010.)
4.11	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series O (Incorporated by reference to Exhibit 4.11 to Fannie Mae's Annual Report on Form 10-K (Commission file number 001-34140) for the year ended December 31, 2009, filed February 26, 2010.)
4.12	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series P (Incorporated by reference to Exhibit 4.12 to Fannie Mae's Annual Report on Form 10-K (Commission file number 000-50231) for the year ended December 31, 2012, filed April 2, 2013.)
4.13	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series Q (Incorporated by reference to Exhibit 4.13 to Fannie Mae's Annual Report on Form 10-K (Commission file number 000-50231) for the year ended December 31, 2012, filed April 2, 2013.)
4.14	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series R (Incorporated by reference to Exhibit 4.14 to Fannie Mae's Annual Report on Form 10-K (Commission file number 000-50231) for the year ended December 31, 2012, filed April 2, 2013.)
4.15	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series S (Incorporated by reference to Exhibit 4.15 to Fannie Mae's Annual Report on Form 10-K (Commission file number 000-50231) for the year ended December 31, 2012, filed April 2, 2013.)

Item	Description
4.16	Certificate of Designation of Terms of Fannie Mae Preferred Stock, Series T (Incorporated by reference to Exhibit 4.1 to Fannie Mae's Current Report on Form 8-K (Commission file number 000-50231), filed May 19, 2008.)
4.17	Amended and Restated Certificate of Designation of Terms of Variable Liquidation Preference Senior Preferred Stock, Series 2008-2, amended and restated as of September 27, 2012 (Incorporated by reference to Exhibit 4.1 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 000-50231) for the quarter ended September 30, 2012, filed November 7, 2012.)
4.18	Warrant to Purchase Common Stock, dated September 7, 2008 (Incorporated by reference to Exhibit 4.3 to Fannie Mae's Current Report on Form 8-K (Commission file number 001-34140), filed September 11, 2008.)
4.19	Amended and Restated Senior Preferred Stock Purchase Agreement, dated as of September 26, 2008, between the United States Department of the Treasury and Federal National Mortgage Association, acting through the Federal Housing Finance Agency as its duly appointed conservator (Incorporated by reference to Exhibit 4.1 to Fannie Mae's Current Report on Form 8-K (Commission file number 001-34140), filed October 2, 2008.)
4.20	Amendment to Amended and Restated Senior Preferred Stock Purchase Agreement, dated as of May 6, 2009, between the United States Department of the Treasury and Federal National Mortgage Association, acting through the Federal Housing Finance Agency as its duly appointed conservator (Incorporated by reference to Exhibit 4.21 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 001-34140) for the quarter ended March 31, 2009, filed May 8, 2009.)
4.21	Second Amendment to Amended and Restated Senior Preferred Stock Purchase Agreement, dated as of December 24, 2009, between the United States Department of the Treasury and Federal National Mortgage Association, acting through the Federal Housing Finance Agency as its duly appointed conservator (Incorporated by reference to Exhibit 4.1 to Fannie Mae's Current Report on Form 8-K (Commission file number 001-34140), filed December 30, 2009.)
4.22	Third Amendment to Amended and Restated Senior Preferred Stock Purchase Agreement, dated as of August 17, 2012, between the United States Department of the Treasury and Federal National Mortgage Association, acting through the Federal Housing Finance Agency as its duly appointed conservator (Incorporated by reference to Exhibit 4.1 to Fannie Mae's Current Report on Form 8-K (Commission file number 000-50231), filed August 17, 2012.)
10.1	Repayment Provisions for SEC Executive Officers, amended and restated as of March 8, 2012† (Incorporated by reference to Exhibit 10.44 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 000-50231) for the quarter ended March 31, 2012, filed May 9, 2012.)
10.2	Fannie Mae Form of Indemnification Agreement for directors and officers of Fannie Mae (Incorporated by reference to Exhibit 10.15 to Fannie Mae's Annual Report on Form 10-K (Commission file number 001-34140) for the year ended December 31, 2008, filed February 26, 2009.)
10.3	Fannie Mae Stock Compensation Plan of 2003, as amended through December 14, 2007† (Incorporated by reference to Exhibit 10.21 to Fannie Mae's Annual Report on Form 10-K (Commission file number 000-50231) for the year ended December 31, 2012, filed April 2, 2013.)
10.4	Amendment to Fannie Mae Stock Compensation Plan of 2003, as amended, for Internal Revenue Code Section 409A, adopted December 22, 2008† (Incorporated by reference to Exhibit 10.28 to Fannie Mae's Annual Report on Form 10-K (Commission file number 001-34140) for the year ended December 31, 2008, filed February 26, 2009.)
10.5	2009 Amendment to Fannie Mae Stock Compensation Plans of 1993 and 2003† (Incorporated by reference to Exhibit 10.1 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 001-34140), filed November 5, 2009.)
10.6	Fannie Mae Supplemental Retirement Savings Plan, as amended through April 29, 2008† (Incorporated by reference to Exhibit 10.2 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 001-34140) for the quarter ended June 30, 2008, filed August 8, 2008.)
10.7	Amendment to Fannie Mae Supplemental Retirement Savings Plan, effective October 8, 2008† (Incorporated by reference to Exhibit 10.32 to Fannie Mae's Annual Report on Form 10-K (Commission file number 001-34140) for the year ended December 31, 2008, filed February 26, 2009.)
10.8	Amendment to Fannie Mae Supplemental Retirement Savings Plan, effective May 14, 2010† (Incorporated by reference to Exhibit 10.2 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 001-34140) for the quarter ended June 30, 2010, filed August 5, 2010.)

Item	Description
10.9	Amendment to Fannie Mae Supplemental Retirement Savings plan for 2012 Executive Compensation Program, adopted May 18, 2012† (Incorporated by reference to Exhibit 10.3 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 000-50231) for the quarter ended June 30, 2012, filed August 8, 2012.)
10.10	Amendment, effective July 1, 2013, to Fannie Mae Supplemental Retirement Savings Plan† (Incorporated by reference to Exhibit 10.4 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 000-50231) for the quarter ended September 30, 2013, filed November 7, 2013.)
10.11	Amended and Restated Senior Preferred Stock Purchase Agreement, dated as of September 26, 2008, between the United States Department of the Treasury and Federal National Mortgage Association, acting through the Federal Housing Finance Agency as its duly appointed conservator (Incorporated by reference Exhibit 4.1 to Fannie Mae's Current Report on Form 8-K (Commission file number 001-34140), filed October 2, 2008.)
10.12	Amendment to Amended and Restated Senior Preferred Stock Purchase Agreement, dated as of May 6, 2009, between the United States Department of the Treasury and Federal National Mortgage Association, acting through the Federal Housing Finance Agency as its duly appointed conservator (Incorporated by reference to Exhibit 4.21 to Fannie Mae's Quarterly Report on Form 10-Q (Commission file number 001-34140), filed May 8, 2009.)
10.13	Second Amendment to Amended and Restated Senior Preferred Stock Purchase Agreement, dated as of December 24, 2009, between the United States Department of the Treasury and Federal National Mortgage Association, acting through the Federal Housing Finance Agency as its duly appointed conservator (Incorporated by reference to Exhibit 4.1 to Fannie Mae's Current Report on Form 8-K (Commission file number 001-34140), filed December 30, 2009.)
10.14	Third Amendment to Amended and Restated Senior Preferred Stock Purchase Agreement, dated as of August 17, 2012, between the United States Department of the Treasury and Federal National Mortgage Association, acting through the Federal Housing Finance Agency as its duly appointed conservator (Incorporated by reference to Exhibit 4.1 to Fannie Mae's Current Report on Form 8-K (Commission file number 000-50231), filed August 17, 2012.)
10.15	Letter Agreement between Fannie Mae and Timothy J. Mayopoulos, dated March 9, 2009† (Incorporated by reference to Exhibit 10.44 to Fannie Mae's Annual Report on Form 10-K (Commission file number 001-34140) for the year ended December 31, 2009, filed February 26, 2010.)
10.16	Letter Agreement between Timothy J. Mayopoulos and Fannie Mae, effective as of June 18, 2012† (Incorporated by reference to Exhibit 99.1 to Fannie Mae's Current Report on Form 8-K (Commission file number 000-50231), filed June 5, 2012.)
10.17	Memorandum of Understanding among the Department of the Treasury, the Federal Housing Finance Agency, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation, dated October 19, 2009 (Incorporated by reference to Exhibit 99.1 to Fannie Mae's Current Report on Form 8-K (Commission file number 001-34140), filed October 23, 2009.)
10.18	Omnibus Consent to HFA Initiative Program Modifications among the Department of Treasury, the Federal Housing Finance Agency, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation, dated November 23, 2011 (Incorporated by reference to Exhibit 10.42 to Fannie Mae's Annual Report on Form 10-K (Commission file number 000-50231) for the year ended December 31, 2011, filed February 29, 2012.)
12.1	Statement re: computation of ratio of earnings to fixed charges
12.2	Statement re: computation of ratio of earnings to combined fixed charges and preferred stock dividends and issuance cost at redemption
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101. INS	XBRL Instance Document*
101. SCH	XBRL Taxonomy Extension Schema*
101. CAL	XBRL Taxonomy Extension Calculation*
101. DEF	XBRL Taxonomy Extension Definition*
101. LAB	XBRL Taxonomy Extension Labels*

Item	Description
101. PRE	XBRL Taxonomy Extension Presentation*

† This Exhibit is a management contract or compensatory plan or arrangement.

* The financial information contained in these XBRL documents is unaudited.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Fannie Mae:

We have audited the accompanying consolidated balance sheets of Fannie Mae and consolidated entities (in conservatorship) (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Fannie Mae and consolidated entities (in conservatorship) as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company is currently under the control of its conservator and regulator, the Federal Housing Finance Agency ("FHFA"). Further, the Company directly and indirectly received substantial support from various agencies of the United States Government, including the United States Department of Treasury and FHFA. The Company is dependent upon continued support of the United States Government, various United States Government agencies and the Company's conservator and regulator, FHFA.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 19, 2016, expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

/s/ Deloitte & Touche LLP

McLean, Virginia
February 19, 2016

FANNIE MAE
(In conservatorship)
Consolidated Balance Sheets
(Dollars in millions, except share amounts)

	As of December 31,	
	2015	2014
ASSETS		
Cash and cash equivalents	$ 14,674	$ 22,023
Restricted cash (includes $25,865 and $27,515, respectively, related to consolidated trusts)	30,879	32,542
Federal funds sold and securities purchased under agreements to resell or similar arrangements	27,350	30,950
Investments in securities:		
Trading, at fair value	39,908	31,504
Available-for-sale, at fair value (includes $285 and $596, respectively, related to consolidated trusts)	20,230	30,654
Total investments in securities	60,138	62,158
Mortgage loans:		
Loans held for sale, at lower of cost or fair value	5,361	331
Loans held for investment, at amortized cost:		
Of Fannie Mae	233,054	272,360
Of consolidated trusts	2,809,180	2,782,344
Total loans held for investment (includes $14,075 and $15,629, respectively, at fair value)	3,042,234	3,054,704
Allowance for loan losses	(27,951)	(35,541)
Total loans held for investment, net of allowance	3,014,283	3,019,163
Total mortgage loans	3,019,644	3,019,494
Deferred tax assets, net	37,187	42,206
Accrued interest receivable, net (includes $6,974 and $7,169, respectively, related to consolidated trusts)	7,726	8,193
Acquired property, net	6,766	10,618
Other assets	17,553	19,992
Total assets	$ 3,221,917	$ 3,248,176
LIABILITIES AND EQUITY		
Liabilities:		
Accrued interest payable (includes $8,194 and $8,282, respectively, related to consolidated trusts)	$ 9,794	$ 10,232
Debt:		
Of Fannie Mae (includes $11,133 and $6,403, respectively, at fair value)	386,135	460,443
Of consolidated trusts (includes $23,609 and $19,483, respectively, at fair value)	2,811,536	2,761,712
Other liabilities (includes $448 and $503, respectively, related to consolidated trusts)	10,393	12,069
Total liabilities	3,217,858	3,244,456
Commitments and contingencies (Note 18)	—	—
Fannie Mae stockholders' equity:		
Senior preferred stock, 1,000,000 shares issued and outstanding	117,149	117,149
Preferred stock, 700,000,000 shares are authorized— 555,374,922 shares issued and outstanding	19,130	19,130
Common stock, no par value, no maximum authorization—1,308,762,703 shares issued and 1,158,082,750 shares outstanding	687	687
Accumulated deficit	(126,942)	(127,618)
Accumulated other comprehensive income	1,407	1,733
Treasury stock, at cost, 150,679,953 shares	(7,401)	(7,401)
Total Fannie Mae stockholders' equity	4,030	3,680
Noncontrolling interest	29	40
Total equity (See Note 1: *Senior Preferred Stock and Warrant Issued to Treasury* and *Earnings (Loss) per Share* for information on our dividend obligation to Treasury)	4,059	3,720
Total liabilities and equity	$ 3,221,917	$ 3,248,176

See Notes to Consolidated Financial Statements

FANNIE MAE

(In conservatorship)

Consolidated Statements of Operations and Comprehensive Income

(Dollars and shares in millions, except per share amounts)

	For the Year Ended December 31,		
	2015	**2014**	**2013**
Interest income:			
Trading securities	$ 444	$ 553	$ 779
Available-for-sale securities	1,156	1,622	2,357
Mortgage loans (includes $97,971, $101,835 and $101,448, respectively, related to consolidated trusts)	107,699	112,120	114,238
Other	143	110	175
Total interest income	109,442	114,405	117,549
Interest expense:			
Short-term debt	146	94	131
Long-term debt (includes $80,326, $85,835 and $84,751, respectively, related to consolidated trusts)	87,887	94,343	95,014
Total interest expense	88,033	94,437	95,145
Net interest income	21,409	19,968	22,404
Benefit for credit losses	795	3,964	8,949
Net interest income after benefit for credit losses	22,204	23,932	31,353
Investment gains, net	1,336	936	1,127
Fair value gains (losses), net	(1,767)	(4,833)	2,959
Fee and other income	1,348	5,887	3,930
Non-interest income	917	1,990	8,016
Administrative expenses:			
Salaries and employee benefits	1,319	1,321	1,218
Professional services	984	1,076	910
Occupancy expenses	182	203	189
Other administrative expenses	565	177	228
Total administrative expenses	3,050	2,777	2,545
Foreclosed property expense (income)	1,629	142	(2,839)
Temporary Payroll Cut Continuation Act of 2011 (“TCCA”) fees	1,621	1,375	1,001
Other expenses, net	613	478	95
Total expenses	6,913	4,772	802
Income before federal income taxes	16,208	21,150	38,567
Benefit (provision) for federal income taxes	(5,253)	(6,941)	45,415
Net income	10,955	14,209	83,982
Other comprehensive income (loss):			
Changes in unrealized gains on available-for-sale securities, net of reclassification adjustments and taxes	(763)	494	693
Other	437	36	126
Total other comprehensive income (loss)	(326)	530	819
Total comprehensive income	10,629	14,739	84,801
Less: Comprehensive income attributable to noncontrolling interest	(1)	(1)	(19)
Total comprehensive income attributable to Fannie Mae	$ 10,628	$ 14,738	$ 84,782
Net income	$ 10,955	$ 14,209	$ 83,982
Less: Net income attributable to noncontrolling interest	(1)	(1)	(19)
Net income attributable to Fannie Mae	$ 10,954	$ 14,208	$ 83,963
Dividends distributed or available for distribution to senior preferred stockholder (Note 11)	(11,216)	(15,323)	(85,419)
Net loss attributable to common stockholders (Note 11)	$ (262)	$ (1,115)	$ (1,456)
Loss per share: Basic and Diluted	$ (0.05)	$ (0.19)	$ (0.25)
Weighted-average common shares outstanding: Basic and Diluted	5,762	5,762	5,762

See Notes to Consolidated Financial Statements

FANNIE MAE
(In conservatorship)
Consolidated Statements of Cash Flows
(Dollars in millions)

	For the Year Ended December 31,		
	2015	2014	2013
Cash flows provided by (used in) operating activities:			
Net income	$ 10,955	$ 14,209	$ 83,982
Reconciliation of net income to net cash provided by (used in) operating activities:			
Amortization of cost basis adjustments	(6,298)	(4,265)	(5,104)
Benefit for credit losses	(795)	(3,964)	(8,949)
Valuation gains	(510)	(2,159)	(2)
Current and deferred federal income taxes	4,083	4,126	(47,766)
Net change in trading securities	(10,153)	(2,666)	1,575
Net gains related to the disposition of acquired property and preforeclosure sales, including credit enhancements	(3,055)	(4,510)	(6,024)
Other, net	(900)	(2,109)	(4,809)
Net cash provided by (used in) operating activities	(6,673)	(1,338)	12,903
Cash flows provided by investing activities:			
Purchases of trading securities held for investment	—	—	(7,521)
Proceeds from maturities and paydowns of trading securities held for investment	768	1,358	2,491
Proceeds from sales of trading securities held for investment	1,104	1,668	14,585
Proceeds from maturities and paydowns of available-for-sale securities	4,394	5,853	10,116
Proceeds from sales of available-for-sale securities	8,249	3,265	15,497
Purchases of loans held for investment	(187,194)	(132,650)	(195,386)
Proceeds from repayments of loans acquired as held for investment of Fannie Mae	25,776	24,840	47,628
Proceeds from sales of loans acquired as held for investment of Fannie Mae	3,196	1,879	1,247
Proceeds from repayments and sales of loans acquired as held for investment of consolidated trusts	484,230	388,348	631,088
Net change in restricted cash	1,663	(3,547)	38,924
Advances to lenders	(118,746)	(100,045)	(139,162)
Proceeds from disposition of acquired property and preforeclosure sales	20,757	25,476	38,349
Net change in federal funds sold and securities purchased under agreements to resell or similar arrangements	3,600	8,025	(6,475)
Other, net	527	197	1,373
Net cash provided by investing activities	248,324	224,667	452,754
Cash flows used in financing activities:			
Proceeds from issuance of debt of Fannie Mae	443,371	380,282	372,361
Payments to redeem debt of Fannie Mae	(518,575)	(450,140)	(459,745)
Proceeds from issuance of debt of consolidated trusts	347,614	275,353	409,979
Payments to redeem debt of consolidated trusts	(511,158)	(405,505)	(707,544)
Payments of cash dividends on senior preferred stock to Treasury	(10,278)	(20,594)	(82,452)
Other, net	26	70	(145)
Net cash used in financing activities	(249,000)	(220,534)	(467,546)
Net increase (decrease) in cash and cash equivalents	(7,349)	2,795	(1,889)
Cash and cash equivalents at beginning of period	22,023	19,228	21,117
Cash and cash equivalents at end of period	$ 14,674	$ 22,023	$ 19,228
Cash paid during the period for:			
Interest	$ 104,928	$ 108,667	$ 109,240
Income taxes	1,170	2,815	2,350
Non-cash activities:			
Net mortgage loans acquired by assuming debt	$ 220,168	$ 190,151	$ 433,007
Net transfers from mortgage loans of Fannie Mae to mortgage loans of consolidated trusts	175,104	113,611	179,097
Transfers from advances to lenders to loans held for investment of consolidated trusts	114,851	93,909	137,074
Net transfers from mortgage loans to acquired property	17,534	24,742	34,024
Transfers of mortgage loans from held for investment to held for sale	8,601	2,194	1,341

See Notes to Consolidated Financial Statements

FANNIE MAE
(In conservatorship)
Consolidated Statements of Changes in Equity
(Dollars and shares in millions)

	Fannie Mae Stockholders' Equity										
	Shares Outstanding										
	Senior Preferred	Preferred	Common	Senior Preferred Stock	Preferred Stock	Common Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non Controlling Interest	Total Equity
Balance as of December 31, 2012	1	556	1,158	$ 117,149	$ 19,130	$ 687	$ (122,766)	$ 384	$ (7,401)	$ 41	$ 7,224
Change in investment in noncontrolling interest	—	—	—	—	—	—	—	—	—	(10)	(10)
Comprehensive income:											
Net income	—	—	—	—	—	—	83,963	—	—	19	83,982
Other comprehensive income, net of tax effect:											
Changes in net unrealized gains on available-for-sale securities (net of tax of $529)	—	—	—	—	—	—	—	983	—	—	983
Reclassification adjustment for gains included in net income (net of tax of $157).	—	—	—	—	—	—	—	(290)	—	—	(290)
Prior service cost and actuarial gains, net of amortization for defined benefit plans (net of tax of $68) . .	—	—	—	—	—	—	—	126	—	—	126
Total comprehensive income											84,801
Senior preferred stock dividends	—	—	—	—	—	—	(82,452)	—	—	—	(82,452)
Other.	—	—	—	—	—	—	28	—	—	—	28
Balance as of December 31, 2013	1	556	1,158	117,149	19,130	687	(121,227)	1,203	(7,401)	50	9,591
Change in investment in noncontrolling interest	—	—	—	—	—	—	—	—	—	(11)	(11)
Comprehensive income:											
Net income	—	—	—	—	—	—	14,208	—	—	1	14,209
Other comprehensive income, net of tax effect:											
Changes in net unrealized gains on available-for-sale securities (net of tax of $389)	—	—	—	—	—	—	—	722	—	—	722
Reclassification adjustment for gains included in net income (net of tax of $123).	—	—	—	—	—	—	—	(228)	—	—	(228)
Prior service cost and actuarial gains, net of amortization for defined benefit plans (net of tax of $20) . .	—	—	—	—	—	—	—	36	—	—	36
Total comprehensive income											14,739
Senior preferred stock dividends	—	—	—	—	—	—	(20,594)	—	—	—	(20,594)
Other.	—	—	—	—	—	—	(5)	—	—	—	(5)
Balance as of December 31, 2014	1	556	1,158	117,149	19,130	687	(127,618)	1,733	(7,401)	40	3,720
Change in investment in noncontrolling interest	—	—	—	—	—	—	—	—	—	(12)	(12)
Comprehensive income:											
Net income	—	—	—	—	—	—	10,954	—	—	1	10,955
Other comprehensive income, net of tax effect:											
Changes in net unrealized gains on available-for-sale securities (net of tax of $151)	—	—	—	—	—	—	—	(280)	—	—	(280)
Reclassification adjustment for gains included in net income (net of tax of $253).	—	—	—	—	—	—	—	(483)	—	—	(483)
Prior service cost and actuarial losses, net of amortization for defined benefit plans and other, net of tax	—	—	—	—	—	—	—	437	—	—	437
Total comprehensive income											10,629
Senior preferred stock dividends	—	—	—	—	—	—	(10,278)	—	—	—	(10,278)
Balance as of December 31, 2015	1	556	1,158	$ 117,149	$ 19,130	$ 687	$ (126,942)	$ 1,407	$ (7,401)	$ 29	$ 4,059

See Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Organization

We are a stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (the "Charter Act" or our "charter"). We are a government-sponsored enterprise ("GSE"), and we are subject to government oversight and regulation. Our regulators include the Federal Housing Finance Agency ("FHFA"), the U.S. Department of Housing and Urban Development ("HUD"), the U.S. Securities and Exchange Commission ("SEC"), and the U.S. Department of the Treasury ("Treasury"). The U.S. government does not guarantee our securities or other obligations.

We operate in the secondary mortgage market by purchasing mortgage loans and mortgage-related securities, including mortgage-related securities guaranteed by us, from primary mortgage market institutions, such as commercial banks, savings and loan associations, mortgage banking companies, securities dealers and other investors. We do not lend money directly to consumers in the primary mortgage market. We provide additional liquidity in the secondary mortgage market by issuing guaranteed mortgage-related securities.

We operate under three business segments: Single-Family Credit Guaranty ("Single-Family"), Multifamily and Capital Markets. Our Single-Family segment generates revenue primarily from the guaranty fees on the mortgage loans underlying guaranteed single-family Fannie Mae mortgage-backed securities ("Fannie Mae MBS"). Our Multifamily segment generates revenue from a variety of sources, including guaranty fees on the mortgage loans underlying multifamily Fannie Mae MBS, transaction fees associated with the multifamily business and bond credit enhancement fees. Our Capital Markets segment invests in mortgage loans, mortgage-related securities and other investments, and generates income primarily from the difference, or spread, between the yield on the mortgage assets we own and the interest we pay on the debt we issue in the global capital markets to fund the purchases of these mortgage assets.

Conservatorship

On September 7, 2008, the Secretary of the Treasury and the Director of FHFA announced several actions taken by Treasury and FHFA regarding Fannie Mae, which included: (1) placing us in conservatorship and (2) the execution of a senior preferred stock purchase agreement by our conservator, on our behalf, and Treasury, pursuant to which we issued to Treasury both senior preferred stock and a warrant to purchase common stock.

Under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Federal Housing Finance Regulatory Reform Act of 2008 (together, the "GSE Act"), the conservator immediately succeeded to (1) all rights, titles, powers and privileges of Fannie Mae, and of any stockholder, officer or director of Fannie Mae with respect to Fannie Mae and its assets, and (2) title to the books, records and assets of any other legal custodian of Fannie Mae. The conservator has since delegated specified authorities to our Board of Directors and has delegated to management the authority to conduct our day-to-day operations. The conservator retains the authority to withdraw its delegations at any time.

We were directed by FHFA to voluntarily delist our common stock and each listed series of our preferred stock from the New York Stock Exchange and the Chicago Stock Exchange. The last trading day for the listed securities on the New York Stock Exchange and the Chicago Stock Exchange was July 7, 2010, and since July 8, 2010, the securities have been traded on the over-the-counter market.

The conservator has the power to transfer or sell any asset or liability of Fannie Mae (subject to limitations and post-transfer notice provisions for transfers of qualified financial contracts) without any approval, assignment of rights or consent of any party. The GSE Act, however, provides that mortgage loans and mortgage-related assets that have been transferred to a Fannie Mae MBS trust must be held by the conservator for the beneficial owners of the Fannie Mae MBS and cannot be used to satisfy the general creditors of Fannie Mae.

Neither the conservatorship nor the terms of our agreements with Treasury change our obligation to make required payments on our debt securities or perform under our mortgage guaranty obligations. FHFA issued a rule establishing a framework for conservatorship and receivership operations for the GSEs, which became effective in 2011. The rule established procedures for conservatorship and receivership, and priorities of claims for contract parties and other claimants. This rule is part of FHFA's implementation of the powers provided by the GSE Act.

The conservatorship has no specified termination date and there continues to be significant uncertainty regarding our future, including how long we will continue to exist in our current form, the extent of our role in the market, how long we will be in conservatorship, what form we will have and what ownership interest, if any, our current common and preferred stockholders will hold in us after the conservatorship is terminated and whether we will continue to exist following conservatorship. Under the GSE Act, FHFA must place us into receivership if the Director of FHFA makes a written determination that our assets are less than our obligations or if we have not been paying our debts, in either case, for a period of 60 days. In addition, the Director of FHFA may place us into receivership at his discretion at any time for other reasons set forth in the GSE Act, including if we are critically undercapitalized or if we are undercapitalized and have no reasonable prospect of becoming adequately capitalized. Should we be placed into receivership, different assumptions would be required to determine the carrying value of our assets, which could lead to substantially different financial results. We are not aware of any plans of FHFA to fundamentally change our business model or capital structure in the near term.

Senior Preferred Stock and Warrant Issued to Treasury

Senior Preferred Stock

On September 7, 2008, we, through FHFA in its capacity as conservator, entered into a senior preferred stock purchase agreement with Treasury. This agreement was amended and restated on September 26, 2008. The amended and restated agreement was subsequently amended on May 6, 2009, December 24, 2009 and August 17, 2012.

Pursuant to the senior preferred stock purchase agreement, Treasury has committed to provide us with funding as described below to help us maintain a positive net worth thereby avoiding the mandatory receivership trigger described above. As consideration for Treasury's funding commitment, we issued one million shares of senior preferred stock and a warrant to purchase shares of our common stock to Treasury. As of December 31, 2015 and 2014, we have received a total of $116.1 billion from Treasury pursuant to the senior preferred stock purchase agreement. The aggregate liquidation preference of the senior preferred stock, including the initial aggregate liquidation preference of $1.0 billion, was $117.1 billion as of December 31, 2015. As of December 31, 2015, the amount of remaining funding available to us under the senior preferred stock purchase agreement was $117.6 billion.

In August 2012, we, through FHFA acting on our behalf in its capacity as conservator, entered into an amendment to the senior preferred stock purchase agreement with Treasury. The amendment included, among other things, the following revisions:

- *Dividends.* The method for calculating the amount of dividends we are required to pay Treasury on the senior preferred stock changed as of January 1, 2013. Effective January 1, 2013, when, as and if declared, the amount of dividends payable on the senior preferred stock for a dividend period is determined based on our net worth as of the end of the immediately preceding fiscal quarter. Our net worth as defined by the agreement is the amount, if any, by which our total assets (excluding Treasury's funding commitment and any unfunded amounts related to the commitment) exceed our total liabilities (excluding any obligation in respect of capital stock), in each case as reflected on our balance sheet prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). For each dividend period from January 1, 2013 through and including December 31, 2017, the dividend amount will be the amount, if any, by which our net worth as of the end of the immediately preceding fiscal quarter exceeds an applicable capital reserve amount. If our net worth does not exceed the applicable capital reserve amount as of the end of a fiscal quarter, then no dividend amount will accrue or be payable for the applicable dividend period. The capital reserve amount was $2.4 billion and $1.8 billion for dividend periods in 2014 and 2015, respectively, decreased to $1.2 billion for dividend periods in 2016, and will continue to be reduced by $600 million each year until it reaches zero on January 1, 2018. For each dividend period thereafter, the dividend amount will be the entire amount of our net worth, if any, as of the end of the immediately preceding fiscal quarter.
- *Periodic Commitment Fee.* Effective January 1, 2013, the periodic commitment fee provided for under the agreement will not be set, accrue or be payable, as long as the dividend payment provisions described above remain in effect.

This amendment to the senior preferred stock purchase agreement was not accounted for as an extinguishment of the existing senior preferred stock purchase agreement. As a result, we did not recognize a gain or loss upon modification of the senior preferred stock purchase agreement. Consistent with our accounting policy, dividends on the senior preferred stock are accrued upon declaration, which occurs each quarter when FHFA directs us to pay the quarterly dividend to Treasury.

On December 31, 2015, we paid Treasury a dividend of $2.2 billion based on our net worth of $4.0 billion as of September 30, 2015, less the applicable capital reserve of $1.8 billion. Based on the terms of the senior preferred stock, we expect to pay Treasury a dividend of $2.9 billion by March 31, 2016 based on our net worth of $4.1 billion as of December 31, 2015, less the applicable capital reserve of $1.2 billion.

Warrant Issued to Treasury

On September 7, 2008, we issued a warrant to Treasury giving it the right to purchase, at a nominal price, shares of our common stock equal to 79.9% of the total common stock outstanding on a fully diluted basis on the date Treasury exercises the warrant. Treasury has the right to exercise the warrant, in whole or in part, at any time on or before September 7, 2028. We recorded the warrant at fair value in our stockholders' equity as a component of additional paid-in-capital. The fair value of the warrant was calculated using the Black-Scholes Option Pricing Model. Since the warrant has an exercise price of $0.00001 per share, the model is insensitive to the risk-free rate and volatility assumptions used in the calculation and the share value of the warrant is equal to the price of the underlying common stock. We estimated that the fair value of the warrant at issuance was $3.5 billion based on the price of our common stock on September 8, 2008, which was after the dilutive effect of the warrant had been reflected in the market price. Subsequent changes in the fair value of the warrant are not recognized in our financial statements. If the warrant is exercised, the stated value of the common stock issued will be reclassified as "Common stock" in our consolidated balance sheets. Because the warrant's exercise price per share is considered non-substantive (compared to the market price of our common stock), the warrant was determined to have characteristics of non-voting common stock, and thus is included in the computation of basic and diluted loss per share. The weighted-average shares of common stock outstanding for 2015, 2014 and 2013 included shares of common stock that would be issuable upon full exercise of the warrant issued to Treasury.

Impact of U.S. Government Support

We continue to rely on support from Treasury to eliminate any net worth deficits we may experience in the future, which would otherwise trigger our being placed into receivership. Based on consideration of all the relevant conditions and events affecting our operations, including our reliance on the U.S. government, we continue to operate as a going concern and in accordance with our delegation of authority from FHFA.

We fund our business primarily through the issuance of short-term and long-term debt securities in the domestic and international capital markets. Because debt issuance is our primary funding source, we are subject to "roll-over," or refinancing, risk on our outstanding debt. Our ability to issue long-term debt has been strong primarily due to actions taken by the federal government to support us.

We believe that continued federal government support of our business, as well as our status as a GSE, are essential to maintaining our access to debt funding. Changes or perceived changes in federal government support of our business or our status as a GSE could materially and adversely affect our liquidity, financial condition and results of operations. In addition, due to our reliance on the U.S. government's support, our access to debt funding or the cost of debt funding also could be materially adversely affected by a change or perceived change in the creditworthiness of the U.S. government. A downgrade in our credit ratings could reduce demand for our debt securities and increase our borrowing costs. Future changes or disruptions in the financial markets could significantly change the amount, mix and cost of funds we obtain, which also could increase our liquidity and roll-over risk and have a material adverse impact on our liquidity, financial condition and results of operations.

In 2011, the Administration released a report to Congress on ending the conservatorships of the GSEs and reforming America's housing finance market. The report provides that the Administration will work with FHFA to determine the best way to responsibly reduce Fannie Mae and Freddie Mac's role in the market and ultimately wind down both institutions. The report emphasizes the importance of proceeding with a careful transition plan and providing the necessary financial support to Fannie Mae and Freddie Mac during the transition period. In 2013, the White House released a paper confirming that a core principle of the Administration's housing policy priorities is to wind down Fannie Mae and Freddie Mac through a responsible transition. In 2015, the White House reaffirmed the Administration's view that housing finance reform should include ending Fannie Mae and Freddie Mac's business model.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with GAAP. To conform to our current period presentation, we have reclassified certain amounts reported in our prior periods' consolidated financial statements.

Changes in Accounting Principle—Nonaccrual Loans

Effective January 1, 2015, we changed our policy for the treatment of interest previously accrued but not collected at the date both single-family and multifamily loans are placed on nonaccrual status. Specifically, interest previously accrued but not collected is reversed through interest income at the date a loan is placed on nonaccrual status. Previously, when a loan was placed on nonaccrual status, interest previously accrued but not collected became part of each loan's recorded investment and was reviewed either individually or collectively for impairment.

We also changed our policy for when a non-modified single-family loan is returned to accrual status. Effective January 1, 2015, a non-modified single-family loan is returned to accrual status at the point that the borrower brings the loan current. Previously, a non-modified single-family loan was returned to accrual status at the point that the borrower had made sufficient payments to reduce the delinquency status below our nonaccrual threshold of 60 days past due.

We have concluded that these changes in accounting principle are preferable as we align our nonaccrual policy with industry practice. This alignment increases comparability of our financial statements to these entities, resulting in improved financial reporting.

As these changes to our nonaccrual policy were not material to our financial statements, we wrote off the accrued interest receivable balance on our nonaccrual loans, as well as the corresponding allowance that related to that interest, as an adjustment to the 2015 benefit for credit losses and did not retrospectively adjust our consolidated financial statements for this change.

Change in Accounting Principle—Loans Held for Sale

Effective January 1, 2015, we changed our policy for calculating the lower of cost or fair value adjustment on loans that have been designated as held for sale ("HFS"). Specifically, our lower of cost or fair value calculation is performed at an individual loan level on the date of redesignation, if previously held for investment ("HFI"), and for all subsequent periods in which a loan is classified as HFS. Previously, the initial lower of cost or fair value adjustment on the date of redesignation was calculated at a loan level whereas the subsequent lower of cost or fair value adjustments were calculated at a pool level.

We have concluded that this change in accounting policy is preferable as it aligns the unit of account that is used for both the initial and subsequent lower of cost or fair value measurements on our HFS portfolio. Additionally, by performing the lower of cost or fair value calculation at the loan level, the adjustment is calculated on a more disaggregated basis.

As this change in accounting policy was not material to our financial statements, we recorded the impact of this change in accounting principle as an adjustment to 2015 fair value losses, net and did not retrospectively adjust our consolidated financial statements for this change.

Related Parties

As a result of our issuance to Treasury of the warrant to purchase shares of Fannie Mae common stock equal to 79.9% of the total number of shares of Fannie Mae common stock, we and Treasury are deemed related parties. As of December 31, 2015, Treasury held an investment in our senior preferred stock with an aggregate liquidation preference of $117.1 billion. FHFA's control of both us and Freddie Mac has caused us, FHFA and Freddie Mac to be deemed related parties. In October 2013, Fannie Mae and Freddie Mac established Common Securitization Solutions, LLC ("CSS"), a jointly owned limited liability company to operate a common securitization platform; therefore, CSS is also deemed a related party.

Transactions with Treasury

Our administrative expenses were reduced by $68 million, $71 million and $92 million for the years ended December 31, 2015, 2014 and 2013, respectively, due to reimbursements from Treasury and Freddie Mac for expenses incurred as program administrator for Treasury's Home Affordable Modification Program ("HAMP") and other initiatives under Treasury's Making Home Affordable Program.

During the years ended December 31, 2015, 2014 and 2013, we made tax payments of $1.2 billion, $2.8 billion and $2.4 billion, respectively, to the Internal Revenue Service ("IRS"), a bureau of Treasury. We received a refund of $277 million from the IRS during the year ended December 31, 2015 for income tax adjustments related to tax years 2004 through 2010.

In 2009, we entered into a memorandum of understanding with Treasury, FHFA and Freddie Mac pursuant to which we agreed to provide assistance to state and local housing finance agencies ("HFAs") through two primary programs: a temporary credit and liquidity facilities ("TCLF") program and a new issue bond ("NIB") program. Treasury bears the initial losses of principal under the TCLF program and the NIB program up to 35% of the total original principal on a combined program-wide basis, and thereafter we will bear the losses of principal that are attributable to the TCLF and the securities we have issued. Treasury also bears any losses of unpaid interest under the two programs.

Pursuant to the TCLF program, Treasury purchased participation interests in temporary credit and liquidity facilities provided by us and Freddie Mac which created a credit and liquidity backstop for the HFAs. We had no amount outstanding under the TCLF program as of December 31, 2015, which ended as scheduled in July 2015, and therefore no potential risk of loss under the TCLF program. We had $390 million outstanding under the TCLF program, which includes principal and interest, of standby credit and liquidity support as of December 31, 2014.

Pursuant to the NIB program, Treasury purchased new securities issued and guaranteed by us and Freddie Mac, which are backed by new housing bonds issued by the HFAs. We had $3.7 billion and $4.2 billion outstanding of pass-through securities backed by single-family and multifamily housing bonds issued by HFAs as of December 31, 2015 and 2014, respectively. As of December 31, 2015, there had been no losses of principal or interest under the NIB program.

In December 2011, Congress enacted the Temporary Payroll Tax Cut Continuation Act of 2011 ("TCCA") which, among other provisions, requires that we increase our single-family guaranty fees by at least 10 basis points and remit this increase to Treasury. Effective April 1, 2012, the guaranty fee on all single-family residential mortgages delivered to Fannie Mae on or after that date was increased by 10 basis points. FHFA and Treasury have advised us to remit this fee increase to Treasury with respect to all loans acquired by us on or after April 1, 2012 and before January 1, 2022, and to continue to remit these amounts to Treasury on and after January 1, 2022 with respect to loans we acquired before this date until those loans are paid off or otherwise liquidated.

The resulting fee revenue and expense are recorded in "Mortgage loans interest income" and "TCCA fees," respectively, in our consolidated statements of operations and comprehensive income. We recognized $1.6 billion, $1.4 billion and $1.0 billion as TCCA fees for the years ended December 31, 2015, 2014 and 2013, respectively. We remitted $1.6 billion, $1.3 billion and $829 million in TCCA-related guaranty fees to Treasury for our quarterly obligations during the years ended December 31, 2015, 2014 and 2013, respectively. For the three months ended December 31, 2015, we have incurred $429 million in TCCA-related guaranty fees that have not been remitted to Treasury.

For the year ended December 31, 2015, we incurred expenses in connection with certain funding obligations under the GSE Act, a portion of which is attributable to Treasury's Capital Magnet and HOPE Funds. These expenses, recognized in "Other expenses, net" in our consolidated statements of operations and comprehensive income, were measured as the product of 4.2 basis points and the unpaid principal balance of our total new business purchases for the year ended December 31, 2015. Pursuant to the GSE Act and directions from FHFA, on or before February 29, 2016, we expect to make payments of $57 million to the Treasury Capital Magnet Fund and $54 million to the Treasury HOPE Fund.

In addition to the transactions with Treasury mentioned above, we also purchase and sell Treasury securities in the normal course of business. As of December 31, 2015 and 2014, we held Treasury securities with a fair value of $29.5 billion and $19.5 billion, respectively, and accrued interest receivable of $15 million and $16 million, respectively. We recognized interest income on these securities held by us of $35 million, $18 million and $28 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Transactions with Freddie Mac

As of December 31, 2015 and 2014, we held Freddie Mac mortgage-related securities with a fair value of $5.6 billion and $6.9 billion, respectively, and accrued interest receivable of $22 million and $26 million, respectively. We recognized interest income on these securities held by us of $226 million, $283 million and $387 million for the years ended December 31, 2015, 2014 and 2013, respectively. In addition, Freddie Mac may be an investor in variable interest entities ("VIEs") that we have consolidated, and we may be an investor in VIEs that Freddie Mac has consolidated.

Transactions with FHFA

The GSE Act authorizes FHFA to establish an annual assessment for regulated entities, including Fannie Mae, which is payable on a semi-annual basis (April and October), for FHFA's costs and expenses, as well as to maintain FHFA's working capital. We recognized FHFA assessment fees, which are recorded in "Administrative expenses" in our consolidated statements of operations and comprehensive income, of $112 million, $108 million and $109 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Transactions with CSS

In connection with our jointly owned company with Freddie Mac, for the years ended December 31, 2015 and 2014, we contributed $66 million and $43 million of capital into CSS, respectively. No other transactions outside of normal business activities have occurred between us and Freddie Mac during the years ended December 31, 2015, 2014 or 2013.

Use of Estimates

Preparing consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect our reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as of the dates of our consolidated financial statements, as well as our reported amounts of revenues and expenses during the reporting periods. Management has made significant estimates in a variety of areas including, but not limited to, valuation of certain financial instruments and other assets and liabilities, recoverability of our deferred tax assets and allowance for loan losses. Actual results could be different from these estimates.

In April 2012, FHFA issued Advisory Bulletin AB 2012-02, “Framework for Adversely Classifying Loans, Other Real Estate Owned, and Other Assets and Listing Assets for Special Mention” (the “Advisory Bulletin”), which prescribes, among other things, classification of loans by risk category and provides guidance on when a loan should be charged off. The provisions of the Advisory Bulletin led us to re-evaluate our estimate of when a loan is deemed uncollectible. For the vast majority of our delinquent single-family loans, we charge off the loan at the date of foreclosure or other liquidation event (such as a deed-in-lieu of foreclosure or a short sale). For a subset of delinquent loans deemed to be uncollectible prior to foreclosure based upon our historical data, we charge off the portion of the loan (including preforeclosure property taxes and insurance receivable that pertain to such loans) deemed to be uncollectible prior to the date of foreclosure or other liquidation event, which given our current credit analytics and historical data, is when the loans are excessively delinquent and the outstanding loan balance exceeds the fair value of the underlying property. This change in estimate resulted in the recognition on January 1, 2015 of (1) $1.8 billion in charge-offs of HFI loans, (2) $724 million in charge-offs of preforeclosure property taxes and insurance receivable and (3) a reduction to our allowance for loan losses and our allowance for preforeclosure property taxes and insurance receivable in amounts equal to charge-offs recognized in connection with HFI loans and preforeclosure property taxes and insurance receivable. We continue to enhance our data collection and analysis efforts to further refine our loss estimates as we obtain incremental information on the performance of our loans.

In 2014, we updated the assumptions used to estimate cash flows for individually impaired single-family loans within our allowance for loan losses. This update resulted in a decrease to our allowance for loan losses and an incremental benefit for credit losses of approximately $600 million. In 2013, we updated the assumptions and data used to estimate our allowance for loan losses for individually impaired single-family loans based on current observable performance trends as well as future expectations of payment behavior. This update resulted in a decrease to our allowance for loan losses and an incremental benefit for credit losses of approximately $2.2 billion.

In 2013, we concluded that it was more likely than not that our deferred tax assets, except the deferred tax assets relating to capital loss carryforwards, would be realized. This conclusion was based upon significant positive evidence of our ability to generate sufficient taxable income and utilize our net operating loss carryforwards. As a result, we released the valuation allowance on our deferred tax assets as of March 31, 2013, except for amounts that were expected to be released against income before federal income taxes for the remainder of the year. The release of the valuation allowance resulted in the recognition of $58.3 billion in benefit for income taxes in our consolidated statements of operations and comprehensive income in 2013.

Principles of Consolidation

Our consolidated financial statements include our accounts as well as the accounts of the other entities in which we have a controlling financial interest. All intercompany balances and transactions have been eliminated. The typical condition for a controlling financial interest is ownership of a majority of the voting interests of an entity. A controlling financial interest may also exist in entities through arrangements that do not involve voting interests, such as a VIE.

VIE Assessment

We have interests in various entities that are considered VIEs. A VIE is an entity (1) that has total equity at risk that is not sufficient to finance its activities without additional subordinated financial support from other entities, (2) where the group of equity holders does not have the power to direct the activities of the entity that most significantly impact the entity’s economic performance, or the obligation to absorb the entity’s expected losses or the right to receive the entity’s expected residual returns, or both, or (3) where the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both, and substantially all of the entity’s activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights.

We determine if an entity is a VIE by performing a qualitative analysis, which requires certain subjective decisions including, but not limited to, the design of the entity, the variability that the entity was designed to create and pass along to its interest holders, the rights of the parties and the purpose of the arrangement. If we cannot conclude after a qualitative analysis whether an entity is a VIE, we perform a quantitative analysis.

The primary types of VIE entities with which we are involved are securitization trusts guaranteed by us via lender swap and portfolio securitization transactions, limited partnership investments in low-income housing tax credit ("LIHTC") and other housing partnerships, as well as mortgage and asset-backed trusts that were not created by us.

Primary Beneficiary Determination

If an entity is a VIE, we consider whether our variable interest in that entity causes us to be the primary beneficiary. We are deemed to be the primary beneficiary of a VIE when we have both (1) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and (2) exposure to benefits and/or losses that could potentially be significant to the entity. The primary beneficiary of the VIE is required to consolidate and account for the assets, liabilities, and noncontrolling interests of the VIE in its consolidated financial statements. The assessment of which party has the power to direct the activities of the VIE may require significant management judgment when (1) more than one party has power or (2) more than one party is involved in the design of the VIE but no party has the power to direct the ongoing activities that could be significant.

We continually assess whether we are the primary beneficiary of the VIEs with which we are involved and therefore may consolidate or deconsolidate a VIE through the duration of our involvement. Examples of certain events that may change whether or not we consolidate the VIE include a change in the design of the entity or a change in our ownership in the entity such that we no longer hold substantially all of the certificates issued by a multi-class resecuritization trust.

Measurement of Consolidated Assets and Liabilities

When we are the transferor of assets into a VIE that we consolidate at the time of the transfer, we continue to recognize the assets and liabilities of the VIE at the amounts that they would have been recognized if we had not transferred them, and no gain or loss is recognized. For all other VIEs that we consolidate (that is, those for which we are not the transferor), we recognize the assets and liabilities of the VIE in our consolidated financial statements at fair value, and we recognize a gain or loss for the difference between (1) the fair value of the consideration paid, fair value of noncontrolling interests and the reported amount of any previously held interests, and (2) the net amount of the fair value of the assets and liabilities consolidated. However, for the securitization trusts established under our lender swap program, no gain or loss is recognized if the trust is consolidated at formation as there is no difference in the respective fair value of (1) and (2) above. We record gains or losses that are associated with the consolidation of VIEs as "Investment gains, net" in our consolidated statements of operations and comprehensive income.

If we cease to be deemed the primary beneficiary of a VIE, we deconsolidate the VIE. We use fair value to measure the initial cost basis for any retained interests that are recorded upon the deconsolidation of a VIE. Any difference between the fair value and the previous carrying amount of our investment in the VIE is recorded as "Investment gains, net" in our consolidated statements of operations and comprehensive income.

Purchase/Sale of Fannie Mae Securities

We actively purchase and may subsequently sell guaranteed MBS that have been issued through our lender swap and portfolio securitization transaction programs. The accounting for the purchase and sale of our guaranteed MBS issued by the trusts differs based on the characteristics of the securitization trusts and whether the trusts are consolidated.

Single-Class Securitization Trusts

We create single-class securitization trusts to issue single-class Fannie Mae MBS that evidence an undivided interest in the mortgage loans held in the trust. Investors in single-class Fannie Mae MBS receive principal and interest payments in proportion to their percentage ownership of the MBS issuance. We guarantee to each single-class securitization trust that we will supplement amounts received by the single-class securitization trust as required to permit timely payments of principal and interest on the related Fannie Mae MBS. This guaranty exposes us to credit losses on the loans underlying Fannie Mae MBS.

Single-class securitization trusts are used for both our lender swap and portfolio securitization transaction programs. A lender swap transaction occurs when a mortgage lender delivers a pool of single-family mortgage loans to us, which we immediately deposit into an MBS trust. The MBS are then issued to the lender in exchange for the mortgage loans. A portfolio securitization transaction occurs when we purchase mortgage loans from third-party sellers for cash and later deposit these loans into an MBS trust. The securities issued through a portfolio securitization are then sold to investors for cash. We consolidate single-class securitization trusts that are issued under these programs when our role as guarantor and master servicer provides us with the power to direct matters, such as the servicing of the mortgage loans, that impact the credit risk to which we are exposed. In contrast, we do not consolidate single-class securitization trusts when other organizations have the power to direct these activities (e.g., when the loan collateral is subject to a Federal Housing Administration guaranty and related Servicing Guide).

When we purchase single-class Fannie Mae MBS issued from a consolidated trust, we account for the transaction as an extinguishment of the related debt in our consolidated financial statements. We record a gain or loss on the extinguishment of such debt to the extent that the purchase price of the MBS does not equal the carrying value of the related consolidated debt reported in our consolidated balance sheets (including unamortized premiums, discounts or the other cost basis adjustments) at the time of purchase. We account for the sale of an MBS from Fannie Mae's portfolio that was issued from a consolidated trust as the issuance of debt in our consolidated financial statements. We amortize the related premiums, discounts and other cost basis adjustments into income over time.

To determine the order in which consolidated debt is extinguished, we have elected to use a daily convention in the application of the last-issued first-extinguished method. Under this method, we record the net daily change in each MBS holding as either the issuance of debt if there has been an increase in the position that is held by third parties, or the extinguishment of the most recently issued related debt if there has been a decrease in the position held by third parties. The impact of this method is that we record the net daily activity for an MBS as if it were a single buy or sell trade, which results in a change in our beginning debt balance if the total unpaid principal balance purchased does not match the total unpaid principal balance sold.

If a single-class securitization trust is not consolidated, we account for the purchase and subsequent sale of such securities as the transfer of an investment security in accordance with the accounting guidance for transfers of financial assets.

Single-Class Resecuritization Trusts

Single-class resecuritization trusts (Fannie Megas®) are created by depositing Fannie Mae MBS into a new securitization trust for the purpose of aggregating multiple MBS into a single larger security. The cash flows from the new security represent an aggregation of the cash flows from the underlying MBS. We guarantee to each single-class resecuritization trust that we will supplement amounts received by the trust as required to permit timely payments of principal and interest on the related Fannie Mae securities. However, we assume no additional credit risk in such a resecuritization transaction, because the underlying assets are MBS for which we have already provided a guaranty. Additionally, our involvement with these trusts does not provide any incremental rights or power that would enable Fannie Mae to direct any activities of the trusts. As a result, we have concluded that we are not the primary beneficiaries of, and therefore do not consolidate, our single-class resecuritization trusts.

As our single-class resecuritization securities pass through all of the cash flows of the underlying MBS directly to the holders of the securities, they are deemed to be substantially the same as the underlying MBS. Therefore, we account for purchases of our single-class resecuritization securities as an extinguishment of the underlying MBS debt and the sale of these securities as an issuance of the underlying MBS debt.

Multi-Class Resecuritization Trusts

Multi-class resecuritization trusts are trusts we create to issue multi-class Fannie Mae securities, including Real Estate Mortgage Investment Conduit ("REMIC") and interest-only and principal-only strip securities, in which the cash flows of the underlying mortgage assets are divided, creating several classes of securities, each of which represents a beneficial ownership interest in a separate portion of cash flows. We guarantee to each multi-class resecuritization trust that we will supplement amounts received by the trusts as required to permit timely payments of principal and interest, as applicable, on the related Fannie Mae securities. However, we assume no additional credit risk in such a resecuritization transaction because the underlying assets are Fannie Mae MBS for which we have already provided a guaranty. Although we may be exposed to prepayment risk via our ownership of the securities issued by these trusts, we do not have the ability via our involvement with a multi-class resecuritization trust to impact the economic risk to which we are exposed. Therefore, we do not consolidate such a multi-class resecuritization trust until we hold a substantial portion of the outstanding beneficial interests that have been issued by the trust and are therefore considered the primary beneficiary of the trust.

In contrast to our single-class resecuritization trust, the cash flows from the underlying MBS are divided between the debt securities issued by the multi-class resecuritization trust, and therefore, the debt issued by a multi-class resecuritization trust is not substantially the same as the consolidated MBS debt. As a result, if a multi-class resecuritization trust is not consolidated, we account for the purchase and sale of such securities as the transfer of an investment security in accordance with the accounting guidance for the transfers of financial assets rather than the issuance or extinguishment of the related multi-class debt. However, if a multi-class resecuritization trust is consolidated, we account for the purchase of the securities issued by consolidated multi-class resecuritization trusts as an extinguishment of the debt issued by these trusts and the subsequent sale of such securities as the issuance of multi-class debt.

When we do not consolidate a multi-class resecuritization trust, we recognize in our consolidated financial statements both our investment in the trust and the mortgage loans of the Fannie Mae MBS trusts that we consolidate that underlie the multi-class resecuritization trust. Additionally, we recognize the unsecured corporate debt issued to third parties to fund the purchase of our investments in the multi-class resecuritization trusts and the debt issued to third parties of the MBS trusts we consolidate that underlie the multi-class resecuritization trusts. This results in the recognition of interest income from investments in multi-class resecuritization trusts and interest expense from the unsecured debt issued to third parties to fund the purchase of the investments in multi-class resecuritization trusts, as well as interest income from the mortgage loans and interest expense from the debt issued to third parties from the MBS trusts we consolidate that underlie the multi-class resecuritization trusts.

Transfers of Financial Assets

We evaluate a transfer of financial assets to determine whether the transfer qualifies as a sale. If the transfer does not meet the criteria for sale treatment, the transferred assets remain in our consolidated balance sheets and we record a liability to the extent of any proceeds received in connection with such a transfer. Transfers of financial assets for which we surrender control of the transferred assets are recorded as sales.

When a transfer that qualifies as a sale is completed, we derecognize all assets transferred and recognize all assets obtained and liabilities incurred at fair value. The difference between the carrying basis of the assets transferred and the fair value of the proceeds from the sale is recorded as a component of “Investment gains, net” in our consolidated statements of operations and comprehensive income. Retained interests are primarily derived from transfers associated with our portfolio securitizations in the form of Fannie Mae MBS, REMIC certificates, guaranty assets and master servicing assets (“MSAs”). We separately describe the subsequent accounting, as well as how we determine fair value, for our retained interests in the Fannie Mae MBS included in the “Investments in Securities” section of this note.

We enter into repurchase agreements that involve contemporaneous trades to purchase and sell securities. These transactions are accounted for as secured financings since the transferor has not relinquished control over the transferred assets. These transactions are reported as securities purchased under agreements to resell and securities sold under agreements to repurchase in our consolidated balance sheets except for securities purchased under agreements to resell on an overnight basis, which are included in cash and cash equivalents in our consolidated balance sheets.

Cash and Cash Equivalents and Statements of Cash Flows

Short-term investments that have a maturity at the date of acquisition of three months or less and are readily convertible to known amounts of cash are generally considered cash equivalents. We also include securities purchased under agreements to resell on an overnight basis in cash and cash equivalents in our consolidated balance sheets. We may pledge as collateral certain short-term investments classified as cash equivalents.

In the presentation of our consolidated statements of cash flows, we present cash flows from derivatives that do not contain financing elements and mortgage loans held for sale at acquisition as operating activities. We present cash flows from federal funds sold and securities purchased under agreements to resell or similar arrangements as investing activities and cash flows from federal funds purchased and securities sold under agreements to repurchase as financing activities. We classify cash flows from trading securities based on their nature and purpose. Effective January 1, 2014, we classify all cash flows from trading securities (U.S. Treasury securities and mortgage-related securities purchased subsequent to December 31, 2013) as operating activities as we do not intend to hold the securities for investment. We classify cash flows from mortgage-related trading securities purchased prior to January 1, 2014 that we intend to hold for investment as investing activities.

For consolidated trusts, we classify cash flows related to mortgage loans held by our consolidated trusts as either investing activities (for principal repayments) or operating activities (for interest received from borrowers included as a component of our net income). Cash flows related to debt securities issued by consolidated trusts are classified as either financing activities (for repayments of principal to certificateholders) or operating activities (for interest payments to certificateholders included as a component of our net income). We distinguish between the payments and proceeds related to the debt of Fannie Mae and the debt of consolidated trusts, as applicable. We present our non-cash activities in the consolidated statements of cash flows at the associated unpaid principal balance.

Restricted Cash

We and our servicers advance payments on delinquent loans to consolidated Fannie Mae MBS trusts. We recognize the cash advanced as "Restricted cash" in our consolidated balance sheets to the extent such amounts are due to, but have not yet been remitted to, the MBS certificateholders. In addition, when we or our servicers collect and hold cash that is due to certain Fannie Mae MBS trusts in advance of our requirement to remit these amounts to the trusts, we recognize the collected cash amounts as "Restricted cash."

We also recognize "Restricted cash" as a result of restrictions related to certain consolidated partnership funds as well as for certain collateral arrangements for which we do not have the right to use the cash.

Investments in Securities

Securities Classified as Available-for-Sale or Trading

We classify and account for our securities as either available-for-sale ("AFS") or trading. We measure AFS securities at fair value in our consolidated balance sheets, with unrealized gains and losses included in "Accumulated other comprehensive income" ("AOCI"), net of income taxes. We recognize realized gains and losses on AFS securities when securities are sold. We calculate the gains and losses using the specific identification method and record them in "Investment gains, net" in our consolidated statements of operations and comprehensive income. We measure trading securities at fair value in our consolidated balance sheets with unrealized and realized gains and losses included as a component of "Fair value gains (losses), net" in our consolidated statements of operations and comprehensive income. We include interest and dividends on securities in our consolidated statements of operations and comprehensive income. Interest income includes the amortization of cost basis adjustments, including premiums and discounts, recognized as a yield adjustment using the interest method over the contractual term of the security. When we receive multiple deliveries of securities on the same day that are backed by the same pools of loans, we calculate the specific cost of each security as the average price of the trades that delivered those securities. As of December 31, 2015, we did not have any securities classified as held-to-maturity, although we may elect to do so in the future.

Fannie Mae MBS included in "Investments in securities"

When we own Fannie Mae MBS issued by unconsolidated trusts, we do not derecognize any components of the guaranty assets, guaranty obligations, or any other outstanding recorded amounts associated with the guaranty transaction because our contractual obligation to the MBS trust remains in force until the trust is liquidated. We determine the fair value of Fannie Mae MBS based on observable market prices because most Fannie Mae MBS are actively traded. Fannie Mae MBS receive high credit quality ratings primarily because of our guaranty. The fair value of the guaranty obligation, net of deferred profit, associated with Fannie Mae MBS included in "Investments in securities" approximates the fair value of the credit risk that exists on these Fannie Mae MBS absent our guaranty. We disclose the aggregate amount of Fannie Mae MBS held as "Investments in securities" in our consolidated balance sheets. The unamortized obligation to stand ready to perform over the term of our guaranty and any incurred credit losses that relate to Fannie Mae MBS held as "Investments in securities" is included in "Other liabilities." Upon subsequent sale of a Fannie Mae MBS, we continue to account for any outstanding recorded amounts associated with the guaranty transaction on the same basis of accounting as prior to the sale of Fannie Mae MBS, as no new assets were retained and no new liabilities have been assumed upon the subsequent sale. The fair value of our guaranty obligations associated with the Fannie Mae MBS included in "Investments in securities" was $488 million and $797 million as of December 31, 2015 and 2014, respectively. These Fannie Mae MBS consist primarily of private-label wraps where our guaranty arrangement is with an unconsolidated MBS trust.

Other-Than-Temporary Impairment of Debt Securities

We evaluate AFS securities for other-than-temporary impairment ("OTTI") on a quarterly basis. OTTI is considered to have occurred when the fair value of a debt security is below its amortized cost basis and we intend to sell or it is more likely than not that we will be required to sell the security before recovery. In such cases, we recognize in "Investment gains, net" in our consolidated statements of operations and comprehensive income the entire difference between the amortized cost basis of the security and its fair value. OTTI is also considered to have occurred if we do not expect to recover the entire amortized cost basis of a debt security even if we do not intend to sell the security or it is not more likely than not we will be required to sell the security before recovery. We separate the difference between the amortized cost basis of the security and its fair value into the amount representing the credit loss, which we recognize in "Investment gains, net" in our consolidated statements of operations and comprehensive income, and the amount related to all other factors, which we recognize in "Other comprehensive income (loss)," net of taxes.

We consider guarantees, insurance contracts or other credit enhancements (such as collateral) in determining our best estimate of cash flows expected to be collected only if (1) such guarantees, insurance contracts or other credit enhancements provide for payments to be made solely to reimburse us for failure of the issuer to satisfy its required payment obligations; (2) such guarantees, insurance contracts or other credit enhancements are contractually attached to the security; and (3) collection of the amounts receivable under these agreements is deemed probable. Guarantees, insurance contracts or other credit enhancements are considered contractually attached if they are part of and trade with the security upon transfer of the security to a third party.

In periods after we recognize OTTI of debt securities, we use the prospective interest method to recognize interest income. Under the prospective interest method, we calculate a new effective yield for subsequent recognition of interest income and measurement of impairment when we determine that there has been a significant increase in expected or actual cash flows. We consider a significant increase in cash flows to be at least a 10% increase over two consecutive quarters of the expected or actual cash flows. We calculate the new effective yield by using the new cost basis and the significantly increased actual or expected cash flows.

Mortgage Loans

Loans Held for Sale

When we acquire mortgage loans that we intend to sell or securitize via trusts that will not be consolidated, we classify the loans as HFS. We report HFS loans at the lower of cost or fair value. Any excess of an HFS loan's cost over its fair value is recognized as a valuation allowance, with changes in the valuation allowance recognized as "Investment gains, net" in our consolidated statements of operations and comprehensive income. We recognize interest income on HFS loans on an accrual basis, unless we determine that the ultimate collection of contractual principal or interest payments in full is not reasonably assured. Purchased premiums, discounts and other cost basis adjustments on HFS loans are deferred upon loan acquisition, included in the cost basis of the loan, and not amortized. We determine any lower of cost or fair value adjustment on HFS loans at an individual loan level.

In the event that we reclassify HFI loans to HFS loans, we record the loans at lower of cost or fair value on the date of reclassification. We recognize any lower of cost or fair value adjustment recognized upon reclassification through the provision for credit losses.

Loans Held for Investment

When we acquire mortgage loans that we have the ability and the intent to hold for the foreseeable future or until maturity, we classify the loans as HFI. When we consolidate a trust, we recognize the loans underlying the trust in our consolidated balance sheets. The trusts do not have the ability to sell mortgage loans and the use of such loans is limited exclusively to the settlement of obligations of the trusts. Therefore, mortgages acquired when we have the intent to securitize via trusts that are consolidated will generally be classified as HFI in our consolidated balance sheets both prior to and subsequent to their securitization.

We report HFI loans at the unpaid principal balance, net of unamortized premiums and discounts, other cost basis adjustments, and allowance for loan losses. We recognize interest income on HFI loans on an accrual basis using the interest method over the contractual life of the loan, including the amortization of any deferred cost basis adjustments, such as the premium or discount at acquisition, unless we determine that the ultimate collection of contractual principal or interest payments in full is not reasonably assured.

Nonaccrual Loans

We discontinue accruing interest on loans when we believe collectibility of principal or interest is not reasonably assured, which for a single-family loan we have determined, based on our historical experience, to be when the loan becomes two months or more past due according to its contractual terms. Interest previously accrued but not collected is reversed through interest income at the date a loan is placed on nonaccrual status. We return a non-modified single-family loan to accrual status at the point that the borrower brings the loan current. We return a modified single-family loans to accrual status at the point that the borrower successfully makes all required payments during the trial period (generally three to four months) and the modification is made permanent. We place a multifamily loan on nonaccrual status when the loan becomes three months or more past due according to its contractual terms or is deemed to be individually impaired, unless the loan is well secured such that collectibility of principal and accrued interest is reasonably assured. We return a multifamily loan to accrual status when the borrower cures the delinquency of the loan or we otherwise determine that the loan is well secured such that collectibility is reasonably assured.

Restructured Loans

A modification to the contractual terms of a loan that results in granting a concession to a borrower experiencing financial difficulties is considered a troubled debt restructuring ("TDR"). Our loss mitigation programs primarily include modifications that result in the capitalization of past due amounts in combination with interest rate reductions and/or the extension of the loan's maturity date. Such restructurings are granted to borrowers in financial difficulty on either a permanent or contingent basis, as in the case of modifications with a trial period. We consider these types of loan restructurings to be TDRs.

We do not include principal or past due interest forgiveness as part of our loss mitigation programs, and as a result, we do not charge off any outstanding principal or accrued interest amounts at the time of loan modification. We believe that the loan underwriting activities we perform as a part of our loan modification process coupled with the borrower's successful performance during any required trial period provide us reasonable assurance regarding the collectibility of the principal and interest due in accordance with the loan's modified terms, which include any past due interest amounts that are capitalized as principal at the time of modification. As such, the loan is returned to accrual status when the loan modification is completed (*i.e.*, at the end of the trial period), and we accrue interest thereafter in accordance with our interest accrual policy. If the loan was on nonaccrual status prior to entering the trial period, it remains on nonaccrual status until the borrower demonstrates performance via the trial period and the modification is finalized.

In addition to these loan modifications, we also engage in other loss mitigation activities with troubled borrowers, which include repayment plans, forbearance arrangements, and the capitalization only of past due amounts. Repayment plans and forbearance arrangements are informal agreements with the borrower that do not result in the legal modification of the loan. For all of these activities, we consider the deferral or capitalization of three or fewer missed payments to represent only an insignificant delay, and thus not a TDR. If we defer or capitalize more than three missed payments, the delay is no longer considered insignificant, and the restructuring is accounted for as a TDR.

We measure impairment of a loan restructured in a TDR individually based on the excess of the recorded investment in the loan over the present value of the expected future cash inflows discounted at the loan's original effective interest rate. Costs incurred to complete a TDR are expensed as incurred. However, when foreclosure is probable on an individually impaired loan, we measure impairment based on the difference between our recorded investment in the loan and the fair value of the underlying property, adjusted for the estimated costs to sell the property and estimated insurance or other proceeds we expect to receive.

Allowance for Loan Losses and Reserve for Guaranty Losses

Our allowance for loan losses is a valuation allowance that reflects an estimate of incurred credit losses related to our recorded investment in both single-family and multifamily HFI loans. This population includes both HFI loans held by Fannie Mae and by consolidated Fannie Mae MBS trusts. When calculating our allowance for loan losses, we consider only our net recorded investment in the loan at the balance sheet date, which includes the loan's unpaid principal balance and any applicable cost basis adjustments. We record charge-offs as a reduction to the allowance for loan losses when losses are confirmed through the receipt of assets in satisfaction of a loan, such as the underlying collateral upon foreclosure or cash upon completion of a short sale. Additionally, we record charge-offs as a reduction to our allowance for loan losses when a loan is determined to be uncollectible, upon the redesignation of nonperforming loans from HFI to HFS and pursuant to the charge-off provisions of the Advisory Bulletin.

The reserve for guaranty losses is a liability account which is a component of "Other liabilities" in our consolidated balance sheets that reflects an estimate of incurred credit losses related to our guaranty to each unconsolidated Fannie Mae MBS trust that we will supplement amounts received by the Fannie Mae MBS trust as required to permit timely payments of principal and interest on the related Fannie Mae MBS and our agreements to purchase credit-impaired loans from lenders under the terms of our long-term standby commitments. As a result, the reserve for guaranty losses considers not only the principal and interest due on the loan at the current balance sheet date, but also any additional interest payments due to the trust from the current balance sheet date until the point of loan acquisition or foreclosure. The reserve for guaranty losses was $639 million and $1.2 billion as of December 31, 2015 and 2014, respectively.

We recognize incurred losses by recording a charge to the provision for guaranty losses, which is a component of "Benefit for credit losses," in our consolidated statements of operations and comprehensive income.

Single-Family Loans

We recognize credit losses related to groups of similar single-family HFI loans that are not individually impaired when (1) available information as of each balance sheet date indicates that it is probable a loss has occurred and (2) the amount of the loss can be reasonably estimated. We aggregate such loans, based on similar risk characteristics, for purposes of estimating incurred credit losses and establish a collective single-family loss reserve using an econometric model that derives an overall loss reserve estimate. The estimate takes into account multiple factors which include but are not limited to origination year, loan product type, mark-to-market loan-to-value ("LTV") ratio, and delinquency status. Once loans are aggregated, there typically is not a single, distinct event that would result in an individual loan or pool of loans being impaired. In determining our collective reserve, we base our allowance methodology on historical events and trends, such as loss severity (in event of default), default rates, and recoveries from mortgage insurance contracts and other credit enhancements that provide loan level loss coverage and are either contractually attached to a loan or that were entered into contemporaneously with and in contemplation of a guaranty or loan purchase transaction. We use recent regional historical sales and appraisal information, including the sales of our own foreclosed properties, to develop our loss severity estimates for all loan categories. Our allowance calculation also incorporates a loss confirmation period (the anticipated time lag between a credit loss event and the confirmation of the credit loss resulting from that event) to ensure our allowance estimate captures credit losses that have been incurred as of the balance sheet date but have not been confirmed. In addition, management performs a review of the observable data used in its estimate to ensure it is representative of prevailing economic conditions and other events existing as of the balance sheet date.

We record charge-offs as a reduction to the allowance for loan losses or reserve for guaranty losses when losses are confirmed through the receipt of assets in full satisfaction of a loan, such as the underlying collateral upon foreclosure or cash upon completion of a short sale. Additionally, we record charge-offs as a reduction to our allowance for loan losses when a loan is determined to be uncollectible, upon the redesignation of nonperforming loans from HFI to HFS and pursuant to the charge-off provisions of the Advisory Bulletin. The excess of a loan's unpaid principal balance, accrued interest, and any applicable cost basis adjustments ("our total exposure") over the fair value of the assets is treated as a charge-off loss that is deducted from the allowance for loan losses or reserve for guaranty losses. The amount charged off also considers estimated proceeds from primary mortgage insurance or other credit enhancements that are either contractually attached to a loan or that were entered into contemporaneously with and in contemplation of a guaranty or loan purchase transaction as a recovery of our total exposure, up to the amount of loss recognized as a charge-off. We record additional proceeds from primary mortgage insurance and credit enhancements in excess of our total exposure as a recovery of any forgone contractually past due interest, and then as an offset to the expenses recorded in "Foreclosed property expense (income)" in our consolidated statements of operations and comprehensive income when received.

Individually Impaired Single-Family Loans

Individually impaired single-family loans currently include those restructured in a TDR and acquired credit-impaired loans. We consider a loan to be impaired when, based on current information, it is probable that we will not receive all amounts due, including interest, in accordance with the contractual terms of the loan agreement. When making our assessment as to whether a loan is impaired, we also take into account more than insignificant delays in payment and shortfalls in amounts received. Determination of whether a delay in payment or shortfall in amount is more than insignificant requires management's judgment as to the facts and circumstances surrounding the loan.

Our measurement of impairment on an individually impaired loan follows the method that is most consistent with our expectations of recovery of our recorded investment in the loan. When a loan has been restructured, we measure impairment using a cash flow analysis discounted at the loan's original effective interest rate. If we expect to recover our recorded investment in an individually impaired loan through probable foreclosure of the underlying collateral, we measure impairment based on the fair value of the collateral, reduced by estimated disposal costs on a discounted basis and adjusted for estimated proceeds from mortgage, flood, or hazard insurance or similar sources. For individually impaired loans that we believe are probable of foreclosure, we take into consideration the sales prices of foreclosed properties in determining the value of the underlying real estate collateral.

We use internal models to project cash flows used to assess impairment of individually impaired loans, and generally update the market and loan characteristic inputs we use in these models monthly, using month-end data. Market inputs include information such as interest rates, volatility and spreads, while loan characteristic inputs include information such as mark-to-market LTV ratios and delinquency status. The loan characteristic inputs are key factors that affect the predicted rate of default for loans evaluated for impairment through our internal cash flow models. For example, loans with an unsuccessful trial modification, which are often accompanied by high delinquency rates, have much higher predicted default rates compared to performing loans with completed modifications, particularly those with a significant payment reduction in the borrower's required monthly payment. We evaluate the reasonableness of our models by comparing the results with actual performance and our assessment of current market conditions. In addition, we review our models at least annually for reasonableness and predictive ability in accordance with our corporate model review policy. Accordingly, we believe the projected cash flows generated by our models that we use to assess impairment appropriately reflect the expected future performance of the loans.

Multifamily Loans

We identify multifamily loans for evaluation for impairment through a credit risk assessment process. If we determine that a multifamily loan is individually impaired, we generally measure impairment on that loan based on the fair value of the underlying collateral less estimated costs to sell the property. We establish a collective multifamily loss reserve for all loans in our multifamily guaranty book of business that are not individually impaired using an internal model that applies loss factors to loans in similar risk categories.

We categorize loan credit risk based on relevant observable data about a borrower's ability to pay, including multifamily market economic fundamentals, review of available current borrower financial information, operating statements on the underlying collateral, current debt service coverage ratios ("DSCRs"), historical payment experience, estimates of the current collateral values and other related credit documentation. For each risk category, certain observed default probability and loss severity (in event of default) factors, based on historical performance of loans in the same risk category, are applied against our recorded investment in the loans to determine an appropriate allowance. Such performance data reflect historical delinquencies and charge-offs, as well as loan size. In addition, we consider any credit enhancements such as letters of credit or loss sharing arrangements with our lenders.

Advances to Lenders

Advances to lenders represent our payments of cash in exchange for the receipt of mortgage loans from lenders in a transfer that is accounted for as a secured lending arrangement. These transfers primarily occur when we provide early funding to lenders for loans that they will subsequently either sell to us or securitize into a Fannie Mae MBS that they will deliver to us. We individually negotiate early lender funding advances with our lender customers. Early lender funding advances have terms up to 60 days and earn a short-term market rate of interest.

We report cash outflows from advances to lenders as an investing activity in our consolidated statements of cash flows. Settlements of the advances to lenders, other than through lender repurchases of loans, are not collected in cash, but rather in the receipt of either loans or Fannie Mae MBS. Accordingly, this activity is reflected as a non-cash transfer in our consolidated statements of cash flows in the line item entitled "Transfers from advances to lenders to loans held for investment of consolidated trusts."

Acquired Property, Net

We recognize foreclosed property (*i.e.*, "Acquired property, net") upon the earlier of the loan foreclosure event or when we take physical possession of the property (*i.e.*, through a deed-in-lieu of foreclosure transaction). We initially measure foreclosed property at its fair value less its estimated costs to sell. We treat any excess of our recorded investment in the loan over the fair value less estimated costs to sell the property as a charge-off to the "Allowance for loan losses." Any excess of the fair value less estimated costs to sell the property over our recorded investment in the loan is recognized first to recover any forgone, contractually due interest, then to "Foreclosed property expense (income)" in our consolidated statements of operations and comprehensive income.

We classify foreclosed properties as HFS when we intend to sell the property and the following conditions are met at either acquisition or within a relatively short period thereafter: we are actively marketing the property and it is available for immediate sale in its current condition such that the sale is reasonably expected to take place within one year. We report these properties at the lower of their carrying amount or fair value less estimated selling costs. We do not depreciate these properties.

We recognize a loss for any subsequent write-down of the property to its fair value less its estimated costs to sell through a valuation allowance with an offsetting charge to "Foreclosed property expense (income)" in our consolidated statements of operations and comprehensive income. We recognize a recovery for any subsequent increase in fair value less estimated costs to sell up to the cumulative loss previously recognized through the valuation allowance. We recognize gains or losses on sales of foreclosed property through "Foreclosed property expense (income)" in our consolidated statements of operations and comprehensive income.

Properties that do not meet the criteria to be classified as HFS are classified as held for use and are recorded in "Other assets" in our consolidated balance sheets. These properties are depreciated and are evaluated for impairment when circumstances indicate that the carrying amount of the property is no longer recoverable.

Commitments to Purchase and Sell Mortgage Loans and Securities

We enter into commitments to purchase and sell mortgage-backed securities and to purchase single-family and multifamily mortgage loans. Certain commitments to purchase or sell mortgage-backed securities and to purchase single-family mortgage loans are generally accounted for as derivatives. Our commitments to purchase multifamily loans are not accounted for as derivatives because they do not meet the criteria for net settlement.

When derivative purchase commitments settle, we include the fair value on the settlement date in the cost basis of the loan or unconsolidated security we purchase. When derivative commitments to sell securities settle, we include the fair value of the commitment on the settlement date in the cost basis of the security we sell. Purchases and sales of securities issued by our consolidated MBS trusts are treated as extinguishment or issuance of debt, respectively. For commitments to purchase and sell securities issued by our consolidated MBS trusts, we recognize the fair value of the commitment on the settlement date as a component of debt extinguishment gains and losses or in the cost basis of the debt issued, respectively.

Regular-way securities trades provide for delivery of securities within the time generally established by regulations or conventions in the market in which the trade occurs and are exempt from application of derivative accounting. Commitments to purchase or sell securities that we account for on a trade-date basis are also exempt from the derivative accounting requirements. We record the purchase and sale of an existing security on its trade date when the commitment to purchase or sell the existing security settles within the period of time that is customary in the market in which those trades take place.

Additionally, contracts for the forward purchase or sale of when-issued and to-be-announced ("TBA") securities are exempt from the derivative accounting requirements if there is no other way to purchase or sell that security, delivery of that security and settlement will occur within the shortest period possible for that type of security, and it is probable at inception and throughout the term of the individual contract that physical delivery of the security will occur. Since our commitments for the purchase of when-issued and TBA securities can be net settled and we do not document that physical settlement is probable, we account for all such commitments as derivatives.

Derivative Instruments

We recognize all derivatives as either assets or liabilities in our consolidated balance sheets at their fair value on a trade date basis. We report derivatives in a gain position after offsetting by counterparty in "Other assets" and derivatives in a loss position after offsetting by counterparty in "Other liabilities" in our consolidated balance sheets.

We offset the carrying amounts of certain derivatives that are in gain positions and loss positions with the same counterparty as well as cash collateral receivables and payables associated with derivative positions under master netting arrangements. We offset these amounts only when we have the legal right to offset under the contract and we have met all of the offsetting conditions.

We evaluate financial instruments that we purchase or issue and other financial and non-financial contracts for embedded derivatives. To identify embedded derivatives that we must account for separately, we determine if: (1) the economic characteristics of the embedded derivative are not clearly and closely related to the economic characteristics of the financial instrument or other contract (*i.e*., the host contract); (2) the financial instrument or other contract itself is not already measured at fair value with changes in fair value included in earnings; and (3) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the embedded derivative meets all three of these conditions we elect to carry the hybrid contract in its entirety at fair value with changes in fair value recorded in earnings.

Collateral

We enter into various transactions where we pledge and accept collateral, the most common of which are our derivative transactions. Required collateral levels vary depending on the credit rating and type of counterparty. We also pledge and receive collateral under our repurchase and reverse repurchase agreements. In order to reduce potential exposure to repurchase counterparties, a third-party custodian typically maintains the collateral and any margin. We monitor the fair value of the collateral received from our counterparties, and we may require additional collateral from those counterparties, as we deem appropriate.

Cash Collateral

We record cash collateral accepted from a counterparty that we have the right to use as "Cash and cash equivalents" and cash collateral accepted from a counterparty that we do not have the right to use as "Restricted cash" in our consolidated balance sheets. We net our obligation to return cash collateral pledged to us against the fair value of derivatives in a gain position recorded in "Other assets" in our consolidated balance sheets as part of our counterparty netting calculation.

For derivative positions with the same counterparty under master netting arrangements where we pledge cash collateral, we remove it from "Cash and cash equivalents" and net the right to receive it against the fair value of derivatives in a loss position recorded in "Other liabilities" in our consolidated balance sheets as a part of our counterparty netting calculation.

Non-Cash Collateral

We classify securities pledged to counterparties as either "Investments in securities" or "Cash and cash equivalents" in our consolidated balance sheets. Securities pledged to counterparties that have been consolidated with the underlying assets recognized as loans are included as "Mortgage loans" in our consolidated balance sheets.

Our liability to third party holders of Fannie Mae MBS that arises as the result of a consolidation of a securitization trust is collateralized by the underlying loans and/or mortgage-related securities.

Debt

Our consolidated balance sheets contain debt of Fannie Mae as well as debt of consolidated trusts. We report debt issued by us as "Debt of Fannie Mae" and by consolidated trusts as "Debt of consolidated trusts." Debt issued by us represents debt that we issue to third parties to fund our general business activities and our credit risk-sharing securities. The debt of consolidated trusts represents the amount of Fannie Mae MBS issued from such trusts which is held by third-party certificateholders and prepayable without penalty at any time. We report deferred items, including premiums, discounts and other cost basis adjustments, as adjustments to the related debt balances in our consolidated balance sheets. We remeasure the carrying amount, accrued interest and basis adjustments of debt denominated in a foreign currency into U.S. dollars using foreign exchange spot rates as of the balance sheet dates and report any associated gains or losses as a component of "Fair value gains (losses), net" in our consolidated statements of operations and comprehensive income.

We classify interest expense as either short-term or long-term based on the contractual maturity of the related debt. We recognize the amortization of premiums, discounts and other cost basis adjustments through interest expense using the effective interest method usually over the contractual term of the debt. Amortization of premiums, discounts and other cost basis adjustments begins at the time of debt issuance. We remeasure interest expense for debt denominated in a foreign currency into U.S. dollars using the daily spot rates. The difference in rates arising from the month-end spot exchange rate used to calculate the interest accruals and the daily spot rates used to record the interest expense is a foreign currency transaction gain or loss for the period and is recognized as a component of "Fair value gains (losses), net" in our consolidated statements of operations and comprehensive income.

When we purchase a Fannie Mae MBS issued from a consolidated single-class securitization trust, we extinguish the related debt of the consolidated trust as the MBS debt is no longer owed to a third-party. We record debt extinguishment gains or losses related to debt of consolidated trusts to the extent that the purchase price of the MBS does not equal the carrying value of the related consolidated MBS debt reported in our consolidated balance sheets (including unamortized premiums, discounts and other cost basis adjustments) at the time of purchase.

Income Taxes

We recognize deferred tax assets and liabilities based on the differences in the book and tax bases of assets and liabilities. We measure deferred tax assets and liabilities using enacted tax rates that are applicable to the period(s) that the differences are expected to reverse. We adjust deferred tax assets and liabilities for the effects of changes in tax laws and rates in the period of enactment. We recognize investment and other tax credits through our effective tax rate calculation assuming that we will be able to realize the full benefit of the credits. We reduce our deferred tax assets by an allowance if, based on the weight of available positive and negative evidence, it is more likely than not (a probability of greater than 50%) that we will not realize some portion, or all, of the deferred tax asset.

We account for uncertain tax positions using a two-step approach whereby we recognize an income tax benefit if, based on the technical merits of a tax position, it is more likely than not that the tax position would be sustained upon examination by the taxing authority, which includes all related appeals and litigation. We then measure the recognized tax benefit based on the largest amount of tax benefit that is greater than 50% likely to be realized upon settlement with the taxing authority, considering all information available at the reporting date. We recognize interest expense and penalties on unrecognized tax benefits as "Other expenses, net" in our consolidated statements of operations and comprehensive income.

Earnings (Loss) per Share

Earnings (loss) per share ("EPS") is presented for both basic EPS and diluted EPS. We compute basic EPS by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. In addition to common shares outstanding, the computation of basic EPS includes instruments for which the holder has (or is deemed to have) the present rights as of the end of the reporting period to share in current period earnings (loss) with common stockholders (*i.e.,* participating securities and common shares that are currently issuable for little or no cost to the holder). We include in the denominator of our basic EPS computation the weighted-average number of shares of common stock that would be issued upon the full exercise of the warrant issued to Treasury. Diluted EPS includes all the components of basic EPS, plus the dilutive effect of common stock equivalents such as convertible securities and stock options, but excludes those common stock equivalents from the calculation of diluted EPS when the effect of inclusion, assessed individually, would be anti-dilutive. The calculation of income available to common stockholders and EPS is based on the underlying premise that all income after payment of dividends on preferred shares is available to and will be distributed to the common stockholders. However, as a result of our conservatorship status and the terms of the senior preferred stock purchase agreement with Treasury, no amounts are available to distribute as dividends to common or preferred stockholders (other than to Treasury as holder of the senior preferred stock).

Compensatory Fees

We charge our primary servicers a compensatory fee for servicing delays within their control when they fail to comply with our established loss mitigation and foreclosure timelines. Compensatory fees are intended to compensate us for damages attributed to such servicing delays and to emphasize the importance of servicer performance.

We recognize a compensatory fee receivable when the amounts are chargeable per our guidelines and are considered reasonably assured of collection. We subsequently establish a valuation allowance for any amounts we estimate to be uncollectible. If such fees are not reasonably assured of collection, we recognize them on a cash basis when received. The income associated with these fees is recognized as a component of "Foreclosed property expense (income)" in our consolidated statements of operations and comprehensive income.

Fee and Other Income

Fee and other income includes transaction fees, multifamily fees, technology fees and other miscellaneous income. During the years ended December 31, 2015, 2014 and 2013, we recognized $21 million, $4.8 billion and $2.2 billion, respectively, in "Fee and other income" in our consolidated statements of operations and comprehensive income resulting from settlement agreements resolving certain lawsuits relating to private-label securities ("PLS") sold to us.

Employee Retirement Benefits

Our defined benefit pension plans were amended in 2013 to cease the accrual of benefits for all employees and the plans were subsequently terminated, effective December 31, 2013. The additional cost of the termination, including the estimated premium required to purchase annuity contracts, was recognized in "Other comprehensive income (loss)" in our consolidated statements of operations and comprehensive income for 2013.

During 2015, we settled our defined pension benefit obligations. We transferred plan assets to an annuity provider and distributed lump sum payments to participants based on their elections. We made a cash contribution of $102 million to settle the plans. The actuarial losses of $305 million, previously recorded in “Accumulated other comprehensive income,” were recognized in “Administrative expenses” and the associated tax amounts were recognized in “Provision for federal income taxes” in our consolidated statements of operations and comprehensive income for the year ended December 31, 2015.

New Accounting Guidance

In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance on revenue from contracts with customers. The standard outlines a single model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The following contracts with customers are excluded from the scope of the new standard and will continue to be accounted for under existing guidance: leases, insurance, financial instruments (e.g., receivables, investments, liabilities, debt and derivatives) and guarantees. The new guidance is effective for us on January 1, 2018. We have evaluated this guidance and determined it will not have a material impact on our consolidated financial statements.

In February 2015, the FASB issued guidance regarding consolidation of legal entities such as limited partnerships, limited liability corporations and securitization structures. The guidance removes the specialized consolidation model surrounding limited partnerships and similar entities and amends the requirements that such entities must meet to qualify as voting interest entities. In addition, the guidance eliminates certain of the conditions for evaluating whether fees paid to a decision maker or service provider represent a variable interest. The new guidance is effective for us on January 1, 2016. We have evaluated this guidance and determined it will not have a material impact on our consolidated financial statements.

In January 2016, the FASB issued guidance which makes limited amendments to the accounting related to the classification and measurement of financial instruments. The new guidance revises the accounting requirements related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The new guidance is effective for us on January 1, 2018. We have evaluated this guidance and determined it will not have a material impact on our consolidated financial statements.

2. Consolidations and Transfers of Financial Assets

We have interests in various entities that are considered to be VIEs. The primary types of entities are securitization trusts guaranteed by us via lender swap and portfolio securitization transactions and mortgage-backed trusts that were not created by us, as well as housing partnerships that are established to finance the acquisition, construction, development or rehabilitation of affordable multifamily and single-family housing. These interests include investments in securities issued by VIEs, such as Fannie Mae MBS created pursuant to our securitization transactions and our guaranty to the entity. We consolidate the substantial majority of our single-class securitization trusts because our role as guarantor and master servicer provides us with the power to direct matters (primarily the servicing of mortgage loans) that impact the credit risk to which we are exposed. In contrast, we do not consolidate single-class securitization trusts when other organizations have the power to direct these activities.

Types of VIEs

Securitization Trusts

Under our lender swap and portfolio securitization transactions, mortgage loans are transferred to a trust specifically for the purpose of issuing a single class of guaranteed securities that are collateralized by the underlying mortgage loans. The trust’s permitted activities include receiving the transferred assets, issuing beneficial interests, establishing the guaranty and servicing the underlying mortgage loans. In our capacity as issuer, master servicer, trustee and guarantor, we earn fees for our obligations to each trust. Additionally, we may retain or purchase a portion of the securities issued by each trust. We have securitized mortgage loans since 1981.

In our structured securitization transactions, we earn fees for assisting lenders and dealers with the design and issuance of structured mortgage-related securities. The trusts created in these transactions have permitted activities that are similar to those for our lender swap and portfolio securitization transactions. The assets of these trusts may include mortgage-related securities and/or mortgage loans. The trusts created for Fannie Megas issue single-class securities while the trusts created for REMIC, grantor trust and stripped mortgage-backed securities (“SMBS”) issue single-class and multi-class securities, the latter of which separate the cash flows from underlying assets into separately tradable interests. Our obligations and continued involvement in these trusts are similar to those described for lender swap and portfolio securitization transactions. We have securitized mortgage assets in structured transactions since 1986.

We also invest in mortgage-backed securities that have been issued via private-label trusts. These trusts are structured to provide investors with a beneficial interest in a pool of receivables or other financial assets, typically mortgage loans. The trusts act as vehicles to allow loan originators to securitize assets. Securities are structured from the underlying pool of assets to provide for varying degrees of risk. The originators of the financial assets or the underwriters of the transaction create the trusts and typically own the residual interest in the trusts' assets. Our involvement in these entities is typically limited to our recorded investment in the beneficial interests that we have purchased. We have invested in these vehicles since 1987.

Limited Partnerships

We have historically made equity investments in various limited partnerships that sponsor affordable housing projects utilizing the low-income housing tax credit pursuant to Section 42 of the Internal Revenue Code. The purpose of these investments is to increase the supply of affordable housing in the United States and to serve communities in need. In addition, our investments in LIHTC partnerships generate both tax credits and net operating losses that may reduce our federal income tax liability. Our LIHTC investments primarily represent limited partnership interests in entities that have been organized by a fund manager who acts as the general partner. These fund investments seek out equity investments in LIHTC operating partnerships that have been established to identify, develop and operate multifamily housing that is leased to qualifying residential tenants.

We no longer recognize net operating losses or impairment on our LIHTC partnership investments as the carrying value is zero. We did not make any LIHTC investments in 2015, 2014 or 2013, other than pursuant to existing prior commitments.

Consolidated VIEs

If an entity is a VIE, we consider whether our variable interest in that entity causes us to be the primary beneficiary. The primary beneficiary of the VIE is required to consolidate and account for the assets, liabilities and noncontrolling interests of the VIE in its consolidated financial statements. An enterprise is deemed to be the primary beneficiary when the enterprise has the power to direct the activities of the VIE that most significantly impact the entity's economic performance and exposure to benefits and/or losses could potentially be significant to the entity. In general, the investors in the obligations of consolidated VIEs have recourse only to the assets of those VIEs and do not have recourse to us, except where we provide a guaranty to the VIE.

Unconsolidated VIEs

We do not consolidate VIEs when we are not deemed to be the primary beneficiary. Our unconsolidated VIEs include securitization trusts and limited partnerships. The following table displays the carrying amount and classification of our assets and liabilities that relate to our involvement with unconsolidated mortgage-backed trusts.

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Assets and liabilities recorded in our consolidated balance sheets related to mortgage-backed trusts:		
Assets:		
Trading securities:		
Fannie Mae securities	$ 4,704	$ 4,790
Non-Fannie Mae securities	5,596	7,073
Total trading securities	10,300	11,863
Available-for-sale securities:		
Fannie Mae securities	3,936	5,043
Non-Fannie Mae securities	14,644	22,776
Total available-for-sale securities	18,580	27,819
Other assets	100	111
Other liabilities	(827)	(1,440)
Net carrying amount	$ 28,153	$ 38,353

Our maximum exposure to loss generally represents the greater of our recorded investment in the entity or the unpaid principal balance of the assets covered by our guaranty. However, our securities issued by Fannie Mae multi-class resecuritization trusts that are not consolidated do not give rise to any additional exposure to loss as we already consolidate the underlying collateral. The maximum exposure to loss related to unconsolidated mortgage-backed trusts was $34 billion and $45 billion as of December 31, 2015 and 2014, respectively. The total assets of our unconsolidated mortgage-backed trusts were approximately $220 billion and $250 billion as of December 31, 2015 and 2014, respectively.

The total assets of our unconsolidated limited partnership investments were $4.9 billion and $5.8 billion as of December 31, 2015 and 2014, respectively.

Transfers of Financial Assets

We issue Fannie Mae MBS through portfolio securitization transactions by transferring pools of mortgage loans or mortgage-related securities to one or more trusts or special purpose entities. We are considered to be the transferor when we transfer assets from our own retained mortgage portfolio in a portfolio securitization transaction. For the years ended December 31, 2015, 2014 and 2013, the unpaid principal balance of portfolio securitizations was $212.0 billion, $160.4 billion and $228.5 billion, respectively.

We retain interests from the transfer and sale of mortgage-related securities to unconsolidated single-class and multi-class portfolio securitization trusts. As of December 31, 2015, the unpaid principal balance of retained interests was $5.5 billion and its related fair value was $6.8 billion. The unpaid principal balance of retained interests was $6.3 billion and its related fair value was $7.6 billion as of December 31, 2014. For the years ended December 31, 2015, 2014 and 2013, the principal and interest received on retained interests was $1.2 billion, $1.5 billion and $1.7 billion, respectively.

Managed Loans

Managed loans are on-balance sheet mortgage loans, as well as mortgage loans that we have securitized in unconsolidated portfolio securitization trusts. The unpaid principal balance of securitized loans in unconsolidated portfolio securitization trusts, which are primarily loans that are guaranteed or insured, in whole or in part, by the U.S. government, was $1.6 billion and $1.8 billion as of December 31, 2015 and 2014, respectively. For information on our on-balance sheet mortgage loans, see "Note 3, Mortgage Loans."

3. Mortgage Loans

We own single-family mortgage loans, which are secured by four or fewer residential dwelling units, and multifamily mortgage loans, which are secured by five or more residential dwelling units. We classify these loans as either HFI or HFS. We report the carrying value of HFI loans at the unpaid principal balance, net of unamortized premiums and discounts, other cost basis adjustments, and an allowance for loan losses. We report the carrying value of HFS loans at the lower of cost or fair value and record valuation changes in our consolidated statements of operations and comprehensive income. We define the recorded investment of HFI loans as unpaid principal balance, net of unamortized premiums and discounts, other cost basis adjustments, and accrued interest receivable.

For purposes of the single-family mortgage loan disclosures below, we define "primary" class as mortgage loans that are not included in other loan classes; "government" class as mortgage loans guaranteed or insured, in whole or in part, by the U.S. government or one of its agencies, that are not Alt-A; and "other" class as loans with higher-risk characteristics, such as interest-only loans and negative-amortizing loans, that are neither government nor Alt-A.

The following table displays the carrying value of our mortgage loans.

	As of December 31,					
	2015			2014		
	Of Fannie Mae	Of Consolidated Trusts	Total	Of Fannie Mae	Of Consolidated Trusts	Total
	(Dollars in millions)					
Single-family	$ 238,237	$ 2,574,174	$2,812,411	$ 262,116	$ 2,569,884	$2,832,000
Multifamily	13,099	185,243	198,342	23,255	164,045	187,300
Total unpaid principal balance of mortgage loans	251,336	2,759,417	3,010,753	285,371	2,733,929	3,019,300
Cost basis and fair value adjustments, net	(12,939)	49,781	36,842	(12,705)	48,440	35,735
Allowance for loan losses for loans held for investment	(26,510)	(1,441)	(27,951)	(33,117)	(2,424)	(35,541)
Total mortgage loans	$ 211,887	$ 2,807,757	$3,019,644	$ 239,549	$ 2,779,945	$3,019,494

For the years ended December 31, 2015, 2014 and 2013, we redesignated loans with a carrying value of $8.6 billion, $2.2 billion and $1.3 billion, respectively, from HFI to HFS. For the year ended December 31, 2014, we redesignated loans with a carrying value of $285 million from HFS to HFI. We sold loans with an unpaid principal balance of $3.6 billion, $1.9 billion and $1.2 billion, respectively, during the years ended December 31, 2015, 2014 and 2013.

The recorded investment of single-family mortgage loans for which formal foreclosure proceedings are in process was $25.6 billion as of December 31, 2015. As a result of our various loss mitigation and foreclosure prevention efforts, we expect that a portion of the loans in the process of formal foreclosure proceedings will not ultimately foreclose.

Aging Analysis

The following tables display an aging analysis of the total recorded investment in our HFI mortgage loans by portfolio segment and class, excluding loans for which we have elected the fair value option.

	As of December 31, 2015							
	30 - 59 Days Delinquent	60 - 89 Days Delinquent	Seriously Delinquent[(1)]	Total Delinquent	Current	Total	Recorded Investment in Loans 90 Days or More Delinquent and Accruing Interest	Recorded Investment in Nonaccrual Loans
	(Dollars in millions)							
Single-family:								
Primary	$ 29,154	$ 7,937	$ 26,346	$ 63,437	$ 2,598,756	$ 2,662,193	$ 46	$ 34,216
Government[(2)]	58	24	291	373	40,461	40,834	291	—
Alt-A	4,085	1,272	6,141	11,498	84,603	96,101	6	7,407
Other	1,494	484	2,160	4,138	32,272	36,410	6	2,632
Total single-family	34,791	9,717	34,938	79,446	2,756,092	2,835,538	349	44,255
Multifamily[(3)]	23	N/A	123	146	200,028	200,174	—	591
Total	$ 34,814	$ 9,717	$ 35,061	$ 79,592	$ 2,956,120	$ 3,035,712	$ 349	$ 44,846

	As of December 31, 2014							
	30 - 59 Days Delinquent	60 - 89 Days Delinquent	Seriously Delinquent(1)	Total Delinquent	Current	Total	Recorded Investment in Loans 90 Days or More Delinquent and Accruing Interest	Recorded Investment in Nonaccrual Loans
	(Dollars in millions)							
Single-family:								
Primary	$ 29,130	$ 8,396	$ 38,248	$ 75,774	$ 2,580,446	$ 2,656,220	$ 55	$ 46,556
Government(2)	63	26	305	394	44,927	45,321	305	—
Alt-A	4,094	1,414	11,603	17,111	95,650	112,761	8	13,007
Other	1,520	516	3,763	5,799	38,460	44,259	6	4,259
Total single-family	34,807	10,352	53,919	99,078	2,759,483	2,858,561	374	63,822
Multifamily(3)	60	NA	89	149	189,084	189,233	—	823
Total	$ 34,867	$ 10,352	$ 54,008	$ 99,227	$ 2,948,567	$ 3,047,794	$ 374	$ 64,645

(1) Single-family seriously delinquent loans are loans that are 90 days or more past due or in the foreclosure process. Multifamily seriously delinquent loans are loans that are 60 days or more past due.

(2) Primarily consists of reverse mortgages, which due to their nature, are not aged and are included in the current column.

(3) Multifamily loans 60-89 days delinquent are included in the seriously delinquent column.

Credit Quality Indicators

The following table displays the total recorded investment in our single-family HFI loans by class and credit quality indicator, excluding loans for which we have elected the fair value option.

	As of December 31,					
	2015(1)			2014(1)		
	Primary	Alt-A	Other	Primary	Alt-A	Other
	(Dollars in millions)					
Estimated mark-to-market LTV ratio:(2)						
Less than or equal to 80%	$2,228,533	$ 59,000	$21,274	$2,156,165	$ 60,851	$22,558
Greater than 80% and less than or equal to 90%	250,373	12,588	4,936	261,709	15,151	6,046
Greater than 90% and less than or equal to 100%	122,939	9,345	3,861	140,778	12,490	5,236
Greater than 100% and less than or equal to 110%	27,875	6,231	2,596	43,014	8,998	3,900
Greater than 110% and less than or equal to 120%	14,625	3,730	1,592	23,439	6,033	2,615
Greater than 120% and less than or equal to 125%	4,520	1,260	545	7,529	2,114	904
Greater than 125%	13,328	3,947	1,606	23,586	7,124	3,000
Total	$2,662,193	$ 96,101	$36,410	$2,656,220	$112,761	$44,259

(1) Excludes $40.8 billion and $45.3 billion as of December 31, 2015 and 2014, respectively, of mortgage loans guaranteed or insured, in whole or in part, by the U.S. government or one of its agencies, that are not Alt-A loans. The segment class is primarily reverse mortgages for which we do not calculate an estimated mark-to-market LTV ratio.

(2) The aggregate estimated mark-to-market LTV ratio is based on the unpaid principal balance of the loan as of the end of each reported period divided by the estimated current value of the property, which we calculate using an internal valuation model that estimates periodic changes in home value.

The following table displays the total recorded investment in our multifamily HFI loans by credit quality indicator, excluding loans for which we have elected the fair value option.

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Credit risk profile by internally assigned grade:[1]		
Pass	$ 194,132	$ 182,079
Special Mention	3,202	3,070
Substandard	2,833	3,842
Doubtful	7	242
Total	$ 200,174	$ 189,233

(1) Pass (loan is current and adequately protected by the current financial strength and debt service capacity of the borrower); special mention (loan with signs of potential weakness); substandard (loan with a well defined weakness that jeopardizes the timely full repayment); and doubtful (loan with a weakness that makes collection or liquidation in full highly questionable and improbable based on existing conditions and values).

Individually Impaired Loans

Individually impaired loans include TDRs, acquired credit-impaired loans and multifamily loans that we have assessed as probable that we will not collect all contractual amounts due, regardless of whether we are currently accruing interest. The following tables display the total unpaid principal balance, recorded investment, related allowance, average recorded investment and interest income recognized for individually impaired loans.

	As of December 31,						
	2015			2014			
	Unpaid Principal Balance	Total Recorded Investment	Related Allowance for Loan Losses	Unpaid Principal Balance	Total Recorded Investment	Related Allowance for Loan Losses	Related Allowance for Accrued Interest Receivable[1]
	(Dollars in millions)						
Individually impaired loans:							
With related allowance recorded:							
Single-family:							
Primary	$ 116,477	$ 110,502	$ 16,745	$ 125,960	$ 120,221	$ 20,327	$ 309
Government	322	327	59	281	285	46	12
Alt-A	31,888	29,103	6,217	35,492	32,816	7,778	136
Other	12,893	12,179	2,416	14,667	13,947	3,049	38
Total single-family	161,580	152,111	25,437	176,400	167,269	31,200	495
Multifamily	650	654	80	1,230	1,241	175	6
Total individually impaired loans with related allowance recorded	162,230	152,765	25,517	177,630	168,510	31,375	501
With no related allowance recorded:[2]							
Single-family:							
Primary	15,891	14,725	—	16,704	14,876	—	—
Government	58	54	—	61	57	—	—
Alt-A	3,721	3,169	—	3,993	3,119	—	—
Other	1,222	1,102	—	1,240	1,056	—	—
Total single-family	20,892	19,050	—	21,998	19,108	—	—
Multifamily	353	354	—	565	568	—	—
Total individually impaired loans with no related allowance recorded	21,245	19,404	—	22,563	19,676	—	—
Total individually impaired loans[3]	$ 183,475	$ 172,169	$ 25,517	$ 200,193	$ 188,186	$ 31,375	$ 501

	For the Year Ended December 31,								
	2015			2014			2013		
	Average Recorded Investment	Total Interest Income Recognized(4)	Interest Income Recognized on a Cash Basis	Average Recorded Investment	Total Interest Income Recognized(4)	Interest Income Recognized on a Cash Basis	Average Recorded Investment	Total Interest Income Recognized(4)	Interest Income Recognized on a Cash Basis
	(Dollars in millions)								
Individually impaired loans:									
With related allowance recorded:									
Single-family:									
Primary	$ 114,737	$ 4,190	$ 318	$ 121,926	$ 4,321	$ 494	$ 124,659	$ 4,351	$ 603
Government	299	12	—	270	13	—	213	11	—
Alt-A	30,453	1,034	54	33,676	1,066	100	35,075	1,096	135
Other	12,863	376	21	14,490	402	36	15,537	425	52
Total single-family	158,352	5,612	393	170,362	5,802	630	175,484	5,883	790
Multifamily	973	16	—	1,699	80	1	2,552	128	1
Total individually impaired loans with related allowance recorded	159,325	5,628	393	172,061	5,882	631	178,036	6,011	791
With no related allowance recorded: (2)									
Single-family:									
Primary	15,796	1,039	91	13,852	864	215	11,442	1,369	227
Government	55	4	—	67	5	—	112	8	—
Alt-A	3,647	218	11	2,799	189	47	2,207	329	45
Other	1,259	75	3	974	56	12	752	117	17
Total single-family	20,757	1,336	105	17,692	1,114	274	14,513	1,823	289
Multifamily	442	10	—	1,472	64	—	1,863	97	3
Total individually impaired loans with no related allowance recorded	21,199	1,346	105	19,164	1,178	274	16,376	1,920	292
Total individually impaired loans(3)	$ 180,524	$ 6,974	$ 498	$ 191,225	$ 7,060	$ 905	$ 194,412	$ 7,931	$ 1,083

(1) Effective January 1, 2015, we charged off accrued interest receivable associated with loans on nonaccrual status in connection with our adoption of a change in accounting policy related to the treatment of interest previously accrued, but not collected, at the date that loans are placed on nonaccrual status. See "Note 1, Summary of Significant Accounting Policies" for additional information.

(2) The discounted cash flows or collateral value equals or exceeds the carrying value of the loan and, as such, no valuation allowance is required.

(3) Includes single-family loans restructured in a TDR with a recorded investment of $170.3 billion, $185.2 billion and $187.6 billion as of December 31, 2015, 2014 and 2013, respectively. Includes multifamily loans restructured in a TDR with a recorded investment of $451 million, $716 million and $911 million as of December 31, 2015, 2014 and 2013, respectively.

(4) Total single-family interest income recognized of $6.9 billion for the year ended December 31, 2015 consists of $5.7 billion of contractual interest and $1.2 billion of effective yield adjustments. Total single-family interest income recognized of $6.9 billion for the year ended December 31, 2014 consists of $5.8 billion of contractual interest and $1.1 billion of effective yield adjustments. Total single-family interest income recognized of $7.7 billion for the year ended December 31, 2013 consists of $5.7 billion of contractual interest and $2.0 billion of effective yield adjustments.

Troubled Debt Restructurings

A modification to the contractual terms of a loan that results in granting a concession to a borrower experiencing financial difficulties is considered a TDR. In addition to formal loan modifications, we also engage in other loss mitigation activities with troubled borrowers, which include repayment plans and forbearance arrangements, both of which represent informal agreements with the borrower that do not result in the legal modification of the loan's contractual terms. We account for these informal restructurings as a TDR if we defer more than three missed payments. We also classify loans to certain borrowers who have received bankruptcy relief as TDRs.

The substantial majority of the loan modifications we complete result in term extensions, interest rate reductions or a combination of both. The average term extension of a single-family modified loan was 161 months for the years ended December 31, 2015 and 2014 and 154 months for the year ended December 31, 2013. The average interest rate reduction was 0.74, 0.99 and 1.68 percentage points for the years ended December 31, 2015, 2014 and 2013, respectively.

The following table displays the number of loans and recorded investment in loans restructured in a TDR.

	For the Year Ended December 31,					
	2015		2014		2013	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(Dollars in millions)					
Single-family:						
Primary	71,293	$ 9,713	100,956	$ 14,301	126,998	$ 19,016
Government	241	27	365	47	312	35
Alt-A	9,037	1,374	14,715	2,441	21,471	3,794
Other	1,835	333	3,357	686	6,226	1,378
Total single-family	82,406	11,447	119,393	17,475	155,007	24,223
Multifamily	12	40	19	853	33	213
Total TDRs	82,418	$ 11,487	119,412	$ 18,328	155,040	$ 24,436

The following table displays the number of loans and our recorded investment in these loans at the time of payment default for loans that were restructured in a TDR in the twelve months prior to the payment default. For purposes of this disclosure, we define loans that had a payment default as: single-family and multifamily loans with completed TDRs that liquidated during the period, either through foreclosure, deed-in-lieu of foreclosure or a short sale; single-family loans with completed modifications that are two or more months delinquent during the period; or multifamily loans with completed modifications that are one or more months delinquent during the period.

	For the Year Ended December 31,					
	2015		2014		2013	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(Dollars in millions)					
Single-family:						
Primary	26,206	$ 3,808	33,853	$ 5,095	45,539	$ 6,978
Government	118	16	124	15	130	17
Alt-A	4,128	706	5,392	960	9,601	1,732
Other	1,229	247	1,738	387	3,093	685
Total single-family	31,681	4,777	41,107	6,457	58,363	9,412
Multifamily	3	6	9	42	9	64
Total TDRs that subsequently defaulted	31,684	$ 4,783	41,116	$ 6,499	58,372	$ 9,476

4. Allowance for Loan Losses

We maintain an allowance for loan losses for HFI loans held by Fannie Mae and loans backing Fannie Mae MBS issued from consolidated trusts. When calculating our allowance for loan losses, we consider our net recorded investment in the loan at the balance sheet date, which includes unpaid principal balance, net of amortized premiums and discounts, and other cost basis adjustments.

The following table displays changes in single-family, multifamily and total allowance for loan losses.

	For the Year Ended December 31,								
	2015			2014			2013		
	Of Fannie Mae	Of Consolidated Trusts	Total	Of Fannie Mae	Of Consolidated Trusts	Total	Of Fannie Mae	Of Consolidated Trusts	Total
	(Dollars in millions)								
Single-family allowance for loan losses:									
Beginning balance	$ 32,956	$ 2,221	$ 35,177	$ 40,202	$ 3,105	$ 43,307	$ 49,848	$ 7,839	$ 57,687
Provision (benefit) for loan losses [1]	(258)	190	(68)	(4,334)	553	(3,781)	(6,751)	(2,145)	(8,896)
Charge-offs [2][3]	(9,647)	(84)	(9,731)	(6,168)	(225)	(6,393)	(8,458)	(256)	(8,714)
Recoveries	1,120	16	1,136	1,190	250	1,440	2,115	511	2,626
Transfers [4]	1,123	(1,123)	—	1,513	(1,513)	—	2,932	(2,932)	—
Other [5]	1,145	50	1,195	553	51	604	516	88	604
Ending balance	$ 26,439	$ 1,270	$ 27,709	$ 32,956	$ 2,221	$ 35,177	$ 40,202	$ 3,105	$ 43,307
Multifamily allowance for loan losses:									
Beginning balance	$ 161	$ 203	$ 364	$ 319	$ 220	$ 539	$ 671	$ 437	$ 1,108
Benefit for loan losses [1]	(63)	(27)	(90)	(91)	(13)	(104)	(233)	(187)	(420)
Charge-offs [2][3]	(40)	(3)	(43)	(76)	—	(76)	(153)	—	(153)
Recoveries	4	—	4	—	—	—	—	—	—
Transfers [4]	4	(4)	—	4	(4)	—	30	(30)	—
Other [5]	5	2	7	5	—	5	4	—	4
Ending balance	$ 71	$ 171	$ 242	$ 161	$ 203	$ 364	$ 319	$ 220	$ 539
Total allowance for loan losses:									
Beginning balance	$ 33,117	$ 2,424	$ 35,541	$ 40,521	$ 3,325	$ 43,846	$ 50,519	$ 8,276	$ 58,795
Provision (benefit) for loan losses [1]	(321)	163	(158)	(4,425)	540	(3,885)	(6,984)	(2,332)	(9,316)
Charge-offs [2][3]	(9,687)	(87)	(9,774)	(6,244)	(225)	(6,469)	(8,611)	(256)	(8,867)
Recoveries	1,124	16	1,140	1,190	250	1,440	2,115	511	2,626
Transfers [4]	1,127	(1,127)	—	1,517	(1,517)	—	2,962	(2,962)	—
Other [5]	1,150	52	1,202	558	51	609	520	88	608
Ending balance	$ 26,510	$ 1,441	$ 27,951	$ 33,117	$ 2,424	$ 35,541	$ 40,521	$ 3,325	$ 43,846

(1) Provision (benefit) for loan losses is included in "Benefit for credit losses" in our consolidated statements of operations and comprehensive income.

(2) While we purchase the substantial majority of loans that are four or more months delinquent from our MBS trusts, we do not exercise this option to purchase loans during a forbearance period. Charge-offs of consolidated trusts generally represent loans that remained in our consolidated trusts at the time of default.

(3) Includes, for the year ended December 31, 2015, charge-offs of (1) $1.8 billion in loans held for investment and $724 million in preforeclosure property taxes and insurance receivable in connection with our adoption of the Advisory Bulletin on January 1, 2015 and (2) $1.1 billion in accrued interest receivable in connection with our adoption of a change in accounting policy on January 1, 2015 related to the treatment of interest previously accrued, but not collected, at the date that loans are placed on nonaccrual status.

(4) Includes transfers from trusts for delinquent loan purchases.

(5) Amounts represent changes in other loss reserves which are reflected in provision (benefit) for loan losses, charge-offs, and recoveries.

The following table displays the allowance for loan losses and recorded investment in our HFI loans, excluding loans for which we have elected the fair value option, by impairment or reserve methodology and portfolio segment.

	As of December 31,					
	2015			2014		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
	(Dollars in millions)					
Allowance for loan losses by segment:						
Individually impaired loans[1]	$ 25,437	$ 80	$ 25,517	$ 31,200	$ 175	$ 31,375
Collectively reserved loans	2,272	162	2,434	3,977	189	4,166
Total allowance for loan losses	$ 27,709	$ 242	$ 27,951	$ 35,177	$ 364	$ 35,541
Recorded investment in loans by segment:						
Individually impaired loans[1]	$ 171,161	$ 1,008	$ 172,169	$ 186,377	$ 1,809	$ 188,186
Collectively reserved loans	2,664,377	199,166	2,863,543	2,672,184	187,424	2,859,608
Total recorded investment in loans	$2,835,538	$200,174	$3,035,712	$2,858,561	$189,233	$ 3,047,794

(1) Includes acquired credit-impaired loans.

5. Investments in Securities

Trading Securities

Trading securities are recorded at fair value with subsequent changes in fair value recorded as "Fair value gains (losses), net" in our consolidated statements of operations and comprehensive income. The following table displays our investments in trading securities.

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Mortgage-related securities:		
Fannie Mae	$ 4,813	$ 4,940
Freddie Mac	1,314	1,369
Ginnie Mae	426	166
Alt-A private-label securities	436	920
Subprime private-label securities	644	1,307
Commercial mortgage-backed securities ("CMBS")	2,341	2,515
Mortgage revenue bonds	449	722
Other mortgage-related securities	—	99
Total mortgage-related securities	10,423	12,038
U.S. Treasury securities	29,485	19,466
Total trading securities	$ 39,908	$ 31,504

The following table displays information about our net trading gains and losses.

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Net trading gains (losses)	$ (368)	$ 485	$ 260
Net trading gains (losses) recognized in the period related to securities still held at period end	(453)	420	297

Available-for-Sale Securities

We record AFS securities at fair value with unrealized gains and losses, recorded net of tax, as a component of "Other comprehensive income (loss)" and we recognize realized gains and losses from the sale of AFS securities in "Investment gains, net" in our consolidated statements of operations and comprehensive income.

The following table displays the gross realized gains, losses and proceeds on sales of AFS securities.

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Gross realized gains	$ 1,066	$ 569	$ 1,632
Gross realized losses	70	5	979
Total proceeds (excludes initial sale of securities from new portfolio securitizations)	8,023	3,265	15,157

The following tables display the amortized cost, gross unrealized gains and losses, and fair value by major security type for AFS securities in our retained mortgage portfolio.

	As of December 31, 2015				
	Total Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses - OTTI(2)	Gross Unrealized Losses - Other(3)	Total Fair Value
	(Dollars in millions)				
Fannie Mae	$ 4,008	$ 243	$ —	$ (30)	$ 4,221
Freddie Mac	4,000	299	—	—	4,299
Ginnie Mae	343	48	—	—	391
Alt-A private-label securities	2,029	653	(4)	—	2,678
Subprime private-label securities	2,526	759	—	(4)	3,281
CMBS	1,235	20	—	—	1,255
Mortgage revenue bonds	2,639	99	(29)	(8)	2,701
Other mortgage-related securities	1,361	49	(6)	—	1,404
Total	$18,141	$ 2,170	$ (39)	$ (42)	$ 20,230

	As of December 31, 2014				
	Total Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses - OTTI(2)	Gross Unrealized Losses - Other(3)	Total Fair Value
	(Dollars in millions)				
Fannie Mae	$ 5,330	$ 328	$ —	$ (19)	$ 5,639
Freddie Mac	5,100	428	—	—	5,528
Ginnie Mae	416	60	—	—	476
Alt-A private-label securities	4,638	1,055	(15)	—	5,678
Subprime private-label securities	4,103	1,161	(9)	(15)	5,240
CMBS	1,341	56	—	—	1,397
Mortgage revenue bonds	3,859	177	(8)	(5)	4,023
Other mortgage-related securities	2,626	183	(23)	(113)	2,673
Total	$27,413	$ 3,448	$ (55)	$ (152)	$ 30,654

(1) Amortized cost consists of unpaid principal balance, unamortized premiums, discounts and other cost basis adjustments, as well as net other-than-temporary impairments ("OTTI") recognized in "Investment gains, net" in our consolidated statements of operations and comprehensive income.

(2) Represents the noncredit component of OTTI losses recorded in "Accumulated other comprehensive income" in our consolidated balance sheets, as well as cumulative changes in fair value of securities for which we previously recognized the credit component of OTTI.

(3) Represents the gross unrealized losses on securities for which we have not recognized OTTI.

The following tables display additional information regarding gross unrealized losses and fair value by major security type for AFS securities in an unrealized loss position.

	As of December 31, 2015			
	Less Than 12 Consecutive Months		12 Consecutive Months or Longer	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
Fannie Mae	$ (8)	$ 659	$ (22)	$ 491
Alt-A private-label securities	(1)	26	(3)	54
Subprime private-label securities	—	12	(4)	91
Mortgage revenue bonds	(35)	631	(2)	22
Other mortgage-related securities	(6)	224	—	—
Total	$ (50)	$ 1,552	$ (31)	$ 658

	As of December 31, 2014			
	Less Than 12 Consecutive Months		12 Consecutive Months or Longer	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
Fannie Mae	$ —	$ 113	$ (19)	$ 627
Alt-A private-label securities	(2)	171	(13)	112
Subprime private-label securities	—	—	(24)	460
Mortgage revenue bonds	(2)	47	(11)	155
Other mortgage-related securities	—	8	(136)	1,021
Total	$ (4)	$ 339	$ (203)	$ 2,375

Other-Than-Temporary Impairments

For AFS securities, OTTI is considered to have occurred when the fair value of a debt security is below its amortized cost basis and we intend to sell or it is more likely than not that we will be required to sell the security before recovery. Additionally, OTTI is considered to have occurred if we do not expect to recover the entire amortized cost basis of a debt security even if we do not intend to sell the security or it is not more likely than not we will be required to sell the security before recovery.

We recognized $196 million, $90 million and $64 million of OTTI for the years ended December 31, 2015, 2014 and 2013, respectively, which are included in "Investment gains, net" in our consolidated statements of operations and comprehensive income. OTTI recognized for the year ended December 31, 2015 increased compared with the year ended December 31, 2014 primarily driven by a change in our intent to sell certain securities. As a result, we recognized the entire difference between the amortized cost basis of these securities and their fair value as OTTI.

The following table displays the modeled attributes, including default rates and severities, which were used to determine whether our senior interests in certain non-agency mortgage-related securities (including those we intend to sell) will experience a cash shortfall. An estimate of voluntary prepayment rates is also an input to the present value of expected losses.

	As of December 31, 2015				
		Alt-A			
	Subprime	Option ARM	Fixed Rate	Variable Rate	Hybrid Rate
	(Dollars in millions)				
Unpaid principal balance	$ 4,367	$ 434	$ 817	$ 805	$ 987
Weighted average collateral default[(1)]	41.2%	28.2%	12.0%	20.4%	8.6%
Weighted average collateral severities[(2)]	58.8	34.4	45.0	37.3	33.1
Weighted average voluntary prepayment rates[(3)]	2.7	7.5	11.6	8.7	12.5
Average credit enhancement[(4)]	18.2	3.6	7.2	8.7	4.3

(1) The expected remaining cumulative default rate of the collateral pool backing the securities, as a percentage of the current collateral unpaid principal balance, weighted by security unpaid principal balance.

(2) The expected remaining loss given default of the collateral pool backing the securities, calculated as the ratio of remaining cumulative loss divided by cumulative defaults, weighted by security unpaid principal balance.

(3) The average monthly voluntary prepayment rate, weighted by security unpaid principal balance.

(4) The average percent current credit enhancement provided by subordination of other securities. Excludes excess interest projections and monoline bond insurance.

The following table displays activity related to the unrealized credit loss component on debt securities held by us and recognized in our consolidated statements of operations and comprehensive income.

	For the Year Ended December 31,	
	2015	2014
	(Dollars in millions)	
Balance, beginning of period	$ 5,260	$ 7,904
Additions for the credit component on debt securities for which OTTI was not previously recognized	—	1
Additions for the credit component on debt securities for which OTTI was previously recognized	8	58
Reductions for securities no longer in portfolio at period end	(1,171)	(904)
Reductions for securities which we intend to sell or it is more likely than not that we will be required to sell before recovery of amortized cost basis	(1,492)	(1,453)
Reductions for amortization resulting from changes in cash flows expected to be collected over the remaining life of the securities	(184)	(346)
Balance, end of period	$ 2,421	$ 5,260

Maturity Information

The following table displays the amortized cost and fair value of our AFS securities by major security type and remaining contractual maturity, assuming no principal prepayments. The contractual maturity of mortgage-backed securities is not a reliable indicator of their expected life because borrowers generally have the right to prepay their obligations at any time.

	As of December 31, 2015									
	Total Amortized Cost	Total Fair Value	One Year or Less		After One Year Through Five Years		After Five Years Through Ten Years		After Ten Years	
			Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in millions)									
Fannie Mae	$ 4,008	$ 4,221	$ —	$ —	$ 160	$ 164	$ 114	$ 123	$ 3,734	$ 3,934
Freddie Mac	4,000	4,299	1	1	185	192	310	337	3,504	3,769
Ginnie Mae	343	391	—	—	1	1	61	68	281	322
Alt-A private-label securities	2,029	2,678	—	—	—	—	—	—	2,029	2,678
Subprime private-label securities	2,526	3,281	—	—	—	—	—	—	2,526	3,281
CMBS	1,235	1,255	278	280	899	917	—	—	58	58
Mortgage revenue bonds	2,639	2,701	11	11	112	113	202	205	2,314	2,372
Other mortgage-related securities	1,361	1,404	—	—	—	—	29	30	1,332	1,374
Total	$ 18,141	$ 20,230	$ 290	$ 292	$ 1,357	$ 1,387	$ 716	$ 763	$ 15,778	$ 17,788
Weighted average yield[1]	4.94%		4.36%		4.51%		6.28%		4.93%	

(1) Yields are determined by dividing interest income (including amortization and accretion of premiums, discounts and other cost basis adjustments) by amortized cost balances as of year-end. Yields on tax-exempt obligations have been computed on a tax equivalent basis.

6. Financial Guarantees

We generate revenue by absorbing the credit risk of mortgage loans in unconsolidated trusts in exchange for a guaranty fee. We also provide credit enhancements on taxable or tax-exempt mortgage revenue bonds issued by state and local governmental entities to finance multifamily housing for low- and moderate-income families. Additionally, we issue long-term standby commitments that generally require us to purchase loans from lenders if the loans meet certain delinquency criteria.

We recognize a guaranty obligation for our obligation to stand ready to perform on our guarantees to unconsolidated trusts and other guaranty arrangements. These guarantees expose us to credit losses on the mortgage loans or, in the case of mortgage-related securities, the underlying mortgage loans of the related securities. The remaining contractual terms of our guarantees range from 11 days to 37 years; however, the actual term of each guaranty may be significantly less than the contractual term based on the prepayment characteristics of the related mortgage loans.

The following table displays our maximum exposure, guaranty obligation recognized in our consolidated balance sheets and the maximum potential recovery from third parties through available credit enhancements and recourse related to our financial guarantees.

	As of December 31,					
	2015			2014		
	Maximum Exposure[1]	Guaranty Obligation	Maximum Recovery[2]	Maximum Exposure[1]	Guaranty Obligation	Maximum Recovery[2]
	(Dollars in millions)					
Unconsolidated Fannie Mae MBS	$ 15,069	$ 194	$ 8,857	$ 17,184	$ 214	$ 9,775
Other guaranty arrangements[3]	16,504	135	2,869	18,781	168	4,447
Total	$ 31,573	$ 329	$ 11,726	$ 35,965	$ 382	$ 14,222

(1) Primarily consists of the unpaid principal balance of the underlying mortgage loans.

(2) Recoverability of such credit enhancements and recourse is subject to, among other factors, our mortgage insurers' and financial guarantors' ability to meet their obligations to us. For information on our mortgage insurers and financial guarantors, see "Note 15, Concentrations of Credit Risk."

(3) Primarily consists of credit enhancements, long-term standby commitments, and our commitment under the TCLF program.

7. Acquired Property, Net

Acquired property, net consists of held for sale foreclosed property received in satisfaction of a loan, net of a valuation allowance for declines in the fair value of the properties after initial acquisition. We classify properties as held for sale when we intend to sell the property, are actively marketing it and it is ready for immediate sale in its current condition. The following table displays the activity in acquired property, and related valuation allowance.

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Beginning balance — Acquired property	$ 11,442	$ 12,307	$ 11,158
Additions	9,382	13,100	16,092
Disposals	(13,343)	(13,965)	(14,943)
Ending balance — Acquired property	7,481	11,442	12,307
Beginning balance — Valuation allowance	(824)	(686)	(669)
Decrease (increase) in valuation allowance	109	(138)	(17)
Ending balance — Valuation allowance	(715)	(824)	(686)
Ending balance — Acquired property, net	$ 6,766	$ 10,618	$ 11,621

We classify as held for use those properties that we do not intend to sell or that are not ready for immediate sale in their current condition, which are included in "Other assets" in our consolidated balance sheets. For the years ended December 31, 2015, 2014 and 2013, the carrying amount of acquired property held for use was $85 million, $135 million and $256 million, respectively.

8. Short-Term Borrowings and Long-Term Debt

Short-Term Borrowings

The following table displays our outstanding short-term borrowings (borrowings with an original contractual maturity of one year or less) and weighted-average interest rates of these borrowings.

	As of December 31,			
	2015		2014	
	Outstanding	Weighted-Average Interest Rate[(1)]	Outstanding	Weighted-Average Interest Rate[(1)]
	(Dollars in millions)			
Federal funds purchased and securities sold under agreements to repurchase[(2)]	$ 62	—%	$ 50	—%
Short-term debt of Fannie Mae	$ 71,007	0.26%	$ 105,012	0.11%
Debt of consolidated trusts	943	0.19	1,560	0.09
Total short-term debt	$ 71,950	0.26%	$ 106,572	0.11%

(1) Includes the effects of discounts, premiums and other cost basis adjustments.

(2) Represents agreements to repurchase securities for a specified price, with repayment generally occurring on the following day.

Intraday Line of Credit

We periodically use a secured intraday funding line of credit provided by a large financial institution. We post collateral which, in some circumstances, the secured party has the right to repledge to third parties. As this line of credit is an uncommitted intraday loan facility, we may be unable to draw on it if and when needed. The line of credit under this facility was $15.0 billion as of December 31, 2015 and 2014. We had no borrowings outstanding under this line of credit as of December 31, 2015.

Long-Term Debt

Long-term debt represents borrowings with an original contractual maturity of greater than one year. The following table displays our outstanding long-term debt.

	As of December 31,					
	2015			2014		
	Maturities	Outstanding	Weighted-Average Interest Rate[1]	Maturities	Outstanding	Weighted-Average Interest Rate[1]
	(Dollars in millions)					
Senior fixed:						
Benchmark notes and bonds	2016 - 2030	$ 154,057	2.49%	2015 - 2030	$ 173,010	2.41%
Medium-term notes[2]	2016 - 2025	96,997	1.53	2015 - 2024	114,556	1.42
Other[3]	2016 - 2038	27,772	4.88	2015 - 2038	32,941	4.65
Total senior fixed		278,826	2.39		320,507	2.29
Senior floating:						
Medium-term notes[2]	2016 - 2019	20,791	0.27	2015 - 2019	24,469	0.15
Connecticut Avenue Securities[4]	2023 - 2028	10,764	3.84	2023 - 2024	6,041	2.97
Other[5]	2020 - 2037	368	10.46	2020 - 2037	363	8.71
Total senior floating		31,923	1.58		30,873	0.81
Subordinated debentures	2019	4,227	9.93	2019	3,849	9.93
Secured borrowings[6]	2021 - 2022	152	1.47	2021 - 2022	202	1.90
Total long-term debt of Fannie Mae[7]		315,128	2.41		355,431	2.24
Debt of consolidated trusts	2016 - 2054	2,810,593	2.94	2015 - 2054	2,760,152	3.02
Total long-term debt		$ 3,125,721	2.88%		$ 3,115,583	2.93%

(1) Includes the effects of discounts, premiums and other cost basis adjustments.

(2) Includes long-term debt with an original contractual maturity of greater than 1 year and up to 10 years, excluding zero-coupon debt.

(3) Includes other long-term debt and foreign exchange bonds.

(4) Credit risk-sharing securities that transfer a portion of the credit risk on specified pools of mortgage loans to the investors in these securities. Connecticut Avenue Securities are reported at fair value.

(5) Consists of structured debt instruments that are reported at fair value.

(6) Represents our remaining liability resulting from the transfer of financial assets from our consolidated balance sheets that did not qualify as a sale under the accounting guidance for the transfer of financial instruments.

(7) Includes unamortized discounts and premiums, other cost basis adjustments and fair value adjustments of $3.2 billion and $4.1 billion as of December 31, 2015 and 2014, respectively.

Our long-term debt includes a variety of debt types. We issue fixed and floating-rate medium-term notes with maturities greater than one year that are issued through dealer banks. We also offer Benchmark Notes in regularly-scheduled issuances that provide increased efficiency, liquidity and tradability to the market. Additionally, we have issued notes and bonds denominated in several foreign currencies. We effectively convert all foreign currency-denominated transactions into U.S. dollars through the use of foreign currency swaps for the purpose of funding our mortgage assets. Our long-term debt also includes Connecticut Avenue Securities ("CAS"), which are credit risk-sharing securities that transfer a portion of the credit risk on specified pools of mortgage loans to investors in these securities.

Our other long-term debt includes callable and non-callable securities, which include all long-term non-Benchmark securities, such as zero-coupon bonds, fixed rate and other long-term securities, and are generally negotiated underwritings with one or more dealers or dealer banks.

Characteristics of Debt

As of December 31, 2015 and 2014, the face amount of our debt securities of Fannie Mae was $389.4 billion and $464.6 billion, respectively. As of December 31, 2015 and 2014, we had zero-coupon debt with a face amount of $82.1 billion and $116.7 billion, respectively, which had an effective interest rate of 1.26% and 0.77%, respectively.

We issue callable debt instruments to manage the duration and prepayment risk of expected cash flows of the mortgage assets we own. Our outstanding debt as of December 31, 2015 and 2014 included $96.2 billion and $115.0 billion, respectively, of callable debt that could be redeemed in whole or in part at our option any time on or after a specified date.

The following table displays the amount of our long-term debt as of December 31, 2015 by year of maturity for each of the years 2016 through 2020 and thereafter. The first column assumes that we pay off this debt at maturity or on the call date if the call has been announced, while the second column assumes that we redeem our callable debt at the next available call date.

	Long-Term Debt by Year of Maturity	Assuming Callable Debt Redeemed at Next Available Call Date
	(Dollars in millions)	
2016	$ 52,829	$ 143,970
2017	76,970	69,351
2018	60,555	32,832
2019	29,656	19,036
2020	30,129	16,658
Thereafter	64,989	33,281
Total debt of Fannie Mae(1)	315,128	315,128
Debt of consolidated trusts(2)	2,810,593	2,810,593
Total long-term debt	$ 3,125,721	$ 3,125,721

(1) Includes unamortized discounts and premiums, other cost basis adjustments and fair value adjustments of $3.2 billion.

(2) Contractual maturity of debt of consolidated trusts is not a reliable indicator of expected maturity because borrowers of the underlying loans generally have the right to prepay their obligations at any time.

9. Derivative Instruments

Derivative instruments are an integral part of our strategy in managing interest rate risk. Derivative instruments may be privately-negotiated, bilateral contracts, or they may be listed and traded on an exchange. We refer to our derivative transactions made pursuant to bilateral contracts as our over-the-counter ("OTC") derivative transactions and our derivative transactions accepted for clearing by a derivatives clearing organization as our cleared derivative transactions. We typically do not settle the notional amount of our risk management derivatives; rather, notional amounts provide the basis for calculating actual payments or settlement amounts. The derivative contracts we use for interest rate risk management purposes fall into these broad categories:

- *Interest rate swap contracts.* An interest rate swap is a transaction between two parties in which each party agrees to exchange payments tied to different interest rates or indices for a specified period of time, generally based on a notional amount of principal. The types of interest rate swaps we use include pay-fixed swaps, receive-fixed swaps and basis swaps.
- *Interest rate option contracts.* These contracts primarily include pay-fixed swaptions, receive-fixed swaptions, cancelable swaps and interest rate caps. A swaption is an option contract that allows us or a counterparty to enter into a pay-fixed or receive-fixed swap at some point in the future.
- *Foreign currency swaps.* These swaps convert debt that we issue in foreign denominated currencies into U.S. dollars. We enter into foreign currency swaps only to the extent that we hold foreign currency debt.
- *Futures.* These are standardized exchange-traded contracts that either obligate a buyer to buy an asset at a predetermined date and price or a seller to sell an asset at a predetermined date and price. The types of futures contracts we enter into include Eurodollar, U.S. Treasury and swaps.

We enter into various forms of credit risk sharing agreements, including credit risk transfer transactions, swap credit enhancements and mortgage insurance contracts, that we account for as derivatives. The majority of our credit-related derivatives are credit risk transfer transactions, whereby a portion of the credit risk associated with losses on a reference pool of mortgage loans is transferred to a third party.

We enter into forward purchase and sale commitments that lock in the future delivery of mortgage loans and mortgage-related securities at a fixed price or yield. Certain commitments to purchase mortgage loans and purchase or sell mortgage-related securities meet the criteria of a derivative. We typically settle the notional amount of our mortgage commitments that are accounted for as derivatives.

Notional and Fair Value Position of our Derivatives

The following table displays the notional amount and estimated fair value of our asset and liability derivative instruments.

	As of December 31, 2015				As of December 31, 2014			
	Asset Derivatives		Liability Derivatives		Asset Derivatives		Liability Derivatives	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
	(Dollars in millions)							
Risk management derivatives:								
Swaps:								
Pay-fixed	$ 33,154	$ 267	$ 123,106	$ (6,920)	$ 41,965	$ 733	$ 123,557	$ (7,125)
Receive-fixed	59,796	3,436	143,209	(753)	67,629	4,486	157,272	(1,302)
Basis	1,864	141	17,100	(15)	5,769	123	7,100	(2)
Foreign currency	295	95	258	(52)	344	144	273	(30)
Swaptions:								
Pay-fixed	7,050	45	14,950	(26)	11,100	57	26,525	(175)
Receive-fixed	2,000	8	13,950	(171)	750	96	29,525	(816)
Other[1]	9,196	28	—	(2)	1,071	28	12	(1)
Total gross risk management derivatives	113,355	4,020	312,573	(7,939)	128,628	5,667	344,264	(9,451)
Accrued interest receivable (payable)	—	758	—	(977)	—	749	—	(1,013)
Netting adjustment[2]	—	(4,024)	—	8,650	—	(5,186)	—	10,194
Total net risk management derivatives	$ 113,355	$ 754	$ 312,573	$ (266)	$ 128,628	$ 1,230	$ 344,264	$ (270)
Mortgage commitment derivatives:								
Mortgage commitments to purchase whole loans	$ 4,815	$ 9	$ 2,960	$ (9)	$ 6,157	$ 28	$ 428	$ —
Forward contracts to purchase mortgage-related securities	31,273	66	19,418	(57)	43,533	223	6,112	(8)
Forward contracts to sell mortgage-related securities	26,224	65	40,753	(92)	4,886	4	57,910	(336)
Total mortgage commitment derivatives	62,312	140	63,131	(158)	54,576	255	64,450	(344)
Derivatives at fair value	$ 175,667	$ 894	$ 375,704	$ (424)	$ 183,204	$ 1,485	$ 408,714	$ (614)

(1) Includes futures and swap credit enhancements, as well as credit risk transfer transactions and mortgage insurance contracts that we account for as derivatives.

(2) The netting adjustment represents the effect of the legal right to offset under legally enforceable master netting arrangements to settle with the same counterparty on a net basis, including cash collateral posted and received. Cash collateral posted was $4.9 billion and $5.3 billion as of December 31, 2015 and 2014, respectively. Cash collateral received was $314 million and $245 million as of December 31, 2015 and 2014, respectively.

A majority of our OTC derivative contracts contain provisions that require our senior unsecured debt to maintain a minimum credit rating from S&P and Moody's. If our senior unsecured debt credit ratings were downgraded to established thresholds in these derivative contracts, which range from A+ to BBB+, we could be required to provide additional collateral to or terminate transactions with certain counterparties. The aggregate fair value of all OTC derivatives with credit-risk-related contingent features that were in a net liability position was $2.4 billion and $2.6 billion, for which we posted collateral of $2.2 billion and $2.4 billion in the normal course of business as of December 31, 2015 and 2014, respectively. Had all of the credit-risk-related contingency features underlying these agreements been triggered, an additional $257 million and $269 million would have been required to be posted as collateral or to immediately settle our positions based on the individual agreements and our fair value position as of December 31, 2015 and 2014, respectively. A reduction in our credit ratings may also cause derivatives clearing organizations or their members to demand that we post additional collateral for our cleared derivatives contracts.

We record all derivative gains and losses, including accrued interest, in "Fair value gains (losses), net" in our consolidated statements of operations and comprehensive income. The following table displays, by type of derivative instrument, the fair value gains and losses, net on our derivatives.

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Risk management derivatives:			
Swaps:			
Pay-fixed	$ (746)	$ (7,703)	$ 14,393
Receive-fixed	625	4,229	(10,721)
Basis	4	85	(115)
Foreign currency	(60)	27	(101)
Swaptions:			
Pay-fixed	135	(4)	(238)
Receive-fixed	(93)	(197)	307
Other	(25)	1	21
Accrual of periodic settlements:			
Pay-fixed interest-rate swaps	(3,602)	(3,712)	(4,463)
Receive-fixed interest-rate swaps	2,603	2,600	3,632
Other	39	50	64
Total risk management derivatives fair value gains (losses), net	(1,120)	(4,624)	2,779
Mortgage commitment derivatives fair value gains (losses), net	(393)	(1,140)	501
Total derivatives fair value gains (losses), net	$ (1,513)	$ (5,764)	$ 3,280

Derivative Counterparty Credit Exposure

Our derivative counterparty credit exposure relates principally to interest rate derivative contracts. We are exposed to the risk that a counterparty in a derivative transaction will default on payments due to us, which may require us to seek a replacement derivative from a different counterparty. This replacement may be at a higher cost, or we may be unable to find a suitable replacement. We manage our derivative counterparty credit exposure relating to our risk management derivative transactions mainly through enforceable master netting arrangements, which allow us to net derivative assets and liabilities with the same counterparty or clearing organization and clearing member. For our OTC derivative transactions, we require counterparties to post collateral, which may include cash, U.S. Treasury securities, agency debt and agency mortgage-related securities.

See "Note 16, Netting Arrangements" for information on our rights to offset assets and liabilities as of December 31, 2015 and 2014.

10. Income Taxes

Provision (Benefit) for Income Taxes

We are subject to federal income tax, but we are exempt from state and local income taxes.

The following table displays the components of our provision (benefit) for federal income taxes.

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Current income tax provision (benefit)	$ (271)	$ 1,879	$ 3,067
Deferred income tax provision (benefit)[1]	5,524	5,062	(48,482)
Provision (benefit) for federal income taxes	$ 5,253	$ 6,941	$(45,415)

[1] Amount excludes the income tax effect of items recognized directly in "Fannie Mae stockholders' equity."

Current income tax benefit for the year ended December 31, 2015 reflects the recognition of a $1.4 billion income tax receivable expected from an amended federal tax return primarily related to deductions for charged-off nonaccrued interest. This amount was fully offset by a corresponding $1.4 billion decrease in our deferred tax assets resulting in an increase in our deferred income tax provision.

The following table displays the difference between our effective tax rate and the statutory federal tax rate.

	For the Year Ended December 31,		
	2015	2014	2013
Statutory corporate tax rate	35.0 %	35.0 %	35.0 %
Equity investments in affordable housing projects	(2.6)	(1.8)	(1.5)
Other	0.9	1.4	—
Valuation allowance	(0.9)	(1.8)	(151.3)
Effective tax rate	32.4 %	32.8 %	(117.8) %

Our effective tax rate is the provision (benefit) for federal income taxes expressed as a percentage of income or loss before federal income taxes. Our effective tax rate was different from the federal statutory rate of 35% for the years ended December 31, 2015 and 2014 primarily due to the benefits of our investments in housing projects eligible for low-income housing tax credits. The decrease in our deferred tax valuation allowance in 2015 reflects the utilization of our capital loss carryforwards due to recognition of net capital gains, which allowed us to release the corresponding valuation allowance against our capital loss carryforwards. The decrease in our deferred tax valuation allowance in 2014 reflects the expiration of certain capital loss carryforwards that are included as a component of "Other" in the table above. Our effective tax rate was different from the federal statutory rate of 35% for the year ended December 31, 2013 primarily due to the release of our valuation allowance for our net deferred tax assets that resulted in the recognition of $58.3 billion benefit in our provision (benefit) for income taxes.

Deferred Tax Assets and Liabilities

We recognize deferred tax assets and liabilities for future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under GAAP and their respective tax bases.

We evaluate our deferred tax assets for recoverability using a consistent approach which considers the relative impact of negative and positive evidence, including our historical profitability and projections of future taxable income.

As of December 31, 2015, we continued to conclude that the positive evidence in favor of the recoverability of our deferred tax asset outweighed the negative evidence and that it is more likely than not that our deferred tax assets will be realized. Our framework for assessing the recoverability of deferred tax assets requires us to weigh all available evidence, including the sustainability of recent profitability required to realize the deferred tax assets; the cumulative net income or losses in our consolidated statements of operations and comprehensive income in recent years; unsettled circumstances that, if unfavorably resolved, would adversely affect future operations and profit levels on a continuing basis in future years; the funding available to us under the senior preferred stock purchase agreement; and the carryforward periods for any carryforwards of net operating losses, if any, capital losses and tax credits.

The following table displays our deferred tax assets, deferred tax liabilities and valuation allowance.

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Deferred tax assets:		
Mortgage and mortgage-related assets	$ 16,956	$ 16,250
Allowance for loan losses and basis in acquired property, net	11,760	17,435
Debt and derivative instruments	3,512	4,254
Partnership credits	3,402	2,918
Partnership and other equity investments	745	934
Other, net	1,543	1,699
Total deferred tax assets	37,918	43,490
Deferred tax liabilities:		
Unrealized gains on AFS securities, net	731	1,134
Total deferred tax liabilities	731	1,134
Valuation allowance	—	(150)
Deferred tax assets, net	$ 37,187	$ 42,206

As of December 31, 2015, we had no net operating loss carryforwards. We had a remaining balance of $3.4 billion of partnership tax credit carryforwards that expire in various years through 2035 and $308 million of alternative minimum tax credit carryforwards that have an indefinite carryforward period.

Unrecognized Tax Benefits

The following table displays the changes in our unrecognized tax benefits.

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Unrecognized tax benefits as of January 1	$ 213	$ 514	$ 648
Gross decreases—tax positions in prior years	(213)	(301)	(134)
Unrecognized tax benefits as of December 31[1]	$ —	$ 213	$ 514

[1] Amounts exclude tax credits of $91 million and $220 million as of December 31, 2014 and 2013, respectively.

11. Loss Per Share

The following table displays the computation of basic and diluted loss per share of common stock.

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars and shares in millions, except per share amounts)		
Net income	$ 10,955	$ 14,209	$ 83,982
Less: Net income attributable to noncontrolling interest	(1)	(1)	(19)
Net income attributable to Fannie Mae	10,954	14,208	83,963
Dividends distributed or available for distribution to senior preferred stockholder[1]	(11,216)	(15,323)	(85,419)
Net loss attributable to common stockholders	$ (262)	$ (1,115)	$ (1,456)
Weighted-average common shares outstanding—basic and diluted[2]	5,762	5,762	5,762
Loss per share: basic and diluted	$ (0.05)	$ (0.19)	$ (0.25)

(1) Dividends distributed or available for distribution were calculated based on our net worth as of the end of the fiscal quarters for each respective year, less the applicable capital reserve. See “Note 1, Summary of Significant Accounting Policies” for additional information on our senior preferred stock agreement and our payment of dividends to Treasury.

(2) Includes 4.6 billion for the years ended December 31, 2015, 2014 and 2013, of weighted-average shares of common stock that would be issued upon the full exercise of the warrant issued to Treasury from the date the warrant was issued through December 31, 2015, 2014 and 2013, respectively.

12. Segment Reporting

Our three reportable segments are: Single-Family, Multifamily, and Capital Markets. We use these three segments to generate revenue and manage business risk, and each segment is based on the type of business activities it performs. Under our segment reporting structure, the sum of the results for our three business segments does not equal our consolidated results of operations as we separate the activity related to our consolidated trusts from the results generated by our three segments. In addition, we apply accounting methods for segment reporting purposes that differ from our consolidated results. Therefore, we reconcile the sum of the results for our three business segments to our consolidated results of operations.

The section below provides a discussion of the three business segments and how each segment’s financial information reconciles to our consolidated financial statements.

Single-Family

The primary source of revenue for our Single-Family business is the guaranty fees the segment receives as compensation for assuming the credit risk on the mortgage loans underlying single-family Fannie Mae MBS, most of which are held within consolidated trusts, and on the single-family mortgage loans held in our retained mortgage portfolio. The primary source of profit for the Single-Family segment is the difference between the guaranty fees earned and the costs of providing the guaranty, including credit-related expense.

Our segment reporting presentation differs from our consolidated balance sheets and statements of operations and comprehensive income in order to reflect the activities and results of the Single-Family segment. The significant differences from the consolidated statements of operations and comprehensive income are as follows:

- *Guaranty fee income*—Guaranty fee income reflects the cash guaranty fees paid by MBS trusts to Single-Family, the amortization of deferred cash fees (both the previously recorded deferred cash fees that were eliminated from our consolidated balance sheets upon adoption of the consolidation accounting guidance on January 1, 2010 and deferred guaranty fees received subsequent to that adoption are currently recognized in our consolidated financial statements through interest income), such as buy-ups, buy-downs, and risk-based pricing adjustments, and the guaranty fees from the Capital Markets group on single-family loans in our retained mortgage portfolio. To reconcile to our consolidated statements of operations and comprehensive income, we eliminate guaranty fees and the amortization of deferred cash fees related to consolidated trusts as they are now reflected as a component of interest income; however, such accounting continues to be reflected for the segment reporting presentation.

- *Net interest income or loss*—Net interest income or loss within the Single-Family segment reflects interest expense to reimburse Capital Markets and consolidated trusts for contractual interest not received on mortgage loans, when interest income is no longer recognized in accordance with our nonaccrual accounting policy in our consolidated statements of operations and comprehensive income. Net interest income (loss), also includes an allocated cost of capital charge among the three segments that is not included in net interest income in the consolidated statements of operations and comprehensive income.

Multifamily

The primary sources of revenue for our Multifamily business are guaranty fees the segment receives as compensation for assuming the credit risk on the mortgage loans underlying multifamily Fannie Mae MBS, most of which are held within consolidated trusts, guaranty fees on the multifamily mortgage loans held in our retained mortgage portfolio and other fees associated with multifamily business activities. Partnership investments in rental and for-sale housing generate revenue and losses from operations and the eventual sale of the assets.

Our segment reporting presentation differs from our consolidated balance sheets and statements of operations and comprehensive income in order to reflect the activities and results of the Multifamily segment. The significant differences from the consolidated statements of operations and comprehensive income are as follows:

- *Guaranty fee income*—Guaranty fee income reflects the cash guaranty fees paid by MBS trusts to Multifamily and the guaranty fees from the Capital Markets group on multifamily loans in Fannie Mae's portfolio. To reconcile to our consolidated statements of operations and comprehensive income, we eliminate guaranty fees related to consolidated trusts.
- *Gains or losses from partnership investments*—Gains from partnership investments primarily reflect gains or losses on investments in affordable rental and for-sale housing partnerships measured under the equity method of accounting. To reconcile to our consolidated statements of operations and comprehensive income, we adjust the gains or losses to reflect the consolidation of certain partnership investments.

Capital Markets Group

Our Capital Markets group generates most of its revenue from the difference, or spread, between the interest we earn on the mortgage assets in our retained mortgage portfolio and the interest we pay on the debt we issue to fund these assets. We refer to this spread as our net interest yield. Changes in the fair value of the derivative instruments and trading securities we hold and gains and losses on securitizations and sales of available-for-sale securities from our portfolio impact the net income or loss reported by the Capital Markets group. In addition, a substantial majority of fee and other income for 2013 and 2014 consisted of income resulting from settlement agreements resolving certain lawsuits relating to PLS sold to us.

Our segment reporting presentation differs from our consolidated balance sheets and statements of operations and comprehensive income in order to reflect the activities and results of the Capital Markets group. The significant differences from the consolidated statements of operations and comprehensive income are as follows:

- *Net interest income*—Net interest income reflects the interest income on mortgage loans and securities owned by Fannie Mae and interest expense on funding debt issued by Fannie Mae, including accretion and amortization of any cost basis adjustments. To reconcile to our consolidated statements of operations and comprehensive income, we adjust for the impact of consolidated trusts and intercompany eliminations as follows:
    - *Interest income:* Interest income consists of interest on the segment's interest-earning assets, which differs from interest-earning assets in our consolidated balance sheets. We exclude loans and securities that underlie the consolidated trusts from our Capital Markets group balance sheets. The net interest income reported by the Capital Markets group excludes the interest income earned on assets held by consolidated trusts. As a result, we report interest income and amortization of cost basis adjustments only on securities and loans that are held in our retained mortgage portfolio. For mortgage loans held in our retained mortgage portfolio, when interest income is no longer recognized in accordance with our nonaccrual accounting policy, the Capital Markets group recognizes interest income for reimbursement from Single-Family and Multifamily for the contractual interest due under the terms of our intracompany guaranty arrangement.
    - *Interest expense:* Interest expense consists of contractual interest on the Capital Markets group's interest-bearing liabilities, including the accretion and amortization of any cost basis adjustments. It excludes interest expense on debt issued by consolidated trusts. Therefore, the interest expense recognized on the Capital Markets group income

statement is limited to our funding debt, which is reported as "Debt of Fannie Mae" in our consolidated balance sheets. Net interest expense also includes an allocated cost of capital charge among the three business segments that is not included in net interest income in our consolidated statements of operations and comprehensive income.

- *Investment gains or losses, net*—Investment gains or losses, net includes the gains and losses on securitizations and sales of available-for-sale securities from our portfolio. To reconcile to our consolidated statements of operations and comprehensive income, we eliminate gains and losses on securities that have been consolidated to loans.
- *Fair value gains or losses, net*—Fair value gains or losses, net for the Capital Markets group includes derivative gains and losses, foreign exchange gains and losses, and the fair value gains and losses on certain debt securities in our portfolio. To reconcile to our consolidated statements of operations and comprehensive income, we eliminate fair value gains or losses on Fannie Mae MBS that have been consolidated to loans.
- *Other expenses, net*—Debt extinguishment gains or losses recorded on the segment statements of operations relate exclusively to our funding debt, which is reported as "Debt of Fannie Mae" in our consolidated balance sheets. To reconcile to our consolidated statements of operations and comprehensive income, we include debt extinguishment gains or losses related to consolidated trusts to arrive at our total recognized debt extinguishment gains or losses.

Segment Allocations and Results

Our business segment financial results include directly attributable revenues and expenses. Additionally, we allocate to each of our segments: (1) capital using FHFA minimum capital requirements adjusted for over- or under-capitalization; (2) indirect administrative costs; and (3) a provision or benefit for federal income taxes. In addition, we allocate intracompany guaranty fee income as a charge from the Single-Family and Multifamily segments to Capital Markets for managing the credit risk on mortgage loans held by the Capital Markets group.

	For the Year Ended December 31, 2015				
	Business Segments				
	Single-Family	Multifamily	Capital Markets	Reconciling Items[1]	Total
	(Dollars in millions)				
Net interest income (loss)	$ 184	$ (92)	$ 5,828	$ 15,489 [2]	$ 21,409
Benefit for credit losses	688	107	—	—	795
Net interest income after benefit for credit losses	872	15	5,828	15,489	22,204
Guaranty fee income (expense)[3]	12,476	1,439	(863)	(12,924) [4]	128 [4]
Investment gains (losses), net	(2)	33	5,539	(4,234) [5]	1,336
Fair value gains (losses), net	(11)	—	(2,049)	293 [6]	(1,767)
Debt extinguishment gains (losses), net[7]	—	—	(37)	45	8
Gains (losses) from partnership investments[7]	(39)	282	—	1	244
Fee and other income	666	265	209	80	1,220
Administrative expenses	(2,053)	(361)	(636)	—	(3,050)
Foreclosed property income (expense)	(1,723)	94	—	—	(1,629)
TCCA fees[3]	(1,621)	—	—	—	(1,621)
Other income (expense)	(942)	(13)	8	82	(865)
Income before federal income taxes	7,623	1,754	7,999	(1,168)	16,208
Provision for federal income taxes	(2,491)	(247)	(2,515)	—	(5,253)
Net income	5,132	1,507	5,484	(1,168)	10,955
Less: Net income attributable to noncontrolling interest	—	—	—	(1) [8]	(1)
Net income attributable to Fannie Mae	$ 5,132	$ 1,507	$ 5,484	$ (1,169)	$ 10,954

	For the Year Ended December 31, 2014				
	Business Segments				
	Single-Family	Multifamily	Capital Markets	Reconciling Items[1]	Total
	(Dollars in millions)				
Net interest income (loss)	$ 6	$ (79)	$ 7,243	$ 12,798 [2]	$ 19,968
Benefit for credit losses	3,850	114	—	—	3,964
Net interest income after benefit for credit losses	3,856	35	7,243	12,798	23,932
Guaranty fee income (expense)[3]	11,702	1,297	(955)	(11,869) [4]	175 [4]
Investment gains (losses), net	(1)	57	6,378	(5,498) [5]	936
Fair value gains (losses), net	(19)	—	(5,476)	662 [6]	(4,833)
Debt extinguishment gains, net[7]	—	—	35	31	66
Gains (losses) from partnership investments[7]	(31)	299	—	1	269
Fee and other income	624	166	4,894	28	5,712
Administrative expenses	(1,830)	(306)	(641)	—	(2,777)
Foreclosed property income (expense)	(225)	83	—	—	(142)
TCCA fees[3]	(1,375)	—	—	—	(1,375)
Other income (expense)	(726)	(10)	(77)	—	(813)
Income before federal income taxes	11,975	1,621	11,401	(3,847)	21,150
Provision for federal income taxes	(3,496)	(158)	(3,287)	—	(6,941)
Net income	8,479	1,463	8,114	(3,847)	14,209
Less: Net income attributable to noncontrolling interest	—	—	—	(1) [8]	(1)
Net income attributable to Fannie Mae	$ 8,479	$ 1,463	$ 8,114	$ (3,848)	$ 14,208

	For the Year Ended December 31, 2013				
	Business Segments				
	Single-Family	Multifamily	Capital Markets	Reconciling Items[(1)]	Total
	(Dollars in millions)				
Net interest income (loss)	$ 205	$ (74)	$ 9,764	$ 12,509 [(2)]	$ 22,404
Benefit for credit losses	8,469	480	—	—	8,949
Net interest income after benefit for credit losses	8,674	406	9,764	12,509	31,353
Guaranty fee income (expense)[(3)]	10,468	1,217	(1,115)	(10,365) [(4)]	205 [(4)]
Investment gains (losses), net	3	21	4,847	(3,744) [(5)]	1,127
Fair value gains (losses), net	(10)	—	3,148	(179) [(6)]	2,959
Debt extinguishment gains, net[(7)]	—	—	27	104	131
Gains from partnership investments[(7)]	—	498	—	19	517
Fee and other income (expense)	630	182	3,010	(97)	3,725
Administrative expenses	(1,706)	(280)	(559)	—	(2,545)
Foreclosed property income	2,736	103	—	—	2,839
TCCA fees[(3)]	(1,001)	—	—	—	(1,001)
Other income (expense)	(628)	(2)	20	(133)	(743)
Income before federal income taxes	19,166	2,145	19,142	(1,886)	38,567
Benefit for federal income taxes[(9)]	29,110	7,924	8,381	—	45,415
Net income	48,276	10,069	27,523	(1,886)	83,982
Less: Net loss attributable to noncontrolling interest	—	—	—	(19) [(8)]	(19)
Net income attributable to Fannie Mae	$48,276	$10,069	$27,523	$ (1,905)	$ 83,963

(1) Represents activity related to the assets and liabilities of consolidated trusts in our consolidated balance sheets, and the elimination of intercompany transactions occurring between the three business segments and our consolidated trusts, as well as other adjustments to reconcile to our consolidated results.

(2) Represents net interest income of consolidated trusts and amortization expense of cost basis adjustments on securities in the Capital Markets group's mortgage portfolio that on a GAAP basis are eliminated.

(3) Reflects the impact of a 10 basis point guaranty fee increase implemented in 2012 pursuant to the TCCA, the incremental revenue from which is remitted to Treasury. The resulting revenue is included in guaranty fee income and the expense is recognized as "TCCA fees."

(4) Represents the guaranty fees paid from consolidated trusts to the Single-Family and Multifamily segments and the elimination of the amortization of deferred cash fees related to consolidated trusts that were re-established for segment reporting. Total guaranty fee income related to unconsolidated Fannie Mae MBS trusts and other credit enhancement arrangements is included in fee and other income in our consolidated statements of operations and comprehensive income.

(5) Primarily represents the removal of realized gains and losses on sales of Fannie Mae MBS classified as available-for-sale securities that are issued by consolidated trusts and in the Capital Markets group's mortgage portfolio. The adjustment also includes the removal of securitization gains (losses) recognized in the Capital Markets segment relating to portfolio securitization transactions that do not qualify for sale accounting under GAAP.

(6) Represents the removal of fair value adjustments on consolidated Fannie Mae MBS classified as trading that are in the Capital Markets group's mortgage portfolio.

(7) Debt extinguishment gains, net and gains (losses) from partnership investments are included in other expenses in our consolidated statements of operations and comprehensive income.

(8) Represents the adjustment from equity method accounting to consolidation accounting for partnership investments that are consolidated in our consolidated balance sheets.

(9) Primarily represents the release of the valuation allowance for our deferred tax assets that generally are directly attributable to each segment based on the nature of the item.

The following table displays total assets by segment.

	As of December 31,		
	2015	2014	2013
	(Dollars in millions)		
Single-Family	$ 34,911	$ 43,512	$ 41,206
Multifamily	9,947	9,281	10,848
Capital Markets	432,689	510,848	596,436
Reconciling items[1]	2,744,370	2,684,535	2,621,618
Total assets	$3,221,917	$3,248,176	$3,270,108

(1) Includes assets of consolidated trusts of $2.8 trillion as of December 31, 2015, 2014 and 2013. Includes the elimination of Fannie Mae MBS in the Capital Markets group's mortgage portfolio that are issued by consolidated trusts. Also includes the elimination of the allowance for loan losses and fair value losses previously recognized on acquired credit impaired loans as they are not treated as assets for Single-Family and Multifamily segment reporting purposes because these allowances and losses relate to loan assets that are held by the Capital Markets segment and consolidated trusts.

We operate our business solely in the United States and its territories, and accordingly, we generate no revenue from and have no assets in geographic locations other than the United States and its territories.

13. Equity

Common Stock

Shares of common stock outstanding, net of shares held as treasury stock, totaled 1.2 billion as of December 31, 2015 and 2014.

During conservatorship, the rights and powers of shareholders are suspended. Accordingly, our common shareholders have no ability to elect directors or to vote on other matters during the conservatorship unless FHFA elects to delegate this authority to them. The senior preferred stock purchase agreement with Treasury prohibits the payment of dividends on common stock without the prior written consent of Treasury. The conservator also has eliminated common stock dividends. In addition, we issued a warrant to Treasury that provides Treasury with the right to purchase for a nominal price shares of our common stock equal to 79.9% of the total number of shares of common stock outstanding on a fully diluted basis on the date of exercise, which would substantially dilute the ownership in Fannie Mae of our common stockholders at the time of exercise. Refer to the "Senior Preferred Stock and Common Stock Warrant" section of this note for more information.

Preferred Stock

The following table displays our senior preferred stock and preferred stock outstanding.

		Issued and Outstanding as of December 31,						
		2015		2014				
Title	Issue Date	Shares	Amount	Shares	Amount	Stated Value per Share	Annual Dividend Rate as of December 31, 2015	Redeemable on or After
		(Dollars and shares in millions, except per share amounts)						
Senior Preferred Stock								
Series 2008-2	September 8, 2008	1	$ 117,149	1	$ 117,149	$ 117,149 [1]	N/A [2]	N/A [3]
Preferred Stock								
Series D	September 30, 1998	3	$ 150	3	$ 150	$ 50	5.250 %	September 30, 1999
Series E	April 15, 1999	3	150	3	150	50	5.100	April 15, 2004
Series F	March 20, 2000	14	690	14	690	50	0.260 [4]	March 31, 2002 [5]
Series G	August 8, 2000	6	288	6	288	50	0.400 [6]	September 30, 2002 [5]
Series H	April 6, 2001	8	400	8	400	50	5.810	April 6, 2006
Series I	October 28, 2002	6	300	6	300	50	5.375	October 28, 2007
Series L	April 29, 2003	7	345	7	345	50	5.125	April 29, 2008
Series M	June 10, 2003	9	460	9	460	50	4.750	June 10, 2008
Series N	September 25, 2003	5	225	5	225	50	5.500	September 25, 2008
Series O	December 30, 2004	50	2,500	50	2,500	50	7.000 [7]	December 31, 2007
Convertible Series 2004-I[8]	December 30, 2004	—	2,492	—	2,492	100,000	5.375	January 5, 2008
Series P	September 28, 2007	40	1,000	40	1,000	25	4.500 [9]	September 30, 2012
Series Q	October 4, 2007	15	375	15	375	25	6.750	September 30, 2010
Series R[10]	November 21, 2007	21	530	21	530	25	7.625	November 21, 2012
Series S	December 11, 2007	280	7,000	280	7,000	25	7.750 [11]	December 31, 2010 [12]
Series T[13]	May 19, 2008	89	2,225	89	2,225	25	8.250	May 20, 2013
Total		556	$ 19,130	556	$ 19,130			

(1) Initial stated value per share was $1,000. Based on our draws of funds under the senior preferred stock purchase agreement with Treasury, the stated value per share on December 31, 2015 was $117,149.

(2) For the dividend period ended December 31, 2015, the dividend is calculated based on our net worth as of September 30, 2015, less the applicable capital reserve amount of $1.8 billion. The capital reserve amount is $1.2 billion for each dividend period in 2016. The applicable capital reserve amount will continue to be reduced by $600 million each year until it reaches zero on January 1, 2018. For each dividend period beginning in 2018, the dividend amount will be the entire amount of our net worth, if any, as of the end of the immediately preceding fiscal quarter.

(3) Any liquidation preference of our senior preferred stock in excess of $1.0 billion may be repaid through an issuance of common or preferred stock, which would require the consent of the conservator and Treasury. The initial $1.0 billion liquidation preference may be repaid only in conjunction with termination of the senior preferred stock purchase agreement.

(4) Rate effective March 31, 2014. Variable dividend rate resets every two years at a per annum rate equal to the two-year Constant Maturity U.S. Treasury Rate (“CMT”) minus 0.16% with a cap of 11% per year.

(5) Represents initial call date. Redeemable every two years thereafter.

(6) Rate effective September 30, 2014. Variable dividend rate resets every two years at a per annum rate equal to the two-year CMT rate minus 0.18% with a cap of 11% per year.

(7) Rate effective December 31, 2015. Variable dividend rate resets quarterly thereafter at a per annum rate equal to the greater of 7.00% or 10-year CMT rate plus 2.375%.

(8) Issued and outstanding shares were 24,922 as of December 31, 2015 and 2014.

(9) Rate effective December 31, 2015. Variable dividend rate resets quarterly thereafter at a per annum rate equal to the greater of 4.50% or 3-Month LIBOR plus 0.75%.

(10) On November 21, 2007, we issued 20 million shares of preferred stock in the amount of $500 million. Subsequent to the initial issuance, we issued an additional 1.2 million shares in the amount of $30 million on December 14, 2007 under the same terms as the initial issuance.

(11) Rate effective December 31, 2015. Variable dividend rate resets quarterly thereafter at a per annum rate equal to the greater of 7.75% or 3-Month LIBOR plus 4.23%.

(12) Represents initial call date. Redeemable every five years thereafter.

(13) On May 19, 2008, we issued 80 million shares of preferred stock in the amount of $2.0 billion. Subsequent to the initial issuance, we issued an additional 8 million shares in the amount of $200 million on May 22, 2008 and 1 million shares in the amount of $25 million on June 4, 2008 under the same terms as the initial issuance.

As described under "Senior Preferred Stock and Common Stock Warrant," we issued senior preferred stock that ranks senior to all other series of preferred stock as to both dividends and distributions upon dissolution, liquidation or winding up of the company. The senior preferred stock purchase agreement with Treasury also prohibits the payment of dividends on preferred stock (other than the senior preferred stock) without the prior written consent of Treasury. The conservator also has eliminated preferred stock dividends, other than dividends on the senior preferred stock.

Each series of our preferred stock has no par value, is non-participating, is non-voting and has a liquidation preference equal to the stated value per share. None of our preferred stock is convertible into or exchangeable for any of our other stock or obligations, with the exception of the Convertible Series 2004-1.

Shares of the Convertible Series 2004-1 Preferred Stock are convertible at any time, at the option of the holders, into shares of Fannie Mae common stock at a conversion price of $94.31 per share of common stock (equivalent to a conversion rate of 1,060.3329 shares of common stock for each share of Series 2004-1 Preferred Stock). The conversion price is adjustable, as necessary, to maintain the stated conversion rate into common stock. Events which may trigger an adjustment to the conversion price include certain changes in our common stock dividend rate, subdivisions of our outstanding common stock into a greater number of shares, combinations of our outstanding common stock into a smaller number of shares and issuances of any shares by reclassification of our common stock. No such events have occurred.

Holders of preferred stock (other than the senior preferred stock) are entitled to receive non-cumulative, quarterly dividends when, and if, declared by our Board of Directors, but have no right to require redemption of any shares of preferred stock. Payment of dividends on preferred stock (other than the senior preferred stock) is not mandatory, but has priority over payment of dividends on common stock, which are also declared by the Board of Directors. If dividends on the preferred stock are not paid or set aside for payment for a given dividend period, dividends may not be paid on our common stock for that period. There were no dividends declared or paid on preferred stock (other than the senior preferred stock) for the years ended December 31, 2015 or 2014.

After a specified period, we have the option to redeem preferred stock (other than the senior preferred stock) at its redemption price plus the dividend (whether or not declared) for the then-current period accrued to, but excluding, the date of redemption. The redemption price is equal to the stated value for all issues of preferred stock except Series O, which has a redemption price of $50 to $52.50 depending on the year of redemption and Convertible Series 2004-1, which has a redemption price of $105,000 per share.

Our preferred stock is traded in the over-the-counter market.

Senior Preferred Stock and Common Stock Warrant

On September 8, 2008, we issued to Treasury one million shares of Variable Liquidation Preference Senior Preferred Stock, Series 2008-2 ("senior preferred stock"), with an aggregate stated value and initial liquidation preference of $1.0 billion. On September 7, 2008, we issued a warrant to purchase common stock to Treasury. The warrant gives Treasury the right to purchase shares of our common stock equal to 79.9% of the total number of shares of common stock outstanding on a fully diluted basis on the date of exercise. The senior preferred stock and the warrant were issued to Treasury as an initial commitment fee in consideration of the commitment from Treasury to provide funds to us under the terms and conditions set forth in the senior preferred stock purchase agreement. We did not receive any cash proceeds as a result of issuing these shares or the warrant. We have assigned a value of $4.5 billion to Treasury's commitment, which has been recorded as a reduction to additional paid-in-capital and was partially offset by the aggregate fair value of the warrant. There was no impact to the total balance of stockholders' equity as a result of the issuance.

Variable Liquidation Preference Senior Preferred Stock, Series 2008-2

Shares of the senior preferred stock have no par value and have a stated value and initial liquidation preference equal to $1,000 per share. The liquidation preference of the senior preferred stock is subject to adjustment. To the extent dividends payable in any period are not paid in cash, the dividends will accrue and be added to the liquidation preference of the senior preferred stock. In addition, any amounts Treasury pays to us pursuant to its funding commitment provided in the senior preferred stock purchase agreement and any quarterly commitment fee payable under the senior preferred stock purchase agreement that is not paid in cash to or waived by Treasury will be added to the liquidation preference of the senior preferred stock. As of December 31, 2015, we have received a total of $116.1 billion under Treasury's funding commitment and the aggregate liquidation preference of the senior preferred stock was $117.1 billion.

Treasury, as holder of the senior preferred stock, is entitled to receive, when, as and if declared, out of legally available funds, cumulative quarterly cash dividends. Dividends declared and paid on our senior preferred stock were $10.3 billion, $20.6 billion and $82.5 billion for the years ended December 31, 2015, 2014 and 2013, respectively. Effective January 1, 2013, the amount of dividends payable on the senior preferred stock for a dividend period is determined based on our net worth as of the end of the immediately preceding fiscal quarter. For each dividend period from January 1, 2013 through and including December 31, 2017, the dividend amount will be the amount, if any, by which our net worth as of the end of the immediately preceding fiscal quarter exceeds an applicable capital reserve amount. The capital reserve amount was $2.4 billion and $1.8 billion for dividend periods in 2014 and 2015, respectively, decreased to $1.2 billion for dividend periods in 2016, and will continue to be reduced by $600 million each year until it reaches zero on January 1, 2018. For each dividend period beginning in 2018, the dividend amount will be the entire amount of our net worth, if any, as of the end of the immediately preceding fiscal quarter.

As a result of these dividend payment provisions and quarterly directives from our conservator, when we have quarterly earnings that result in a net worth greater than the applicable capital reserve amount, we will be required to pay dividends to Treasury in the next quarter; but if our net worth does not exceed the applicable capital reserve amount as of the end of a quarter, then we will not be required to accrue or pay any dividends in the next quarter.

The senior preferred stock ranks prior to our common stock and all other outstanding series of our preferred stock, as well as any capital stock we issue in the future, as to both dividends and rights upon liquidation. The senior preferred stock provides that we may not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any common stock or other securities ranking junior to the senior preferred stock unless (1) full cumulative dividends on the outstanding senior preferred stock (including any unpaid dividends added to the liquidation preference) have been declared and paid in cash, and (2) all amounts required to be paid with the net proceeds of any issuance of capital stock for cash (as described in the following paragraph) have been paid in cash. In addition, as described below under "Senior Preferred Stock Purchase Agreement with Treasury—Covenants," the covenants under the senior preferred stock purchase agreement require that we obtain Treasury's prior written consent before declaring or paying any dividends or other distributions with respect to our equity securities (other than the senior preferred stock or the warrant) and before redeeming, purchasing, retiring or otherwise acquiring any of our equity securities (other than the senior preferred stock or the warrant). Shares of the senior preferred stock are not convertible. Shares of the senior preferred stock have no general or special voting rights, other than those set forth in the certificate of designation for the senior preferred stock or otherwise required by law. The consent of holders of at least two-thirds of all outstanding shares of senior preferred stock is generally required to amend the terms of the senior preferred stock or to create any class or series of stock that ranks prior to or on parity with the senior preferred stock.

We are not permitted to redeem the senior preferred stock prior to the termination of Treasury's funding commitment under the senior preferred stock purchase agreement. Moreover, we are not permitted to pay down the liquidation preference of the outstanding shares of senior preferred stock except to the extent of (1) accrued and unpaid dividends previously added to the liquidation preference and not previously paid down; and (2) quarterly commitment fees previously added to the liquidation preference and not previously paid down. In addition to these exceptions, if we issue any shares of capital stock for cash while the senior preferred stock is outstanding (which requires Treasury's approval), we are required to use the net proceeds of the issuance to pay down the liquidation preference of the senior preferred stock; however, the liquidation preference of each share of senior preferred stock may not be paid down below $1,000 per share prior to the termination of Treasury's funding commitment. Following the termination of Treasury's funding commitment, we may pay down the liquidation preference of all outstanding shares of senior preferred stock at any time, in whole or in part.

Common Stock Warrant

The warrant gives Treasury the right to purchase shares of our common stock equal to 79.9% of the total number of shares of our common stock outstanding on a fully diluted basis on the date of exercise. The warrant may be exercised in whole or in part at any time on or before September 7, 2028, by delivery to Fannie Mae of: (a) a notice of exercise; (b) payment of the exercise price of $0.00001 per share; and (c) the warrant. If the market price of one share of common stock is greater than the exercise price, in lieu of exercising the warrant by payment of the exercise price, Treasury may elect to receive shares equal to the value of the warrant (or portion thereof being canceled) pursuant to the formula specified in the warrant. Upon exercise of the warrant, Treasury may assign the right to receive the shares of common stock issuable upon exercise to any other person. If the warrant is exercised, the stated value of the common stock issued will be reclassified as "Common stock" in our consolidated balance sheets. Treasury has not exercised the warrant.

Senior Preferred Stock Purchase Agreement with Treasury

Funding Commitment

Under the senior preferred stock purchase agreement, Treasury made a commitment to provide funding, under certain conditions, to eliminate deficits in our net worth. We have received a total of $116.1 billion from Treasury pursuant to the senior preferred stock purchase agreement as of December 31, 2015. The aggregate liquidation preference of the senior preferred stock, including the initial aggregate liquidation preference of $1.0 billion, remained at $117.1 billion as of December 31, 2015.

While we had a positive net worth as of December 31, 2015, in some future periods we could have a net worth deficit and, if so, will be required to obtain additional funding from Treasury pursuant to the senior preferred stock purchase agreement. As of December 31, 2015, the remaining amount of funding available to us under the agreement was $117.6 billion.

If we were to draw additional funds from Treasury under the agreement in a future period, the amount of remaining funding under the agreement would be reduced by the amount of our draw. Dividend payments we make to Treasury do not restore or increase the amount of funding available to us under the agreement.

The senior preferred stock purchase agreement provides that the deficiency amount will be calculated differently if we become subject to receivership or other liquidation process. The deficiency amount may be increased above the otherwise applicable amount upon our mutual written agreement with Treasury. In addition, if the Director of FHFA determines that the Director will be mandated by law to appoint a receiver for us unless our capital is increased by receiving funds under the commitment in an amount up to the deficiency amount (subject to the maximum amount that may be funded under the agreement), then FHFA, in its capacity as our conservator, may request that Treasury provide funds to us in such amount. The senior preferred stock purchase agreement also provides that, if we have a deficiency amount as of the date of completion of the liquidation of our assets, we may request funds from Treasury in an amount up to the deficiency amount (subject to the maximum amount that may be funded under the agreement). Any amounts that we draw under the senior preferred stock purchase agreement will be added to the liquidation preference of the senior preferred stock. No additional shares of senior preferred stock are required to be issued under the senior preferred stock purchase agreement.

Commitment Fee

Pursuant to the August 2012 amendment to the senior preferred stock purchase agreement described in "Note 1, Summary of Significant Accounting Policies," effective January 1, 2013, the periodic commitment fee under the agreement will not be set, accrue or be payable, as long as the dividend payment provisions described above remain in effect.

Covenants

The senior preferred stock purchase agreement provides that, until the senior preferred stock is repaid or redeemed in full, we may not, without the prior written consent of Treasury:

- Declare or pay any dividend (preferred or otherwise) or make any other distribution with respect to any Fannie Mae equity securities (other than with respect to the senior preferred stock or warrant);
- Redeem, purchase, retire or otherwise acquire any Fannie Mae equity securities (other than the senior preferred stock or warrant);

- Sell or issue any Fannie Mae equity securities (other than the common stock issuable upon exercise of the warrant or as required by the terms of any binding agreement in effect on the date of the senior preferred stock purchase agreement);
- Terminate the conservatorship (other than in connection with a receivership);
- Sell, transfer, lease or otherwise dispose of any assets, other than dispositions for fair market value: (a) to a limited life regulated entity (in the context of receivership); (b) of assets and properties in the ordinary course of business, consistent with past practice; (c) of assets and properties having fair market value individually or in aggregate less than $250 million in one transaction or a series of related transactions; (d) in connection with a liquidation of Fannie Mae by a receiver; (e) of cash or cash equivalents for cash or cash equivalents; or (f) to the extent necessary to comply with the covenant described below relating to the reduction of our mortgage assets;
- Incur indebtedness that would result in our aggregate indebtedness exceeding $563.6 billion through December 31, 2015. For every year thereafter, our debt cap will equal 120% of the amount of mortgage assets we are allowed to own under the senior preferred stock purchase agreement on December 31 of the immediately preceding calendar year;
- Issue any subordinated debt;
- Enter into a corporate reorganization, recapitalization, merger, acquisition or similar event; or
- Engage in transactions with affiliates unless the transaction is (a) pursuant to the senior preferred stock purchase agreement, the senior preferred stock or the warrant, (b) upon arm's-length terms or (c) a transaction undertaken in the ordinary course or pursuant to a contractual obligation or customary employment arrangement in existence on the date of the senior preferred stock purchase agreement.

The agreement, as amended, also provides that we may not own mortgage assets in excess of $399.2 billion as of December 31, 2015. On each December 31 thereafter, we are required to reduce our mortgage assets to 85% of the maximum allowable amount that we were permitted to own as of December 31 of the immediately preceding calendar year, until the amount of our mortgage assets reaches $250 billion. In 2014, FHFA requested that we revise our portfolio plan to cap the portfolio each year at 90% of the annual limit under our senior preferred stock purchase agreement with Treasury. FHFA's request noted that we may seek FHFA permission to increase this cap up to 95% of the annual limit under our senior preferred stock purchase agreement with Treasury upon written request and with a documented basis for exception, such as changed market conditions.

Under the agreement, the effect of changes in generally accepted accounting principles that occurred subsequent to the date of the agreement and that require us to recognize additional mortgage assets in our consolidated balance sheets are not considered for purposes of evaluating our compliance with the limitation on the amount of mortgage assets we may own. In addition, the definition of indebtedness in the agreement was revised to clarify that it also does not give effect to any change that may be made in respect of the FASB guidance on accounting for transfers of financial assets or any similar accounting guidance.

In addition, the agreement provides that we may not enter into any new compensation arrangements with, or increase amounts or benefits payable under existing compensation arrangements of, any named executive officer or other executive officer (each as defined by SEC rules) without the consent of the Director of FHFA, in consultation with the Secretary of the Treasury. As of December 31, 2015, we were in compliance with the senior preferred stock purchase agreement covenants.

We are required to provide an annual risk management plan to Treasury no later than December 15 of each year we remain in conservatorship, beginning in 2012. Each annual risk management plan is required to set out our strategy for reducing our risk profile and to describe the actions we will take to reduce the financial and operational risks associated with each of our business segments. Each plan must include an assessment of our performance against the planned actions described in the prior year's plan. We submitted our most recent annual risk management plan to Treasury in December 2015.

Termination Provisions

The senior preferred stock purchase agreement provides that Treasury's funding commitment will terminate under any the following circumstances: (1) the completion of our liquidation and fulfillment of Treasury's obligations under its funding commitment at that time, (2) the payment in full of, or reasonable provision for, all of our liabilities (whether or not contingent, including mortgage guaranty obligations), or (3) the funding by Treasury of the maximum amount under the agreement. In addition, Treasury may terminate its funding commitment and declare the senior preferred stock purchase agreement null and void if a court vacates, modifies, amends, conditions, enjoins, stays or otherwise affects the appointment of the conservator or otherwise curtails the conservator's powers. Treasury may not terminate its funding commitment solely by reason of our being in conservatorship, receivership or other insolvency proceeding, or due to our financial condition or any adverse change in our financial condition.

Waivers and Amendments

The senior preferred stock purchase agreement provides that most provisions of the agreement may be waived or amended by mutual written agreement of the parties. No waiver or amendment of the agreement, however, may decrease Treasury's aggregate funding commitment or add conditions to Treasury's funding commitment if the waiver or amendment would adversely affect in any material respect the holders of our debt securities or guaranteed Fannie Mae MBS.

Third-party Enforcement Rights

If we default on payments with respect to our debt securities or guaranteed Fannie Mae MBS and Treasury fails to perform its obligations under its funding commitment, and if we and/or the conservator are not diligently pursuing remedies in respect of that failure, the holders of these debt securities or Fannie Mae MBS may file a claim for relief in the United States Court of Federal Claims. The relief, if granted, would require Treasury to fund to us the lesser of (1) the amount necessary to cure the payment defaults on our debt and Fannie Mae MBS and (2) the lesser of (a) the deficiency amount and (b) the maximum amount available under the agreement less the aggregate amount of funding previously provided under the commitment. Any payment that Treasury makes under those circumstances would be treated for all purposes as a draw under the senior preferred stock purchase agreement that would increase the liquidation preference of the senior preferred stock.

Accumulated Other Comprehensive Income

The following table displays our accumulated other comprehensive income.

	As of December 31,		
	2015	2014	2013
	(Dollars in millions)		
Net unrealized gains on AFS securities for which we have not recorded OTTI, net of tax	$ 455	$ 592	$ 365
Net unrealized gains on AFS securities for which we have recorded OTTI, net of tax	903	1,529	1,262
Prior service credit (cost) and actuarial gains (losses), net of amortization, and other, net of tax	49	(388)	(424)
Accumulated other comprehensive income	$ 1,407	$ 1,733	$ 1,203

The table below displays changes in accumulated other comprehensive income, net of tax.

	For the Year Ended December 31,					
	2015			2014		
	AFS Securities[(1)]	Other[(2)]	Total	AFS Securities[(1)]	Other	Total
	(Dollars in millions)					
Beginning balance	$ 2,121	$ (388)	$ 1,733	$ 1,627	$ (424)	$ 1,203
Other comprehensive income before reclassifications	(280)	17	(263)	722	37	759
Amounts reclassified from other comprehensive income	(483)	420	(63)	(228)	(1)	(229)
Net other comprehensive income	(763)	437	(326)	494	36	530
Ending balance	$ 1,358	$ 49	$ 1,407	$ 2,121	$ (388)	$ 1,733

(1) The amounts reclassified from AOCI represent the gain or loss recognized in earnings due to a sale of an AFS security or the recognition of a net impairment recognized in earnings, which are recorded in "Investments gains, net" in our consolidated statements of operations and comprehensive income.

(2) The amounts reclassified from AOCI includes a reclassification adjustment related to the termination of the defined benefit pension plans, which is recorded in "Administrative expenses" and "Benefit (provision) for federal income taxes," in our consolidated statements of operations and comprehensive income.

14. Regulatory Capital Requirements

FHFA stated that, during conservatorship, our existing statutory and FHFA-directed regulatory capital requirements will not be binding and FHFA will not issue quarterly capital classifications. We submit capital reports to FHFA and FHFA monitors our capital levels. FHFA has stated that it does not intend to report our critical capital, risk-based capital or subordinated debt levels during the conservatorship. Our regulatory capital classification measures are determined based on guidance from FHFA, in which FHFA (1) directed us, for loans backing Fannie Mae MBS held by third parties, to continue reporting our minimum capital requirements based on 0.45% of the unpaid principal balance and critical capital based on 0.25% of the unpaid principal balance, regardless of whether these loans have been consolidated pursuant to accounting rules, and (2) issued a regulatory interpretation stating that our minimum capital requirements are not automatically affected by the consolidation accounting guidance. Additionally, our regulatory capital classification measures exclude the funds provided to us by Treasury pursuant to the senior preferred stock purchase agreement, as the senior preferred stock does not qualify as core capital due to its cumulative dividend provisions.

Pursuant to the GSE Act, if the Director of FHFA makes a written determination that our total assets are less than our total obligations (a net worth deficit) for a period of 60 days, FHFA is mandated by law to appoint a receiver for Fannie Mae. Treasury's funding commitment under the senior preferred stock purchase agreement is intended to ensure that we avoid a net worth deficit, in order to avoid this mandatory trigger of receivership. In order to avoid a net worth deficit, our conservator may request funds on our behalf from Treasury under the senior preferred stock purchase agreement.

FHFA has directed us, during the time we are under conservatorship, to focus on managing to a positive net worth. We had a positive net worth of $4.1 billion and $3.7 billion as of December 31, 2015 and 2014, respectively.

The following table displays our regulatory capital classification measures.

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Core capital[1]	$ (114,526)	$ (115,202)
Statutory minimum capital requirement[2]	25,144	27,044
Deficit of core capital over statutory minimum capital requirement	$ (139,670)	$ (142,246)

(1) The sum of (a) the stated value of our outstanding common stock (common stock less treasury stock); (b) the stated value of our outstanding non-cumulative perpetual preferred stock; (c) our paid-in capital; and (d) our retained earnings (accumulated deficit). Core capital does not include: (a) accumulated other comprehensive income or (b) senior preferred stock.

(2) Generally, the sum of (a) 2.50% of on-balance sheet assets, except those underlying Fannie Mae MBS held by third parties; (b) 0.45% of the unpaid principal balance of outstanding Fannie Mae MBS held by third parties; and (c) up to 0.45% of other off-balance sheet obligations, which may be adjusted by the Director of FHFA under certain circumstances.

Our critical capital requirement is generally equal to the sum of: (1) 1.25% of on-balance sheet assets, except those underlying Fannie Mae MBS held by third parties; (2) 0.25% of the unpaid principal balance of outstanding Fannie Mae MBS held by third parties; and (3) 0.25% of other off-balance sheet obligations, which may be adjusted by the Director of FHFA under certain circumstances.

As of December 31, 2015 and 2014, we had a minimum capital deficiency of $139.7 billion and $142.2 billion, respectively. Under the terms of the senior preferred stock purchase agreement with Treasury, beginning January 1, 2013, we are required to pay Treasury each quarter dividends when, as and if declared, equal to the excess of our net worth as of the end of the immediately preceding fiscal quarter over an applicable capital reserve amount. As a result, in periods in which we have net worth, our minimum capital deficiency will decline to the extent of our net worth but the deficiency will increase in the subsequent period as we pay Treasury the corresponding senior preferred stock dividend. See "Note 13, Equity" for more information on capital and the terms of our senior preferred stock purchase agreement with Treasury. Set forth below are additional restrictions related to our capital requirements.

Restrictions on Capital Distributions and Dividends

Restrictions Under GSE Act. Under the GSE Act, FHFA has the authority to prohibit capital distributions, including payment of dividends, if we fail to meet our capital requirements. If FHFA classifies us as significantly undercapitalized, we must obtain the approval of the Director of FHFA for any dividend payment. Under the GSE Act, we are not permitted to make a capital distribution if, after making the distribution, we would be undercapitalized. The Director of FHFA, however, may permit us to repurchase shares if the repurchase is made in connection with the issuance of additional shares or obligations in at least an equivalent amount and will reduce our financial obligations or otherwise improve our financial condition.

Restrictions Relating to Conservatorship. Our conservator announced on September 7, 2008 that we would not pay any dividends on the common stock or on any series of preferred stock, other than the senior preferred stock. In addition, FHFA's regulations relating to conservatorship and receivership operations prohibit us from paying any dividends while in conservatorship unless authorized by the Director of FHFA. The Director of FHFA directs us to make dividend payments on the senior preferred stock on a quarterly basis.

Restrictions Under Senior Preferred Stock Purchase Agreement. The senior preferred stock purchase agreement prohibits us from declaring or paying any dividends on Fannie Mae equity securities (other than the senior preferred stock) without the prior written consent of Treasury. In addition, in 2012 the terms of the senior preferred stock purchase agreement and the senior preferred stock were amended to ultimately require the payment of our entire net worth to Treasury. As a result, our net income is not available to common stockholders. For more information on the terms of the senior preferred stock purchase agreement and senior preferred stock, see "Note 13, Equity."

Additional Restrictions Relating to Preferred Stock. Payment of dividends on our common stock is also subject to the prior payment of dividends on our preferred stock and our senior preferred stock. Payment of dividends on all outstanding preferred stock, other than the senior preferred stock, is also subject to the prior payment of dividends on the senior preferred stock.

15. Concentrations of Credit Risk

Concentrations of credit risk arise when a number of customers and counterparties engage in similar activities or have similar economic characteristics that make them susceptible to similar changes in industry conditions, which could affect their ability to meet their contractual obligations. Based on our assessment of business conditions that could impact our financial results, we have determined that concentrations of credit risk exist among single-family and multifamily borrowers (including geographic concentrations and loans with certain higher-risk characteristics), mortgage sellers and servicers, mortgage insurers, financial guarantors, multifamily lenders with risk sharing, derivative counterparties and parties associated with our off-balance sheet transactions. Concentrations for each of these groups are discussed below.

Single-Family Loan Borrowers

Regional economic conditions may affect a borrower's ability to repay his or her mortgage loan and the property value underlying the loan. Geographic concentrations increase the exposure of our portfolio to changes in credit risk. Single-family borrowers are primarily affected by home prices and interest rates. The geographic dispersion of our single-family business has been consistently diversified over the years ended December 31, 2015 and 2014, with our largest exposures in the Western region of the United States, which represented approximately 28% of our single-family conventional guaranty book of business as of December 31, 2015 and 2014. Except for California, where approximately 20% of the gross unpaid principal balance of our single-family conventional mortgage loans held or securitized in Fannie Mae MBS as of December 31, 2015 and 2014, were located, no other significant concentrations existed in any state.

To manage credit risk and comply with legal requirements, we typically require primary mortgage insurance or other credit enhancements if the current LTV ratio (*i.e.*, the ratio of the unpaid principal balance of a loan to the current value of the property that serves as collateral) of a single-family conventional mortgage loan is greater than 80% when the loan is delivered to us.

Multifamily Loan Borrowers

Numerous factors affect a multifamily borrower's ability to repay the loan and the value of the property underlying the loan. The most significant factors affecting credit risk are rental income, capitalization rates for the mortgaged property, and general economic conditions. The average unpaid principal balance for multifamily loans is significantly larger than for single-family borrowers and, therefore, individual defaults for multifamily borrowers can result in more significant losses. However, we continually monitor the performance and risk characteristics of our multifamily loans, underlying properties and borrowers on an ongoing basis. Our multifamily geographic concentrations have been consistently diversified over the years ended December 31, 2015 and 2014, with our largest exposure in the Western region of the United States, which represented 30% and 31% of our multifamily guaranty book of business as of December 31, 2015 and 2014, respectively.

Except for California, Texas and New York, no significant concentrations existed in any states as of December 31, 2015. As of December 31, 2015, 23%, 11% and 10% of the gross unpaid principal balance of multifamily mortgage loans held by us or securitized in Fannie Mae MBS were located in California, Texas and New York, respectively. As of December 31, 2014, 23%, 11% and 11% of the gross unpaid principal balance of multifamily mortgage loans held by us or securitized in Fannie Mae MBS were located in California, Texas and New York, respectively. No significant concentrations existed in any other states as of December 31, 2014.

As part of our multifamily risk management activities, we perform detailed loan reviews that evaluate borrower and geographic concentrations, lender qualifications, counterparty risk, property performance and contract compliance. We generally require mortgage servicers to submit periodic property operating information and condition reviews, allowing us to monitor the performance of individual loans. We use this information to evaluate the credit quality of our portfolio, identify potential problem loans and initiate appropriate loss mitigation activities.

The following table displays the regional geographic concentration of single-family and multifamily loans in our guaranty book of business.

	Geographic Concentration[1]			
	Percentage of Single-Family Conventional Guaranty Book of Business[2]		Percentage of Multifamily Guaranty Book of Business[3]	
	As of December 31,		As of December 31,	
	2015	2014	2015	2014
Midwest	15 %	15 %	9 %	9 %
Northeast	19	19	17	18
Southeast	22	22	23	22
Southwest	16	16	21	20
West	28	28	30	31
Total	100 %	100 %	100 %	100 %

(1) Midwest consists of IL, IN, IA, MI, MN, NE, ND, OH, SD, WI; Northeast consists of CT, DE, ME, MA, NH, NJ, NY, PA, PR, RI, VT, VI; Southeast consists of AL, DC, FL, GA, KY, MD, MS, NC, SC, TN, VA, WV; Southwest consists of AZ, AR, CO, KS, LA, MO, NM, OK, TX, UT; West consists of AK, CA, GU, HI, ID, MT, NV, OR, WA and WY.

(2) Consists of the portion of our single-family conventional guaranty book of business for which we have detailed loan level information, which constituted over 99% of our total single-family conventional guaranty book of business as of December 31, 2015 and 2014.

(3) Consists of the portion of our multifamily guaranty book of business for which we have detailed loan level information, which constituted 99% of our total multifamily guaranty book of business as of December 31, 2015 and 2014.

Risk Characteristics of our Book of Business

We gauge our performance risk under our guaranty based on the delinquency status of the mortgage loans we hold in our retained mortgage portfolio, or in the case of mortgage-backed securities, the mortgage loans underlying the related securities.

For single-family loans, management monitors the serious delinquency rate, which is the percentage of single-family loans 90 days or more past due or in the foreclosure process, and loans that have higher risk characteristics, such as high mark-to-market LTV ratios.

For multifamily loans, management monitors the serious delinquency rate, which is the percentage of loans, based on unpaid principal balance, that are 60 days or more past due, and other loans that have higher risk characteristics, to determine our overall credit quality indicator. Higher risk characteristics include, but are not limited to, current DSCR below 1.0 and high original LTV ratios. We stratify multifamily loans into different internal risk categories based on the credit risk inherent in each individual loan.

For single-family and multifamily loans, we use this information, in conjunction with housing market and economic conditions, to structure our pricing and our eligibility and underwriting criteria to reflect the current risk of loans with these higher-risk characteristics, and in some cases we decide to significantly reduce our participation in riskier loan product categories. Management also uses this data together with other credit risk measures to identify key trends that guide the development of our loss mitigation strategies.

The following tables display the delinquency status and serious delinquency rates for specified loan categories of our single-family conventional and total multifamily guaranty book of business.

	As of December 31,					
	2015[1]			2014[1]		
	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent[2]	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent[2]
Percentage of single-family conventional guaranty book of business[3]	1.27%	0.37%	1.59%	1.27%	0.38%	1.99%
Percentage of single-family conventional loans[4]	1.46	0.41	1.55	1.47	0.43	1.89

	As of December 31,			
	2015[1]		2014[1]	
	Percentage of Single-Family Conventional Guaranty Book of Business[3]	Seriously Delinquent Rate[2]	Percentage of Single-Family Conventional Guaranty Book of Business[3]	Seriously Delinquent Rate[2]
Estimated mark-to-market loan-to-value ratio:				
Greater than 100%	3%	10.76%	5%	10.98%
Geographical distribution:				
California	20	0.58	20	0.70
Florida	6	2.86	6	4.42
New Jersey	4	4.87	4	5.78
New York	5	3.55	5	4.17
All other states	65	1.34	65	1.57
Product distribution:				
Alt-A	4	6.53	4	7.77
Vintages:				
2005	2	5.67	3	6.18
2006	3	8.49	3	9.61
2007	3	9.73	4	10.79
2008	2	5.84	2	6.27
All other vintages	90	0.77	88	0.88

(1) Consists of the portion of our single-family conventional guaranty book of business for which we have detailed loan level information, which constituted approximately 99% of our total single-family conventional guaranty book of business as of December 31, 2015 and 2014.

(2) Consists of single-family conventional loans that were 90 days or more past due or in the foreclosure process as of December 31, 2015 and 2014.

(3) Calculated based on the aggregate unpaid principal balance of single-family conventional loans for each category divided by the aggregate unpaid principal balance of loans in our single-family conventional guaranty book of business.

(4) Calculated based on the number of single-family conventional loans that were delinquent divided by the total number of loans in our single-family conventional guaranty book of business.

	As of December 31,			
	2015[1][2]		2014[1][2]	
	30 Days Delinquent	Seriously Delinquent[3]	30 Days Delinquent	Seriously Delinquent[3]
Percentage of multifamily guaranty book of business	0.03%	0.07%	0.04%	0.05%

	As of December 31,			
	2015[1]		2014[1]	
	Percentage of Multifamily Guaranty Book of Business[2]	Percentage Seriously Delinquent[3][4]	Percentage of Multifamily Guaranty Book of Business[2]	Percentage Seriously Delinquent[3][4]
Original LTV ratio:				
Greater than 80%	3%	0.40%	3%	0.31%
Less than or equal to 80%	97	0.06	97	0.04
Current DSCR less than 1.0[5]	2	1.51	3	0.83

(1) Consists of the portion of our multifamily guaranty book of business for which we have detailed loan level information, which constituted approximately 99% of our total multifamily guaranty book of business as of December 31, 2015 and 2014, excluding loans that have been defeased.

(2) Calculated based on the aggregate unpaid principal balance of multifamily loans for each category divided by the aggregate unpaid principal balance of loans in our multifamily guaranty book of business.

(3) Consists of multifamily loans that were 60 days or more past due as of the dates indicated.

(4) Calculated based on the unpaid principal balance of multifamily loans that were seriously delinquent divided by the aggregate unpaid principal balance of multifamily loans for each category included in our guaranty book of business.

(5) Our estimates of current DSCRs are based on the latest available income information for these properties. Although we use the most recently available results of our multifamily borrowers, there is a lag in reporting, which typically can range from 3 to 6 months, but in some cases may be longer.

Alt-A Loans and Securities

We own and guarantee Alt-A mortgage loans and mortgage-related securities. An Alt-A mortgage loan generally refers to a mortgage loan that has been underwritten with reduced or alternative documentation than that required for a full documentation mortgage loan but may also include other alternative product features. As a result, Alt-A mortgage loans generally have a higher risk of default than non-Alt-A mortgage loans. In reporting our Alt-A exposure, we have classified mortgage loans as Alt-A if and only if the lenders that deliver the mortgage loans to us have classified the loans as Alt-A, based on documentation or other product features. We have classified private-label mortgage-related securities held in our investment portfolio as Alt-A if the securities were labeled as such when issued.

We apply our classification criteria in order to discuss our exposure to Alt-A loans. However, there is no universally accepted definition of Alt-A loans. Our single-family conventional guaranty book of business includes loans with some features that are similar to Alt-A loans that we have not classified as Alt-A because they do not meet our classification criteria. We reduce our risk associated with some of these loans through credit enhancements, as described below under "Mortgage Insurers." We do not rely solely on our classifications of loans as Alt-A to evaluate the credit risk exposure relating to these loans in our single-family conventional guaranty book of business.

The Alt-A mortgage loans and Fannie Mae MBS backed by Alt-A loans of $103.1 billion in unpaid principal balance represented 4% of our single-family mortgage credit book of business as of December 31, 2015, compared with $117.6 billion in unpaid principal balance which represented 4% of our single-family mortgage credit book of business as of December 31, 2014.

Other Concentrations

Mortgage Sellers and Servicers. Mortgage servicers collect mortgage and escrow payments from borrowers, pay taxes and insurance costs from escrow accounts, monitor and report delinquencies, and perform other required activities on our behalf. Our mortgage sellers and servicers may also be obligated to repurchase loans or foreclosed properties, reimburse us for losses or provide other remedies under certain circumstances, such as if it is determined that the mortgage loan did not meet our underwriting or eligibility requirements, if certain loan representations and warranties are violated or if mortgage insurers rescind coverage. However, under our revised representation and warranty framework, we no longer require repurchase for loans that have breaches of certain selling representations and warranties if they have met specified criteria for relief. Our business with mortgage servicers is concentrated. Our five largest single-family mortgage servicers, including their affiliates, serviced approximately 44% of our single-family guaranty book of business as of December 31, 2015, compared with approximately 46% as of December 31, 2014. Our ten largest multifamily mortgage servicers, including their affiliates, serviced approximately 70% of our multifamily guaranty book of business as of December 31, 2015, compared with approximately 67% as of December 31, 2014.

If a significant mortgage seller or servicer counterparty, or a number of mortgage sellers or servicers, fails to meet their obligations to us, it could result in an increase in our credit losses and credit-related expense, and have a material adverse effect on our results of operations, liquidity, financial condition and net worth.

Mortgage Insurers. Mortgage insurance “risk in force” generally represents our maximum potential loss recovery under the applicable mortgage insurance policies. We had total mortgage insurance coverage risk in force of $117.9 billion and $109.6 billion on the single-family mortgage loans in our guaranty book of business as of December 31, 2015 and 2014, respectively, which represented 4% of our single-family guaranty book of business as of December 31, 2015 and 2014. Our primary mortgage insurance coverage risk in force was $117.2 billion and $108.7 billion as of December 31, 2015 and 2014, respectively. Our pool mortgage insurance coverage risk in force was $736 million and $852 million as of December 31, 2015 and 2014, respectively. Our top four mortgage insurance companies provided 79% of our mortgage insurance coverage risk in force as of December 31, 2015 and 2014.

Of our largest primary mortgage insurers, PMI Mortgage Insurance Co. (“PMI”), Triad Guaranty Insurance Corporation (“Triad”) and Republic Mortgage Insurance Company (“RMIC”) are under various forms of supervised control by their state regulators and are in run-off. Entering run-off may close off a source of profits and liquidity that may have otherwise assisted a mortgage insurer in paying claims under insurance policies, and could also cause the quality and speed of its claims processing to deteriorate. These three mortgage insurers provided a combined $10.1 billion, or 9%, of our risk in force mortgage insurance coverage of our single-family guaranty book of business as of December 31, 2015.

PMI and Triad have been paying only a portion of policyholder claims and deferring the remaining portion. PMI is currently paying 70% of claims under its mortgage insurance policies in cash and is deferring the remaining 30%, and Triad is currently paying 75% of claims in cash and deferring the remaining 25%. It is uncertain whether PMI or Triad will be permitted in the future to pay any remaining deferred policyholder claims and/or increase or decrease the amount of cash they pay on claims. RMIC is no longer deferring payments on policyholder claims and has paid us amounts of its previously outstanding deferred payment obligations to bring payment on our claims to 100%; however, RMIC remains in run-off and under the supervisory control of its state regulator. We were not paid interest to compensate us for the amount of time RMIC’s deferred payment obligations were outstanding.

Although the financial condition of our mortgage insurer counterparties currently approved to write new business has improved in recent years, there is still risk that these counterparties may fail to fulfill their obligations to pay our claims under insurance policies. If we determine that it is probable that we will not collect all of our claims from one or more of our mortgage insurer counterparties, it could result in an increase in our loss reserves, which could adversely affect our results of operations, liquidity, financial condition and net worth.

When we estimate the credit losses that are inherent in our mortgage loans and under the terms of our guaranty obligations we also consider the recoveries that we will receive on primary mortgage insurance, as mortgage insurance recoveries would reduce the severity of the loss associated with defaulted loans. We evaluate the financial condition of our mortgage insurer counterparties and adjust the contractually due recovery amounts to ensure that only probable losses as of the balance sheet date are included in our loss reserve estimate. As a result, if our assessment of one or more of our mortgage insurer counterparties’ ability to fulfill their respective obligations to us worsens, it could result in an increase in our loss reserves. As of December 31, 2015 and 2014, the amount by which our estimated benefit from mortgage insurance reduced our total loss reserves was $2.3 billion and $4.1 billion, respectively.

We had outstanding receivables of $1.2 billion recorded in “Other assets” in our consolidated balance sheets as of December 31, 2015 and $1.4 billion as of December 31, 2014 related to amounts claimed on insured, defaulted loans excluding government insured loans. Of this amount, $241 million as of December 31, 2015 and $269 million as of December 31, 2014 was due from our mortgage sellers or servicers. We assessed the total outstanding receivables for collectibility, and they are recorded net of a valuation allowance of $770 million as of December 31, 2015 and $799 million as of December 31, 2014. The valuation allowance reduces our claim receivable to the amount which is considered probable of collection as of December 31, 2015 and 2014.

Financial Guarantors. We are the beneficiary of non-governmental financial guarantees on non-agency securities held in our retained mortgage portfolio and on non-agency securities that have been resecuritized to include a Fannie Mae guaranty and sold to third parties. The total unpaid principal balance of guaranteed non-agency securities in our retained mortgage portfolio was $3.2 billion and $4.6 billion as of December 31, 2015 and 2014, respectively. Of the total unpaid principal balance, approximately 68% was mortgage revenue bonds as of December 31, 2015, compared with 70% as of December 31, 2014, and the remaining amount was composed of Alt-A private-label securities, subprime private-label securities and other mortgage-related securities.

If a financial guarantor fails to meet its obligations to us with respect to the securities for which we have obtained financial guarantees, it could reduce the fair value of our mortgage-related securities and result in financial losses to us, which could have an adverse effect on our earnings, liquidity, financial condition and net worth. With the exception of Ambac Assurance Corporation ("Ambac"), which is operating under a deferred payment obligation, none of our remaining non-governmental financial guarantor counterparties has failed to repay us for claims under guaranty contracts. Effective July 21, 2014, the terms of Ambac's order regarding its deferred payment arrangements changed to increase its cash payments on policyholder claims from 25% to 45% and to provide for payment of sufficient amounts of its outstanding deferred payment obligations to bring payment on those claims to 45%. We are expecting full cash payment from only half of our non-governmental financial guarantor counterparties, and we are uncertain of the level of payments we will ultimately receive from the remaining counterparties. Ambac provided coverage on $1.7 billion, or 52%, of our total non-governmental guarantees as of December 31, 2015. When assessing our securities for impairment, we consider the benefit of non-governmental financial guarantees from those guarantors that we determine are creditworthy, although we continue to seek collection of any amounts due to us from all counterparties.

We are also the beneficiary of financial guarantees included in securities issued by Freddie Mac, the federal government and its agencies that totaled $16.7 billion as of December 31, 2015 and $19.2 billion as of December 31, 2014.

Multifamily Lenders with Risk Sharing. We enter into risk sharing agreements with lenders pursuant to which the lenders agree to bear all or some portion of the credit losses on the covered loans. Our maximum potential loss recovery from lenders under these risk sharing agreements on both Delegated Underwriting and Servicing ("DUS") and non-DUS multifamily loans was $46.2 billion as of December 31, 2015, compared with $41.7 billion as of December 31, 2014. As of December 31, 2015, 40% of our maximum potential loss recovery on multifamily loans was from four DUS lenders, compared with 39% as of December 31, 2014.

Parties Associated with Our Off-Balance Sheet Transactions. We enter into financial instrument transactions that create off-balance sheet credit risk in the normal course of our business. These transactions are designed to meet the financial needs of our customers, and manage our credit, market or liquidity risks.

We have entered into guarantees for which we have not recognized a guaranty obligation in our consolidated balance sheets relating to periods prior to 2003, the effective date of accounting guidance related to guaranty accounting. Our maximum potential exposure under these guarantees was $5.6 billion as of December 31, 2015 and $6.5 billion as of December 31, 2014. If we were required to make payments under these guarantees, we would pursue recovery through our right to the collateral backing the underlying loans, available credit enhancements and recourse with third parties that provided a maximum coverage of $2.4 billion as of December 31, 2015 and $2.7 billion as of December 31, 2014.

Derivatives Counterparties. For information on credit risk associated with our derivative transactions and repurchase agreements see "Note 9, Derivative Instruments" and "Note 16, Netting Arrangements."

16. Netting Arrangements

We use master netting arrangements, which allow us to offset certain financial instruments and collateral with the same counterparty, to minimize counterparty credit exposure. The tables below display information related to derivatives, securities purchased under agreements to resell or similar arrangements, and securities sold under agreements to repurchase or similar arrangements, which are subject to an enforceable master netting arrangement or similar agreement that are either offset or not offset in our consolidated balance sheets.

	As of December 31, 2015					
				Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amount	Gross Amount Offset[1]	Net Amount Presented in the Consolidated Balance Sheets	Financial Instruments[2]	Collateral[3]	Net Amount
	(Dollars in millions)					
Assets:						
OTC risk management derivatives	$ 4,042	$ (4,021)	$ 21	$ —	$ (18)	$ 3
Cleared risk management derivatives	708	(3)	705	—	—	705
Mortgage commitment derivatives	140	—	140	(119)	(3)	18
Total derivative assets	4,890	(4,024)	866 [4]	(119)	(21)	726
Securities purchased under agreements to resell or similar arrangements[5]	37,950	—	37,950	—	(37,950)	—
Total assets	$ 42,840	$ (4,024)	$ 38,816	$ (119)	$ (37,971)	$ 726
Liabilities:						
OTC risk management derivatives	$ (6,118)	$ 5,861	$ (257)	$ —	$ —	$ (257)
Cleared risk management derivatives	(2,796)	2,789	(7)	—	—	(7)
Mortgage commitment derivatives	(158)	—	(158)	119	(1)	(40)
Total derivative liabilities	(9,072)	8,650	(422) [4]	119	(1)	(304)
Securities sold under agreements to repurchase or similar arrangements	(62)	—	(62)	—	62	—
Total liabilities	$ (9,134)	$ 8,650	$ (484)	$ 119	$ 61	$ (304)

	As of December 31, 2014					
				Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amount	Gross Amount Offset[(1)]	Net Amount Presented in the Consolidated Balance Sheets	Financial Instruments[(2)]	Collateral[(3)]	Net Amount
	(Dollars in millions)					
Assets:						
OTC risk management derivatives	$ 5,461	$ (5,428)	$ 33	$ —	$ (33)	$ —
Cleared risk management derivatives	927	242	1,169	—	—	1,169
Mortgage commitment derivatives	255	—	255	(116)	(7)	132
Total derivative assets	6,643	(5,186)	1,457 [(4)]	(116)	(40)	1,301
Securities purchased under agreements to resell or similar arrangements[(5)]	47,550	—	47,550	—	(47,550)	—
Total assets	$ 54,193	$ (5,186)	$ 49,007	$ (116)	$ (47,590)	$ 1,301
Liabilities:						
OTC risk management derivatives	$ (7,836)	$ 7,567	$ (269)	$ —	$ —	$ (269)
Cleared risk management derivatives	(2,627)	2,627	—	—	—	—
Mortgage commitment derivatives	(344)	—	(344)	116	—	(228)
Total derivative liabilities	(10,807)	10,194	(613) [(4)]	116	—	(497)
Securities sold under agreements to repurchase or similar arrangements	(50)	—	(50)	—	50	—
Total liabilities	$ (10,857)	$ 10,194	$ (663)	$ 116	$ 50	$ (497)

(1) Represents the effect of the right to offset under legally enforceable master netting arrangements to settle with the same counterparty on a net basis, including cash collateral posted and received and accrued interest.

(2) Mortgage commitment derivative amounts reflect where we have recognized both an asset and a liability with the same counterparty under an enforceable master netting arrangement but we have not elected to offset the related amounts in our consolidated balance sheets.

(3) Represents collateral posted or received that has neither been recognized nor offset in our consolidated balance sheets. Does not include collateral held in excess of our exposure. The fair value of non-cash collateral accepted for OTC risk management derivatives was $37 million and $51 million as of December 31, 2015 and 2014, respectively. The fair value of non-cash collateral accepted for securities purchased under agreements to resell or similar arrangements was $38.0 billion and $47.6 billion, of which $36.2 billion and $41.9 billion could be sold or repledged as of December 31, 2015 and 2014, respectively. None of the underlying collateral was sold or repledged as of December 31, 2015 or 2014. The fair value of non-cash collateral we pledged for securities sold under agreements to repurchase was $62 million and $50 million as of December 31, 2015 and 2014, which the counterparty was permitted to sell or repledge. The fair value of non-cash collateral we pledged for cleared risk management derivatives was $135 million as of December 31, 2015, which the counterparty was permitted to sell or repledge.

(4) Excludes derivative assets of $28 million as of December 31, 2015 and 2014, and derivative liabilities of $2 million and $1 million recognized in our consolidated balance sheets as of December 31, 2015 and 2014, respectively, that are not subject to enforceable master netting arrangements.

(5) Includes $10.6 billion and $16.6 billion of securities purchased under agreements to resell classified as "Cash and cash equivalents" in our consolidated balance sheets as of December 31, 2015 and 2014, respectively.

Derivative instruments are recorded at fair value and securities purchased under agreements to resell or similar arrangements are recorded at amortized cost in our consolidated balance sheets.

We determine our rights to offset the assets and liabilities presented above with the same counterparty, including collateral posted or received, based on the contractual arrangements entered into with our individual counterparties and various rules and regulations that would govern the insolvency of a derivative counterparty. The following is a description, under various agreements, of the nature of those rights and their effect or potential effect on our financial position.

The terms of the majority of our contracts for OTC risk management derivatives are governed under master agreements of the International Swaps and Derivatives Association Inc. ("ISDA"). These agreements provide that all transactions entered into under the agreement with the counterparty constitute a single contractual relationship. An event of default by the counterparty allows the early termination of all outstanding transactions under the same ISDA agreement and we may offset all outstanding amounts related to the terminated transactions including collateral posted or received.

The terms of our contracts for cleared derivatives are governed under the rules of the clearing organization and the agreement between us and the clearing member of that clearing organization. In the event of a clearing organization default, all open positions at the clearing organization are closed and a net position (on a clearing member by clearing member basis) is calculated. Unless otherwise transferred, in the event of a clearing member default, all open positions cleared through that clearing member are closed and a net position is calculated.

The terms of our contracts for mortgage commitment derivatives are primarily governed by the Fannie Mae Single-Family Selling Guide ("Guide"), for Fannie Mae-approved lenders, or Master Securities Forward Transaction Agreements ("MSFTA"), for counterparties that are not Fannie Mae-approved lenders. In the event of default by the counterparty, both the Guide and the MSFTA allow us to terminate all outstanding transactions under the applicable agreement and offset all outstanding amounts related to the terminated transactions including collateral posted or received. Under the Guide, upon a lender event of default, we generally may offset any amounts owed to a lender against any amounts a lender may owe us under any other existing agreement, regardless of whether or not such other agreements are in default or payments are immediately due.

The terms of our contracts for securities purchased under agreements to resell and securities sold under agreements to repurchase are governed by Master Repurchase Agreements, which are based on the guidelines prescribed by the Securities Industry and Financial Markets Association. Master Repurchase Agreements provide that all transactions under the agreement constitute a single contractual relationship. An event of default by the counterparty allows the early termination of all outstanding transactions under the same agreement and we may offset all outstanding amounts related to the terminated transactions including collateral posted or received.

We also have securities purchased under agreements to resell which we transact through the Fixed Income Clearing Corporation ("FICC"). Under the rules of the FICC, all agreements for securities purchased under agreements to resell that are submitted to the FICC for clearing become transactions with the FICC that are subject to FICC clearing rules. In the event of a FICC default, all open positions at the FICC are closed and a net position is calculated.

17. Fair Value

We use fair value measurements for the initial recording of certain assets and liabilities and periodic remeasurement of certain assets and liabilities on a recurring or nonrecurring basis.

Fair Value Measurement

Fair value measurement guidance defines fair value, establishes a framework for measuring fair value and sets forth disclosures around fair value measurements. This guidance applies whenever other accounting guidance requires or permits assets or liabilities to be measured at fair value. The guidance establishes a three-level fair value hierarchy that prioritizes the inputs into the valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority, Level 1, to measurements based on unadjusted quoted prices in active markets for identical assets or liabilities. The next highest priority, Level 2, is given to measurements of assets and liabilities based on limited observable inputs or observable inputs for similar assets and liabilities. The lowest priority, Level 3, is given to measurements based on unobservable inputs.

Recurring Changes in Fair Value

The following tables display our assets and liabilities measured in our consolidated balance sheets at fair value on a recurring basis subsequent to initial recognition, including instruments for which we have elected the fair value option.

	Fair Value Measurements as of December 31, 2015				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment[1]	Estimated Fair Value
			(Dollars in millions)		
Recurring fair value measurements:					
Assets:					
Trading securities:					
Mortgage-related securities:					
Fannie Mae	$ —	$ 4,813	$ —	$ —	$ 4,813
Freddie Mac	—	1,314	—	—	1,314
Ginnie Mae	—	426	—	—	426
Alt-A private-label securities	—	131	305	—	436
Subprime private-label securities	—	—	644	—	644
CMBS	—	2,341	—	—	2,341
Mortgage revenue bonds	—	—	449	—	449
Non-mortgage-related securities:					
U.S. Treasury securities	29,485	—	—	—	29,485
Total trading securities	29,485	9,025	1,398	—	39,908
Available-for-sale securities:					
Mortgage-related securities:					
Fannie Mae	—	4,221	—	—	4,221
Freddie Mac	—	4,295	4	—	4,299
Ginnie Mae	—	391	—	—	391
Alt-A private-label securities	—	1,637	1,041	—	2,678
Subprime private-label securities	—	—	3,281	—	3,281
CMBS	—	1,255	—	—	1,255
Mortgage revenue bonds	—	—	2,701	—	2,701
Other	—	—	1,404	—	1,404
Total available-for-sale securities	—	11,799	8,431	—	20,230
Mortgage loans	—	12,598	1,477	—	14,075
Other assets:					
Risk management derivatives:					
Swaps	—	4,541	156	—	4,697
Swaptions	—	53	—	—	53
Other	—	—	28	—	28
Netting adjustment	—	—	—	(4,024)	(4,024)
Mortgage commitment derivatives	—	135	5	—	140
Total other assets	—	4,729	189	(4,024)	894
Total assets at fair value	$ 29,485	$ 38,151	$ 11,495	$ (4,024)	$ 75,107

	Fair Value Measurements as of December 31, 2015				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment[1]	Estimated Fair Value
	(Dollars in millions)				
Liabilities:					
Long-term debt:					
Of Fannie Mae:					
Senior floating	$ —	$ 10,764	$ 369	$ —	$ 11,133
Total of Fannie Mae	—	10,764	369	—	11,133
Of consolidated trusts	—	23,113	496	—	23,609
Total long-term debt	—	33,877	865	—	34,742
Other liabilities:					
Risk management derivatives:					
Swaps	—	8,697	20	—	8,717
Swaptions	—	197	—	—	197
Other	—	—	2	—	2
Netting adjustment	—	—	—	(8,650)	(8,650)
Mortgage commitment derivatives	—	148	10	—	158
Total other liabilities	—	9,042	32	(8,650)	424
Total liabilities at fair value	$ —	$ 42,919	$ 897	$ (8,650)	$ 35,166

	Fair Value Measurements as of December 31, 2014				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment[1]	Estimated Fair Value
	(Dollars in millions)				
Assets:					
Trading securities:					
Mortgage-related securities:					
Fannie Mae	$ —	$ 4,635	$ 305	$ —	$ 4,940
Freddie Mac	—	1,369	—	—	1,369
Ginnie Mae	—	166	—	—	166
Alt-A private-label securities	—	323	597	—	920
Subprime private-label securities	—	—	1,307	—	1,307
CMBS	—	2,515	—	—	2,515
Mortgage revenue bonds	—	—	722	—	722
Other	—	—	99	—	99
Non-mortgage-related securities:					
U.S. Treasury securities	19,466	—	—	—	19,466
Total trading securities	19,466	9,008	3,030	—	31,504
Available-for-sale securities:					
Mortgage-related securities:					
Fannie Mae	—	5,639	—	—	5,639
Freddie Mac	—	5,522	6	—	5,528
Ginnie Mae	—	476	—	—	476
Alt-A private-label securities	—	2,538	3,140	—	5,678
Subprime private-label securities	—	—	5,240	—	5,240
CMBS	—	1,397	—	—	1,397
Mortgage revenue bonds	—	—	4,023	—	4,023
Other	—	2	2,671	—	2,673
Total available-for-sale securities	—	15,574	15,080	—	30,654
Mortgage loans	—	13,796	1,833	—	15,629
Other assets:					
Risk management derivatives:					
Swaps	—	6,085	150	—	6,235
Swaptions	—	153	—	—	153
Other	—	—	28	—	28
Netting adjustment	—	—	—	(5,186)	(5,186)
Mortgage commitment derivatives	—	251	4	—	255
Total other assets	—	6,489	182	(5,186)	1,485
Total assets at fair value	$ 19,466	$ 44,867	$ 20,125	$ (5,186)	$ 79,272

	Fair Value Measurements as of December 31, 2014				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment[1]	Estimated Fair Value
	(Dollars in millions)				
Liabilities:					
Long-term debt:					
Of Fannie Mae:					
Senior floating	$ —	$ 6,040	$ 363	$ —	$ 6,403
Total of Fannie Mae	—	6,040	363	—	6,403
Of consolidated trusts	—	18,956	527	—	19,483
Total long-term debt	—	24,996	890	—	25,886
Other liabilities:					
Risk management derivatives:					
Swaps	—	9,339	133	—	9,472
Swaptions	—	991	—	—	991
Other	—	—	1	—	1
Netting adjustment	—	—	—	(10,194)	(10,194)
Mortgage commitment derivatives	—	341	3	—	344
Total other liabilities	—	10,671	137	(10,194)	614
Total liabilities at fair value	$ —	$ 35,667	$1,027	$(10,194)	$ 26,500

(1) Derivative contracts are reported on a gross basis by level. The netting adjustment represents the effect of the legal right to offset under legally enforceable master netting arrangements to settle with the same counterparty on a net basis, including cash collateral posted and received.

The following tables display a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The tables also display gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recognized in our consolidated statements of operations and comprehensive income for Level 3 assets and liabilities. When assets and liabilities are transferred between levels, we recognize the transfer as of the end of the period.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
For the Year Ended December 31, 2015

		Total Gains (Losses) (Realized/Unrealized)									
	Balance, December 31, 2014	Included in Net Income	Included in Total Other Comprehensive Income (Loss)(1)	Purchases(2)	Sales(2)	Issues(3)	Settlements(3)	Transfers out of Level 3(4)	Transfers into Level 3(4)	Balance, December 31, 2015	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of December 31, 2015(5)(6)
	(Dollars in millions)										
Trading securities:											
Mortgage-related:											
Fannie Mae	$ 305	$ (27)	$ —	$ —	$ (2)	$ —	$ —	$ (278)	$ 2	$ —	$ —
Alt-A private-label securities	597	36	—	—	(267)	—	(45)	(44)	28	305	15
Subprime private-label securities	1,307	36	—	—	(611)	—	(88)	—	—	644	10
Mortgage revenue bonds	722	(41)	—	—	(220)	—	(12)	—	—	449	(33)
Other	99	4	—	—	(100)	—	(3)	—	—	—	—
Total trading securities	$ 3,030	$ 8 (6)(7)	$ —	$ —	$ (1,200)	$ —	$ (148)	$ (322)	$ 30	$ 1,398	$ (8)
Available-for-sale securities:											
Mortgage-related:											
Fannie Mae	$ —	$ —	$ —	$ 421	$ (425)	$ —	$ (8)	$ —	$ 12	$ —	$ —
Freddie Mac	6	—	—	—	—	—	(1)	(2)	1	4	—
Alt-A private-label securities	3,140	215	(173)	—	(1,504)	—	(436)	(538)	337	1,041	—
Subprime private-label securities	5,240	599	(382)	—	(1,575)	—	(601)	—	—	3,281	—
Mortgage revenue bonds	4,023	51	(104)	—	(410)	—	(859)	—	—	2,701	—
Other	2,671	(26)	(2)	—	(1,012)	—	(227)	—	—	1,404	—
Total available-for-sale securities	$ 15,080	$ 839 (7)(8)	$ (661)	$ 421	$ (4,926)	$ —	$ (2,132)	$ (540)	$ 350	$ 8,431	$ —
Mortgage loans	$ 1,833	$ 57 (6)(7)	$ —	$ 5	$ —	$ —	$ (350)	$ (377)	$ 309	$ 1,477	$ (20)
Net derivatives	45	(55) (6)	—	—	—	(4)	169	(7)	9	157	(2)
Long-term debt:											
Of Fannie Mae:											
Senior floating	$ (363)	$ (6)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (369)	$ (6)
Of consolidated trusts	(527)	(9)	—	—	—	(66)	57	228	(179)	(496)	17
Total long-term debt	$ (890)	$ (15) (6)	$ —	$ —	$ —	$ (66)	$ 57	$ 228	$ (179)	$ (865)	$ 11

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
For the Year Ended December 31, 2014

	Balance, December 31, 2013	Total Gains (Losses) (Realized/Unrealized)		Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3[4]	Transfers into Level 3[4]	Balance, December 31, 2014	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of December 31, 2014[5][6]
		Included in Net Income	Included in Total Other Comprehensive Income (Loss)[1]								
	(Dollars in millions)										
Trading securities:											
Mortgage-related:											
Fannie Mae	$ 42	$ (27)	$ —	$ 6	$ —	$ —	$ (2)	$ (39)	$ 325	$ 305	$ (18)
Freddie Mac	2	—	—	—	—	—	—	(2)	—	—	—
Alt-A private-label securities	618	88	—	—	(58)	—	(81)	(226)	256	597	97
Subprime private-label securities	1,448	270	—	—	(241)	—	(170)	—	—	1,307	234
Mortgage revenue bonds	565	168	—	—	—	—	(11)	—	—	722	160
Other	99	13	—	—	—	—	(13)	—	—	99	13
Total trading securities	$ 2,774	$ 512 (6)(7)	$ —	$ 6	$ (299)	$ —	$ (277)	$ (267)	$ 581	$ 3,030	$ 486
Available-for-sale securities:											
Mortgage-related:											
Fannie Mae	$ 7	$ —	$ —	$ —	$ —	$ —	$ (1)	$ (8)	$ 2	$ —	$ —
Freddie Mac	8	—	—	—	—	—	(1)	(2)	1	6	—
Alt-A private-label securities	3,791	172	(26)	—	(393)	—	(471)	(1,738)	1,805	3,140	—
Subprime private-label securities	7,068	447	301	—	(1,730)	—	(846)	—	—	5,240	—
Mortgage revenue bonds	5,253	(32)	554	—	(70)	—	(1,682)	—	—	4,023	—
Other	2,885	19	103	—	—	—	(336)	—	—	2,671	—
Total available-for-sale securities	$ 19,012	$ 606 (7)(8)	$ 932	$ —	$(2,193)	$ —	$ (3,337)	$(1,748)	$ 1,808	$ 15,080	$ —
Mortgage loans	$ 2,704	$ 260 (6)(7)	$ —	$ 36	$ —	$ —	$ (344)	$(1,113)	$ 290	$ 1,833	$ 53
Net derivatives	(40)	103 (6)	—	—	—	—	(21)	(2)	5	45	77
Long-term debt:											
Of Fannie Mae:											
Senior floating	$ (955)	$ (142)	$ —	$ —	$ —	$ (750)	$ 19	$ 1,465	$ —	$ (363)	$ (97)
Of consolidated trusts	(518)	(53)	—	—	—	(1)	62	111	(128)	(527)	(49)
Total long-term debt	$ (1,473)	$ (195) (6)	$ —	$ —	$ —	$ (751)	$ 81	$ 1,576	$ (128)	$ (890)	$ (146)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
For the Year Ended December 31, 2013

	Balance, December 31, 2012	Total Gains (Losses) (Realized/Unrealized): Included in Net Income	Total Gains (Losses) (Realized/Unrealized): Included in Total Other Comprehensive Income (Loss)[1]	Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3[4]	Transfers into Level 3[4]	Balance, December 31, 2013	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of December 31, 2013[5][6]
	(Dollars in millions)										
Trading securities:											
Mortgage-related:											
Fannie Mae	$ 68	$ (9)	$ —	$ —	$ —	$ —	$ (17)	$ —	$ —	$ 42	$ (9)
Freddie Mac	2	—	—	—	—	—	—	—	—	2	—
Ginnie Mae	1	—	—	—	—	—	(1)	(3)	3	—	—
Alt-A private-label securities	104	256	—	—	—	—	(115)	(435)	808	618	223
Subprime private-label securities	1,319	328	—	—	(50)	—	(149)	—	—	1,448	322
Mortgage revenue bonds	675	(101)	—	—	—	—	(9)	—	—	565	(101)
Other	117	(5)	—	—	—	—	(13)	—	—	99	(5)
Total trading securities	$ 2,286	$ 469[6][7]	$ —	$ —	$ (50)	$ —	$ (304)	$ (438)	$ 811	$ 2,774	$ 430
Available-for-sale securities:											
Mortgage-related:											
Fannie Mae	$ 29	$ —	$ (1)	$ —	$ —	$ —	$ (7)	$ (14)	$ —	$ 7	$ —
Freddie Mac	10	—	(1)	—	—	—	(2)	(1)	2	8	—
Ginnie Mae	—	—	—	—	—	—	—	(1)	1	—	—
Alt-A private-label securities	6,564	144	464	—	(2,664)	—	(1,040)	(3,357)	3,680	3,791	—
Subprime private-label securities	7,447	120	1,527	359	(1,317)	—	(1,068)	—	—	7,068	—
Mortgage revenue bonds	7,837	25	(449)	—	(35)	—	(2,125)	—	—	5,253	—
Other	3,147	13	125	—	—	—	(400)	—	—	2,885	—
Total available-for-sale securities	$ 25,034	$ 302[7][8]	$ 1,665	$ 359	$ (4,016)	$ —	$ (4,642)	$ (3,373)	$ 3,683	$ 19,012	$ —
Mortgage loans	$ 2,634	$ 282[6][7]	$ —	$ 346	$ (393)	$ —	$ (459)	$ (352)	$ 646	$ 2,704	$ 50
Net derivatives	14	(165)[6]	—	—	—	—	97	16	(2)	(40)	(51)
Long-term debt:											
Of Fannie Mae:											
Senior floating	$ (400)	$ 76	$ —	$ —	$ —	$ (674)	$ 43	$ —	$ —	$ (955)	$ 76
Of consolidated trusts	(1,128)	(250)	—	—	—	(21)	537	434	(90)	(518)	(80)
Total long-term debt	$ (1,528)	$ (174)[6]	$ —	$ —	$ —	$ (695)	$ 580	$ 434	$ (90)	$ (1,473)	$ (4)

(1) Gains (losses) included in other comprehensive income are included in "Changes in unrealized gains on AFS securities, net of reclassification adjustments and taxes" in the consolidated statements of operations and comprehensive income.

(2) Purchases and sales include activity related to the consolidation and deconsolidation of assets of securitization trusts.

(3) Issues and settlements include activity related to the consolidation and deconsolidation of liabilities of securitization trusts.

(4) Transfers out of Level 3 consisted primarily of private-label mortgage-related securities backed by Alt-A loans and credit risk sharing securities issued under our CAS series. Prices for these securities were obtained from multiple third-party vendors or dealers. Transfers out of Level 3 also occurred for mortgage loans for which unobservable inputs used in valuations became less significant. Transfers into Level 3 consisted primarily of private-label mortgage-related securities backed by Alt-A loans. Prices for these securities are based on inputs from a single source or inputs that were not readily observable.

(5) Amount represents temporary changes in fair value. Amortization, accretion and OTTI are not considered unrealized and are not included in this amount.

(6) Gains (losses) are included in "Fair value gains (losses), net" in our consolidated statements of operations and comprehensive income.

(7) Gains (losses) are included in “Net interest income” in our consolidated statements of operations and comprehensive income.

(8) Gains (losses) are included in “Investment gains, net” in our consolidated statements of operations and comprehensive income.

The following tables display valuation techniques and the range and the weighted average of significant unobservable inputs for our Level 3 assets and liabilities measured at fair value on a recurring basis.

	Fair Value Measurements as of December 31, 2015				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs(1)	Range(1)	Weighted - Average(1)
			(Dollars in millions)		
Recurring fair value measurements:					
Trading securities:					
Mortgage-related securities:					
Alt-A private-label securities(2)	$ 305	Consensus	Default Rate (%)	1.3 - 4.9	3.6
			Prepayment Speed (%)	2.2 - 4.5	3.7
			Severity (%)	20.5 - 95.0	69.3
			Spreads (bps)	219.0 - 263.3	253.1
Total Alt-A private-label securities	305				
Subprime private-label securities(2)	526	Consensus	Default Rate (%)	4.2 - 8.4	5.9
			Prepayment Speed (%)	0.4 - 5.3	3.3
			Severity (%)	55.9 - 95.0	73.7
			Spreads (bps)	285.0	285.0
	73	Consensus			
	45	Other			
Total subprime private-label securities	644				
Mortgage revenue bonds	437	Discounted Cash Flow	Spreads (bps)	1.5 - 376.2	298.9
	12	Other			
Total mortgage revenue bonds	449				
Total trading securities	$ 1,398				

	Fair Value Measurements as of December 31, 2015				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1]
			(Dollars in millions)		
Available-for-sale securities:					
Mortgage-related securities:					
Agency[3]	$ 4	Other			
Alt-A private-label securities[2]	671	Consensus	Default Rate (%)	0.5 - 40.7	3.4
			Prepayment Speed (%)	1.7 - 72.6	13.5
			Severity (%)	1.4 - 95.0	58.5
			Spreads (bps)	225.6 - 280.4	260.0
	201	Consensus			
	169	Discounted Cash Flow	Default Rate (%)	4.0 - 5.0	4.8
			Prepayment Speed (%)	4.0 - 7.5	6.4
			Severity (%)	50.0 - 64.0	59.2
			Spreads (bps)	260.0 - 369.4	296.5
Total Alt-A private-label securities	1,041				
Subprime private-label securities[2]	343	Single Vendor	Default Rate (%)	2.5 - 7.5	4.8
			Prepayment Speed (%)	1.9 - 5.7	3.3
			Severity (%)	67.6 - 85.7	72.7
			Spreads (bps)	285.0 - 340.0	299.6
	1,848	Consensus	Default Rate (%)	0.5 - 11.3	5.9
			Prepayment Speed (%)	0.5 - 11.2	3.8
			Severity (%)	20.0 - 95.0	79.0
			Spreads (bps)	255.0 - 285.0	283.3
	945	Consensus			
	145	Other			
Total subprime private-label securities	3,281				
Mortgage revenue bonds	991	Single Vendor	Spreads (bps)	(33.1) - 386.8	37.9
	1,462	Discounted Cash Flow	Spreads (bps)	(15.8) - 379.1	283.8
	248	Other			
Total mortgage revenue bonds	2,701				
Other	683	Consensus	Default Rate (%)	0.5 - 4.6	3.4
			Prepayment Speed (%)	2.5 - 15.5	4.7
			Severity (%)	6.6 - 95.0	65.7
			Spreads (bps)	200.0 - 454.4	315.6
	520	Discounted Cash Flow	Default Rate (%)	0.0 - 1.8	0.0
			Prepayment Speed (%)	0.0 - 0.5	0.0
			Severity (%)	95.0	95.0
			Spreads (bps)	260.0 - 350.0	323.6
	201	Other			
Total other	1,404				
Total available-for-sale securities	$ 8,431				

	Fair Value Measurements as of December 31, 2015				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[(1)]	Range[(1)]	Weighted - Average[(1)]
			(Dollars in millions)		
Mortgage loans:					
Single-family	$ 127	Build-Up	Default Rate (%)	0.0 - 99.2	34.8
			Prepayment Speed (%)	3.0 - 100.0	10.4
			Severity (%)	0.0 - 100.0	39.9
	632	Build-Up			
	234	Consensus	Default Rate (%)	0.5 - 5.0	3.7
			Prepayment Speed (%)	2.5 - 26.0	6.4
			Severity (%)	20.0 - 89.1	69.0
			Spreads (bps)	255.0 - 277.6	264.6
	274	Consensus			
	54	Other			
Total single-family	1,321				
Multifamily	156	Build-Up	Spreads (bps)	70.0 - 327.2	158.8
Total mortgage loans	$ 1,477				
Net derivatives	$ 17	Internal Model			
	136	Dealer Mark			
	4	Other			
Total net derivatives	$ 157				
Long-term debt:					
Of Fannie Mae:					
Senior floating	$ (369)	Discounted Cash Flow			
Of consolidated trusts[(4)]	(181)	Consensus	Default Rate (%)	0.5 - 3.8	3.4
			Prepayment Speed (%)	2.5 - 26.0	5.6
			Severity (%)	20.0 - 80.6	67.8
			Spreads (bps)	255.0 - 270.0	265.8
	(149)	Consensus			
	(166)	Other			
Total of consolidated trusts	(496)				
Total long-term debt	$ (865)				

	Fair Value Measurements as of December 31, 2014				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1]
			(Dollars in millions)		
Recurring fair value measurements:					
Trading securities:					
Mortgage-related securities:					
Agency[3][4]	$ 153	Single Vendor	Prepayment Speed (%)	100.0	100.0
			Spreads (bps)	256.5 - 350.8	293.4
	130	Consensus	Prepayment Speed (%)	100.0	100.0
			Spreads (bps)	184.6 - 219.5	197.5
	22	Other			
Total Agency	305				
Alt-A private-label securities[2]	290	Single Vendor	Default Rate (%)	8.3 - 9.1	8.5
			Prepayment Speed (%)	2.9 - 3.2	3.1
			Severity (%)	79.5 - 95.0	90.4
			Spreads (bps)	267.2 - 308.2	279.4
	66	Consensus	Default Rate (%)	5.4	5.4
			Prepayment Speed (%)	7.0	7.0
			Severity (%)	48.8	48.8
			Spreads (bps)	264.8	264.8
	151	Consensus			
	90	Other			
Total Alt-A private-label securities	597				
Subprime private-label securities[2]	422	Consensus	Default Rate (%)	3.5 - 11.8	7.2
			Prepayment Speed (%)	1.4 - 5.2	2.8
			Severity (%)	72.1 - 95.0	85.9
			Spreads (bps)	265.0	265.0
	549	Consensus			
	290	Discounted Cash Flow	Default Rate (%)	4.3 - 6.2	5.2
			Prepayment Speed (%)	2.3 - 4.2	3.3
			Severity (%)	62.2 - 95.0	73.8
			Spreads (bps)	265.0 - 382.1	283.7
	46	Other			
Total subprime private-label securities	1,307				
Mortgage revenue bonds	161	Dealer Mark	Spreads (bps)	288.1	288.1
	540	Discounted Cash Flow	Spreads (bps)	6.0 - 318.0	263.0
	21	Other			
Total mortgage revenue bonds	722				
Other	99	Dealer Mark			
Total trading securities	$ 3,030				

	Fair Value Measurements as of December 31, 2014				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1]
			(Dollars in millions)		
Available-for-sale securities:					
Mortgage-related securities:					
Agency[3]	$ 6	Other			
Alt-A private-label securities[2]	322	Single Vendor	Default Rate (%)	0.2 - 13.1	4.6
			Prepayment Speed (%)	0.2 - 20.5	8.2
			Severity (%)	27.8 - 89.7	61.0
			Spreads (bps)	190.0 - 315.0	264.9
	493	Single Vendor			
	1,187	Consensus	Default Rate (%)	0.4 - 31.2	5.1
			Prepayment Speed (%)	0.1 - 48.9	11.0
			Severity (%)	0.2 - 95.0	59.6
			Spreads (bps)	183.8 - 240.0	236.7
	691	Consensus			
	403	Discounted Cash	Default Rate (%)	5.0 - 11.5	7.0
			Prepayment Speed (%)	0.5 - 8.4	3.4
			Severity (%)	35.1 - 92.4	54.2
			Spreads (bps)	188.0 - 340.0	243.4
	44	Other			
Total Alt-A private-label securities	3,140				
Subprime private-label securities[2]	383	Single Vendor	Default Rate (%)	2.1 - 8.3	5.5
			Prepayment Speed (%)	1.5 - 3.3	2.1
			Severity (%)	65.4 - 95.0	78.5
			Spreads (bps)	215.0 - 262.0	230.0
	2,722	Consensus	Default Rate (%)	1.5 - 37.4	6.3
			Prepayment Speed (%)	0.1 - 17.7	2.6
			Severity (%)	1.5 - 95.0	84.4
			Spreads (bps)	155.0 - 265.0	220.0
	1,755	Consensus			
	317	Discounted Cash	Default Rate (%)	3.0 - 12.3	7.0
			Prepayment Speed (%)	1.1 - 9.0	4.1
			Severity (%)	28.9 - 91.8	81.2
			Spreads (bps)	155.0 - 895.0	250.5
	63	Other			
Total subprime private-label securities	5,240				
Mortgage revenue bonds	1,504	Single Vendor	Spreads (bps)	(11.5) - 361.5	52.7
	418	Single Vendor			
	510	Dealer Mark	Spreads (bps)	222.8 - 322.1	265.9
	1,581	Discounted Cash	Spreads (bps)	(11.5) - 620.2	251.4
	10	Other			
Total mortgage revenue bonds	4,023				
Other	337	Single Vendor	Default Rate (%)	1.7 - 5.0	4.4
			Prepayment Speed (%)	3.0 - 9.3	3.8
			Severity (%)	4.0 - 94.6	69.6
			Spreads (bps)	263.1 - 427.2	291.5
	720	Consensus	Default Rate (%)	0.1 - 6.6	3.9
			Prepayment Speed (%)	3.0 - 30.4	4.8
			Severity (%)	0.4 - 95.0	62.4
			Spreads (bps)	215.0 - 481.4	320.6
	1,215	Dealer Mark			
	399	Other			
Total other	2,671				
Total available-for-sale securities	$15,080				

	Fair Value Measurements as of December 31, 2014				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1]
			(Dollars in millions)		
Mortgage loans:					
Single-family	$ 934	Build-Up	Default Rate (%)	0.0 - 99.0	14.9
			Prepayment Speed (%)	3.6 - 99.8	16.3
			Severity (%)	3.4 - 100.0	23.7
	279	Consensus			
	402	Discounted Cash Flow	Default Rate (%)	2.7 - 13.1	5.5
			Prepayment Speed (%)	0.1 - 13.5	7.5
			Severity (%)	35.5 - 95.0	61.3
			Spreads (bps)	155.0 - 665.0	227.4
	39	Other			
Total single-family	1,654				
Multifamily	179	Build-Up	Spreads (bps)	59.0 - 323.4	137.3
Total mortgage loans	$ 1,833				
Net derivatives	$ (107)	Internal Model			
	150	Dealer Mark			
	2	Other			
Total net derivatives	$ 45				
Long-term debt:					
Of Fannie Mae:					
Senior floating	$ (363)	Discounted Cash Flow			
Of consolidated trusts[4]	(219)	Consensus			
	(205)	Discounted Cash Flow	Default Rate (%)	2.7 - 11.9	4.0
			Prepayment Speed (%)	0.1 - 100.0	33.4
			Severity (%)	35.5 - 95.0	54.6
			Spreads (bps)	88.0 - 665.0	249.4
	(103)	Other			
Total of consolidated trusts	(527)				
Total long-term debt	$ (890)				

(1) Valuation techniques for which no unobservable inputs are disclosed generally reflect the use of third-party pricing services or dealers, and the range of unobservable inputs applied by these sources is not readily available or cannot be reasonably estimated. Where we have disclosed unobservable inputs for consensus and single vendor techniques, those inputs are based on our validations performed at the security level using discounted cash flows.

(2) Default Rate as disclosed represents the estimated beginning annualized rate of default and is used as a basis to forecast the future default rates that serve as an input for valuation.

(3) Includes Fannie Mae, Freddie Mac and Ginnie Mae securities.

(4) Includes instruments for which the prepayment speed as disclosed represents the estimated annualized rate of prepayment after all prepayment penalty provisions have expired and also instruments for which prepayment speed as disclosed represents the estimated rate of prepayment over the remaining life of the instrument.

In our consolidated balance sheets certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when we evaluate loans for impairment). We did not have any Level 1 assets or liabilities that were measured at fair value on a nonrecurring basis as of December 31, 2015 or December 31, 2014. We held $17 million and $93 million in Level 2 assets, comprised of mortgage loans held for sale, and no Level 2 liabilities that were measured at fair value on a nonrecurring basis as of December 31, 2015 and December 31, 2014, respectively.

The following table displays valuation techniques for our Level 3 assets measured at fair value on a nonrecurring basis. The significant unobservable inputs related to these techniques primarily relate to collateral dependent valuations. The related ranges and weighted averages are not meaningful when aggregated as they vary significantly from property to property.

	Valuation Techniques	Fair Value Measurements as of December 31, 2015	2014
		(Dollars in millions)	
Nonrecurring fair value measurements:			
Mortgage loans held for sale, at lower of cost or fair value	Consensus	$ 3,651	$ 110
	Single Vendor	336	—
	Other	4	—
Total mortgage loans held for sale, at lower of cost or fair value		3,991	110
Single-family mortgage loans held for investment, at amortized cost	Internal Model	6,379	16,654
	Other	—	60
Total single-family mortgage loans held for investment, at amortized cost		6,379	16,714
Multifamily mortgage loans held for investment, at amortized cost	Broker Price Opinions	82	45
	Asset Manager Estimate	236	580
	Other	5	—
Total multifamily mortgage loans held for investment, at amortized cost		323	625
Acquired property, net:			
Single-family	Accepted Offers	541	864
	Appraisals	1,117	1,509
	Walk Forwards	433	1,173
	Internal Model	986	1,045
	Other	134	191
Total single-family		3,211	4,782
Multifamily	Broker Price Opinions	—	127
	Other	—	13
Total multifamily		—	140
Other assets	Other	30	45
Total nonrecurring assets at fair value		$ 13,934	$ 22,416

We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation techniques we use for fair value measurement and disclosure as well as our basis for classifying these measurements as Level 1, Level 2 or Level 3 of the valuation hierarchy in more specific situations.

Trading Securities and Available-for-Sale Securities

These securities are recorded in our consolidated balance sheets at fair value on a recurring basis. Fair value is measured using quoted market prices in active markets for identical assets, when available.

We classify securities whose values are based on quoted market prices in active markets for identical assets as Level 1 of the valuation hierarchy. We classify securities in active markets as Level 2 of the valuation hierarchy if quoted market prices in active markets for identical assets are not available. For all valuation techniques used for securities where there is limited activity or less transparency around these inputs to the valuation, these securities are classified as Level 3 of the valuation hierarchy.

A description of our securities valuation techniques is as follows:

Single Vendor: This valuation technique utilizes one vendor price to estimate fair value. We generally validate these observations of fair value through the use of a discounted cash flow technique whose unobservable inputs (for example, default rates) are disclosed in the table above.

Dealer Mark: This valuation technique utilizes one dealer price to estimate fair value. We generally validate these observations of fair value through the use of a discounted cash flow technique whose unobservable inputs (for example, default rates) are disclosed in the table above.

Consensus: This technique utilizes an average of two or more vendor prices for similar securities. We generally validate these observations of fair value through the use of a discounted cash flow technique whose unobservable inputs (for example, default rates) are disclosed in the table above.

Discounted Cash Flow: In the absence of prices provided by third-party pricing services supported by observable market data, we estimate the fair value of a portion of our securities using a discounted cash flow technique that uses inputs such as default rates, prepayment speeds, loss severity and spreads based on market assumptions where available.

For private-label securities, an increase in unobservable prepayment speeds in isolation would generally result in an increase in fair value, and an increase in unobservable spreads, severity rates or default rates in isolation would generally result in a decrease in fair value. For mortgage revenue bonds classified as Level 3 of the valuation hierarchy, an increase in unobservable spreads would result in a decrease in fair value. Although the sensitivities of the fair value of our recurring Level 3 securities of the valuation hierarchy to various unobservable inputs are discussed above in isolation, interrelationships exist among these inputs such that a change in one unobservable input typically results in a change to one or more of the other inputs.

Mortgage Loans Held for Investment

The majority of HFI loans are reported in our consolidated balance sheets at the principal amount outstanding, net of cost basis adjustments and an allowance for loan losses. We estimate the fair value of HFI loans using the build-up and consensus valuation techniques, as discussed below, for periodic disclosure of financial instruments as required by GAAP. For our remaining loans, which include those containing embedded derivatives that would otherwise require bifurcation and consolidated loans of senior-subordinated trust structures, we elected the fair value option and therefore, we record these loans at fair value in our consolidated balance sheets. We measure these loans on a recurring basis using the build-up, consensus, discounted cash flow and single vendor price techniques. Certain impaired loans are measured at fair value on a nonrecurring basis by using the fair value of their underlying collateral. Specific techniques used include internal models, broker price opinions and appraisals.

A description of our loan valuation techniques is as follows:

Build-up: We derive the fair value of mortgage loans using a build-up valuation technique. In the build-up valuation technique we start with the base value for our Fannie Mae MBS and then add or subtract the fair value of the associated guaranty asset, guaranty obligation ("GO") and master servicing arrangement. We use observable market values of Fannie Mae MBS with similar characteristics, either on a pool or loan level, determined primarily from third party pricing services, quoted market prices in active markets for similar securities, and other observable market data as a base value. We set the GO equal to the estimated fair value we would receive if we were to issue our guaranty to an unrelated party in a stand-alone arm's length transaction at the measurement date. We estimate the fair value of the GO using our internal valuation models, which calculate the present value of expected cash flows based on management's best estimate of certain key assumptions such as current mark-to-market LTV ratios, future house prices, default rates, severity rates and required rate of return. We also estimate the fair value of the GO using our current guaranty pricing and adjust that pricing, as appropriate, for the seasoning of the collateral when such transactions reflect credit characteristics of loans held in our portfolio. As a result, the fair value of our mortgage loans will change when the pricing for our credit guaranty changes in the GSE securitization market.

Our performing loans are generally classified as Level 2 of the valuation hierarchy to the extent that significant inputs are observable. To the extent that unobservable inputs are significant, the loans are classified as Level 3 of the valuation hierarchy.

Consensus: The fair value of single-family nonperforming loans and TDRs on accrual status represents an estimate of the prices we would receive if we were to sell these loans in the whole-loan market. These nonperforming loans and TDRs on accrual status are either two or more months delinquent, in an open modification period, or in a closed modification state (both performing and nonperforming in accordance with the loan's modified terms). Key factors that influence the price of these loans include collateral value, estimated loan cash flows and mortgage insurance. Collateral value is derived from the current estimated mark-to-market LTV ratio of the individual loan and, where appropriate, a state-level distressed property sales discount. Cash flow characteristics include attributes such as the weighted average coupon rate and loan payment history. The fair value of mortgage insurance is estimated by taking the loan level coverage and adjusting it by the expected claims paying ability of the associated mortgage insurer. The expected claims paying abilities used for estimating the fair value of mortgage insurance are consistent with our credit loss forecast. Fair value is estimated from the extrapolation of indicative sample bids obtained from multiple active market participants plus the estimated value of any applicable mortgage insurance. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

We estimate the fair value for a portion of our senior-subordinated trust structures using the average of two or more vendor prices at the security level as a proxy for estimating loan fair value. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Discounted Cash Flow: We estimate the fair value of a portion of our senior-subordinated trust structures using discounted cash flow at the security level as a proxy for estimating loan fair value. This valuation technique uses unobservable inputs such as prepayment speeds, default rates, spreads, and loss severities to estimate the fair value of our securities. These inputs are weighted in a model that calculates the expected cash flow of the security which is used as the basis of fair value. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Single Vendor: We estimate the fair value of a portion of our senior-subordinated trust structures using the single vendor valuation technique at the security level as a proxy for estimating loan fair value. We also estimate the fair value of our reverse mortgages using the single vendor valuation technique. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Internal Model: For loans whose value it has been determined should be based on collateral value, we use an internal proprietary distressed home price model. The internal model used in this process takes one of two approaches when valuing the collateral.

The first approach relies on comparable foreclosed property sales to estimate the value of the target collateral. The comparable foreclosed property sales approach uses various factors such as geographic distance, transaction time and the value difference. The second approach referred to as the median Metropolitan Statistical Area ("MSA") is based on the median of all the foreclosure sales of REOs in a specific MSA. Using this sales price, MSA level discount is computed and applied to the estimated non distressed value to derive an estimated fair value. If there are not enough REO sales in a specific MSA, a median state level foreclosure discount is used to estimate the fair value.

The majority of the internal model valuations come from the comparable sales approach. The determination of whether the internal model valuations in a particular geographic area should use the comparable sales approach or median MSA is based on historical accuracy. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Appraisals: For a portion of our multifamily loans, we use appraisals to estimate the fair value of the loan. There are three approaches used to estimate fair value of a specific property: (1) cost, (2) income capitalization and (3) sales comparison. The cost approach uses the insurable value as a basis. The unobservable inputs used in this model include the estimated cost to construct or replace multifamily properties in the closest localities available. The income capitalization approach estimates the fair value using the present value of the future cash flow expectations by applying an appropriate capitalization rate to the forecasted net operating income. The significant unobservable inputs used in this calculation include rental income, fees associated with rental income, expenses associated with the property including taxes, payroll, insurance and other items, and capitalization rates, which are determined through market extraction and the DSCR. The sales comparison approach compares the prices paid for similar properties, the prices asked by owners and offers made. The unobservable inputs to this methodology include ratios of sales prices to annual gross income, price paid per unit and adjustments made based on financing, conditions of sale and physical characteristics of the property. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Broker Price Opinion ("BPO"): For a portion of our multifamily loans, we use BPO to estimate the fair value of the loan. This technique uses both current property value and the property value adjusted for stabilization and market conditions. These approaches compute net operating income based on current rents and expenses and use a range of market capitalization rates to estimate property value. The unobservable inputs used in this technique are property net operating income and market capitalization rates to estimate property value. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Asset Manager Estimate ("AME"): For a portion of our multifamily loans, AME is used to estimate the fair value of the loan. This technique uses the net operating income and tax assessments of the specific property as well as MSA-specific market capitalization rates and average per unit sales values to estimate property fair value. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

An increase in prepayment speeds in isolation would generally result in an increase in the fair value of our mortgage loans classified as Level 3 of the valuation hierarchy, and an increase in severity rates, default rates or spreads in isolation would generally result in a decrease in fair value. Although the sensitivities of the fair value of mortgage loans classified as Level 3 of the valuation hierarchy to various unobservable inputs are discussed above in isolation, interrelationships exist among these inputs such that a change in one unobservable input typically results in a change to one or more of the other inputs.

Acquired Property, Net and Other Assets

Acquired property, net represents foreclosed property received in full satisfaction of a loan net of a valuation allowance. Acquired property is initially recorded in our consolidated balance sheets at its fair value less its estimated cost to sell. The initial fair value of foreclosed properties is determined using a hierarchy based on the reliability of available information. The hierarchy for single-family acquired property includes accepted offers, appraisals, broker price opinions and proprietary home price model values. The hierarchy for multifamily acquired property includes accepted offers, appraisals and broker price opinions. We consider an accepted offer on a specific foreclosed property to be the best estimate of its fair value. If we have not accepted an offer on the property we use the next highest priority valuation methodology available, as described in our valuation hierarchy to determine fair value. While accepted offers represent an agreement in principle to transact, a significant portion of these agreements do not get executed for various reasons, and are therefore classified as Level 3 of the valuation hierarchy.

Third-party valuations can be obtained from either an appraisal or a broker price opinion. These valuations are kept current using a monthly walk forward process that updates them for changes in market conditions. When accepted offers or third-party valuations are not available, we generally utilize the home price values determined using an internal model.

Subsequent to initial measurement, the foreclosed properties that we intend to sell are reported at the lower of the carrying amount or fair value less estimated costs to sell. Foreclosed properties classified as held for use, included in “Other assets” in our consolidated balance sheets, are depreciated and impaired when circumstances indicate that the carrying amount of the property is no longer recoverable. The fair values of our single-family foreclosed properties subsequent to initial measurement are determined using the same information hierarchy used for the initial fair value measurement.

The most commonly used techniques in our valuation of acquired property are proprietary home price model and third-party valuations (both current and walk forward). Based on the number of properties measured as of December 31, 2015, these methodologies comprised approximately 77% of our valuations, while accepted offers comprised approximately 18% of our valuations. Based on the number of properties measured as of December 31, 2014, these methodologies comprised approximately 77% of our valuations, while accepted offers comprised approximately 19% of our valuations.

Acquired property is classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

A description of our acquired property significant valuation techniques is as follows:

Single-family acquired property valuation techniques

Appraisal: An appraisal is an estimate of the value of a specific property by a certified or licensed appraiser, in accordance with the Uniform Standards of Professional Appraisal Practice. Data most commonly used is from the local Multiple Listing Service and includes properties currently listed for sale, properties under contract, and closed transactions. The appraiser performs an analysis that starts with these data points and then adjusts for differences between the comparable properties and the property being appraised, to arrive at an estimated value for the specific property. Adjustments are made for differences between comparable properties for unobservable inputs such as square footage, location, and condition of the property. The appraiser typically uses recent historical data for the estimate of value.

Broker Price Opinion: This technique provides an estimate of what the property is worth based upon a real estate broker’s knowledge. The broker uses research of pertinent data in the appropriate market, and a sales comparison approach that is similar to the appraisal process. The broker typically has insight into local market trends, such as the number of and terms of offers, lack of offers, increasing supply, shortage of inventory and overall interest in buying a home. This information, all of which is unobservable, is used along with recent and pending sales and current listings of similar properties to arrive at an estimate of value.

We review the appraisals and broker price opinions received to determine if they have been performed in accordance with applicable standards and if the results are consistent with our observed transactions on similar properties. We make necessary adjustments as required.

Appraisal and Broker Price Opinion Walk Forwards ("Walk Forwards"): We use these techniques to adjust appraisal and broker price opinion valuations for changing market conditions by applying a walk forward factor based on local price movements since the time the third-party value was obtained. The majority of third-party values are updated by comparing the difference in our internal home price model from the month of the original appraisal/broker price opinion to the current period and by applying the resulting percentage change to the original value. If a price is not determinable through our internal home price model, we use our zip code level home price index to update the valuations.

Internal Model: We use an internal model to estimate fair value for distressed properties. The valuation methodology and inputs used are described under "Mortgage Loans Held for Investment."

Multifamily acquired property valuation techniques

Appraisals: We use this method to estimate property values for distressed properties. The valuation methodology and inputs used are described under "Mortgage Loans Held for Investment."

Broker Price Opinions: We use this method to estimate property values for distressed properties. The valuation methodology and inputs used are described under "Mortgage Loans Held for Investment."

Derivatives Assets and Liabilities (collectively "Derivatives")

Derivatives are recorded in our consolidated balance sheets at fair value on a recurring basis. The valuation process for the majority of our risk management derivatives uses observable market data provided by third-party sources, resulting in Level 2 classification of the valuation hierarchy.

A description of our derivatives valuation techniques is as follows:

Internal Model: We use internal models to value interest rate swaps which are valued by referencing yield curves derived from observable interest rates and spreads to project and discount swap cash flows to present value. Option-based derivatives use an internal model that projects the probability of various levels of interest rates by referencing swaption volatilities provided by market makers/dealers. The projected cash flows of the underlying swaps of these option-based derivatives are discounted to present value using yield curves derived from observable interest rates and spreads.

Dealer Mark: Certain highly complex structured swaps primarily use a single dealer mark due to lack of transparency in the market and may be modeled using observable interest rates and volatility levels as well as significant unobservable assumptions, resulting in Level 3 classification of the valuation hierarchy. Mortgage commitment derivatives that use observable market data, quotes and actual transaction price levels adjusted for market movement are typically classified as Level 2 of the valuation hierarchy. To the extent mortgage commitment derivatives include adjustments for market movement that cannot be corroborated by observable market data, we classify them as Level 3 of the valuation hierarchy.

Debt

The majority of debt of Fannie Mae is recorded in our consolidated balance sheets at the principal amount outstanding, net of cost basis adjustments. We elected the fair value option for certain structured Fannie Mae debt instruments and debt of consolidated trusts with embedded derivatives, which are recorded in our consolidated balance sheets at fair value on a recurring basis.

We classify debt instruments that have quoted market prices in active markets for similar liabilities when traded as assets as Level 2 of the valuation hierarchy. For all valuation techniques used for debts instruments where there is limited activity or less transparency around these inputs to the valuation, these debt instruments are classified as Level 3 of the valuation hierarchy.

A description of our debt valuation techniques is as follows:

Consensus: We estimate the fair value of debt of Fannie Mae and our debt of consolidated trusts using an average of two or more vendor prices or dealer marks that represents estimated fair value for similar liabilities when traded as assets.

Single Vendor: We estimate the fair value of debt of Fannie Mae and our debt of consolidated trusts using a single vendor price that represents estimated fair value for these liabilities when traded as assets.

Discounted Cash Flow: In the absence of prices provided by third-party pricing services supported by observable market data, we estimate the fair value of a portion of the debt of Fannie Mae and our debt of consolidated trusts using a discounted cash flow technique that uses spreads based on market assumptions where available.

The valuation methodology and inputs used in estimating the fair value of MBS assets are described under "Trading Securities and Available-for-Sale Securities."

Valuation Control Processes

We have control processes that are designed to ensure that our fair value measurements are appropriate and reliable, that they are based on observable inputs wherever possible and that our valuation approaches are consistently applied and the assumptions used are reasonable. Our control processes consist of a framework that provides for a segregation of duties and oversight of our fair value methodologies and valuations, as well as validation procedures.

The Pricing and Verification Group, along with the Credit Valuation team, are responsible for the estimation and verification of the fair value for the majority of our financial assets and financial liabilities, including review of material assumptions used when market-based inputs do not exist. These groups also provide updates to the Finance Committee on relevant market information, pricing trends, significant valuation challenges and the resolution of those challenges. The Finance Committee assumed the responsibilities of the Valuation Oversight Committee ("VOC") during the fourth quarter of 2015. The Pricing and Verification Group, along with the Credit Valuation team, reside within our Finance Division and are independent of any trading or market related activities. Fair value measurements for acquired property and collateral dependent loans are determined by other valuation groups in the Finance Division.

Our Finance Committee includes senior representation from our Capital Markets segment, our Enterprise Risk Office and our Finance Division, and is responsible for reviewing and approving the methods used in valuing financial instruments for the purpose of financial reporting. The composition of the Finance Committee is set forth in its charter, which was approved by the Chief Executive Officer. Based on its review of valuation methodologies and fair value results for various financial instruments used for financial reporting, the Finance Committee has the ultimate responsibility over all valuation processes and results.

We use third-party vendor prices and dealer quotes to estimate fair value of some of our financial assets and liabilities. Third-party vendor prices are primarily used to estimate fair value for trading securities, available-for-sale securities, debt of Fannie Mae and consolidated MBS debt. Our Pricing and Verification Group performs various review and validation procedures prior to utilizing these prices in our fair value estimation process. We verify selected prices, using a variety of methods, including corroborating the prices by reference to other independent market data, such as non-binding broker or dealer quotations, relevant benchmark indices and prices of similar instruments. We also review prices for reasonableness based on variations from prices provided in previous periods, comparing prices to internally estimated prices, using primarily a discounted cash flow approach, and conducting relative value comparisons based on specific characteristics of securities.

We have discussions with the pricing vendors as part of our due diligence process in order to maintain a current understanding of the valuation processes and related assumptions and inputs that these vendors use in developing prices. The prices provided to us by third-party pricing services reflect the existence of market reliance upon credit enhancements, if any, and the current levels of liquidity in the marketplace. If we determine that a price provided to us is outside established parameters or in certain other circumstances, we will further examine the price, including having follow-up discussions with the pricing service or dealer. If we conclude that a price is not valid, we will adjust the price for various factors, such as liquidity, bid-ask spreads and credit considerations. All of these procedures are executed before we use the prices in preparing our financial statements.

Our Real Estate Property Valuation Group utilizes third-party appraisals and broker price opinions along with internal models and market data to compare the values received on a property and determine the valuation risk based on several factors including the deviation between the various values. The property valuation team reviews the valuations with higher valuation risk for reasonableness. The internal models utilized in the process are subject to oversight from the Model Risk Management Group, which is responsible for establishing risk management controls and for reviewing models used in the determination of fair value measurements for financial reporting. In addition, our Quality Control Group reviews the work performed and inspects a portion of the properties in major markets, for which the third-party valuations are obtained, in order to assess the quality of the valuations.

For fair value reporting purposes, we mark each property in inventory each month, incorporating the values assigned by the property valuation team along with other information including accepted offers and predictions from our proprietary distressed home price model.

We calibrate the performance of our proprietary distressed home price model using actual offers in recently observed transactions. The model's performance is reviewed on a monthly basis by the REO valuation team and compared quarterly to specific model performance thresholds. The results of the validation are regularly reviewed with the Finance Committee.

Our Real Estate Property Valuation Group reviews appraisals and broker price opinions to determine the most appropriate value by comparing data within these products with current comparable properties and market data. We conduct regular performance reviews of the counterparties that provide products and services for this process. In addition, valuation results and trend analyses are reviewed regularly by management responsible for valuing and disposing of real estate.

Fair Value of Financial Instruments

The following table displays the carrying value and estimated fair value of our financial instruments. The fair value of financial instruments we disclose includes commitments to purchase multifamily and single-family mortgage loans that we do not record in our consolidated balance sheets. The fair values of these commitments are included as "Mortgage loans held for investment, net of allowance for loan losses." The disclosure excludes all non-financial instruments; therefore, the fair value of our financial assets and liabilities does not represent the underlying fair value of our total consolidated assets and liabilities.

	As of December 31, 2015					
	Carrying Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment	Estimated Fair Value
	(Dollars in millions)					
Financial assets:						
Cash and cash equivalents and restricted cash	$ 45,553	$ 34,953	$ 10,600	$ —	$ —	$ 45,553
Federal funds sold and securities purchased under agreements to resell or similar arrangements	27,350	—	27,350	—	—	27,350
Trading securities	39,908	29,485	9,025	1,398	—	39,908
Available-for-sale securities	20,230	—	11,799	8,431	—	20,230
Mortgage loans held for sale	5,361	—	157	5,541	—	5,698
Mortgage loans held for investment, net of allowance for loan losses:						
Of Fannie Mae	206,544	—	26,544	193,670	—	220,214
Of consolidated trusts	2,807,739	—	2,675,982	157,685	—	2,833,667
Mortgage loans held for investment	3,014,283	—	2,702,526	351,355	—	3,053,881
Advances to lenders	4,308	—	3,902	394	—	4,296
Derivative assets at fair value	894	—	4,729	189	(4,024)	894
Guaranty assets and buy-ups	184	—	—	544	—	544
Total financial assets	$3,158,071	$ 64,438	$2,770,088	$ 367,852	$ (4,024)	$ 3,198,354
Financial liabilities:						
Federal funds purchased and securities sold under agreements to repurchase	$ 62	$ —	$ 62	$ —	$ —	$ 62
Short-term debt:						
Of Fannie Mae	71,007	—	71,006	—	—	71,006
Of consolidated trusts	943	—	—	944	—	944
Long-term debt:						
Of Fannie Mae	315,128	—	324,248	898	—	325,146
Of consolidated trusts	2,810,593	—	2,819,733	27,175	—	2,846,908
Derivative liabilities at fair value	424	—	9,042	32	(8,650)	424
Guaranty obligations	329	—	—	1,012	—	1,012
Total financial liabilities	$3,198,486	$ —	$3,224,091	$ 30,061	$ (8,650)	$ 3,245,502

	December 31, 2014					
	Carrying Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment	Estimated Fair Value
	(Dollars in millions)					
Financial assets:						
Cash and cash equivalents and restricted cash	$ 54,565	$ 37,965	$ 16,600	$ —	$ —	$ 54,565
Federal funds sold and securities purchased under agreements to resell or similar arrangements	30,950	—	30,950	—	—	30,950
Trading securities	31,504	19,466	9,008	3,030	—	31,504
Available-for-sale securities	30,654	—	15,574	15,080	—	30,654
Mortgage loans held for sale	331	—	169	169	—	338
Mortgage loans held for investment, net of allowance for loan losses:						
Of Fannie Mae	239,243	—	29,896	217,064	—	246,960
Of consolidated trusts	2,779,920	—	2,657,863	183,263	—	2,841,126
Mortgage loans held for investment	3,019,163	—	2,687,759	400,327	—	3,088,086
Advances to lenders	5,559	—	5,079	470	—	5,549
Derivative assets at fair value	1,485	—	6,489	182	(5,186)	1,485
Guaranty assets and buy-ups	210	—	—	616	—	616
Total financial assets	$3,174,421	$ 57,431	$2,771,628	$ 419,874	$ (5,186)	$3,243,747
Financial liabilities:						
Federal funds purchased and securities sold under agreements to repurchase	$ 50	$ —	$ 50	$ —	$ —	$ 50
Short-term debt:						
Of Fannie Mae	105,012	—	105,022	—	—	105,022
Of consolidated trusts	1,560	—	—	1,560	—	1,560
Long-term debt:						
Of Fannie Mae	355,431	—	367,703	982	—	368,685
Of consolidated trusts	2,760,152	—	2,815,843	19,334	—	2,835,177
Derivative liabilities at fair value	614	—	10,671	137	(10,194)	614
Guaranty obligations	382	—	—	1,579	—	1,579
Total financial liabilities	$3,223,201	$ —	$3,299,289	$ 23,592	$ (10,194)	$3,312,687

Financial Instruments for which fair value approximates carrying value—We hold certain financial instruments that are not carried at fair value but for which the carrying value approximates fair value due to the short-term nature and negligible credit risk inherent in them. These financial instruments include cash and cash equivalents, the majority of advances to lenders, and federal funds and securities sold/purchased under agreements to repurchase/resell.

Federal funds and securities sold/purchased under agreements to repurchase/resell—The carrying value for the majority of these specific instruments approximates the fair value due to the short-term nature and the negligible inherent credit risk, as they involve the exchange of collateral that is easily traded. Were we to calculate the fair value of these instruments we would use observable inputs resulting in Level 2 classification.

Mortgage Loans Held for Sale—Loans are reported at the lower of cost or fair value in our consolidated balance sheets. The valuation methodology and inputs used in estimating the fair value of HFS loans are the same as for our HFI loans and are described under “Fair Value Measurement—Mortgage Loans Held for Investment.” These loans are classified as Level 2 of the valuation hierarchy to the extent that significant inputs are observable. To the extent that significant inputs are unobservable, the loans are classified within Level 3 of the valuation hierarchy.

HARP Loans—We measure the fair value of loans that are delivered under the Home Affordable Refinance Program (“HARP”) using a modified build-up approach while the loan is performing. Under this modified approach, we set the credit component of the consolidated loans (that is, the guaranty obligation) equal to the compensation we would currently receive for a loan delivered to us under the program because the total compensation for these loans is equal to their current exit price in the GSE securitization market. For a description of the build-up valuation methodology, refer to “Fair Value Measurement—Mortgage Loans Held for Investment.” We will continue to use this pricing methodology as long as the HARP program is available to market participants. If, subsequent to delivery, the refinanced loan becomes past due or is modified as a part of a troubled debt restructuring, the fair value of the guaranty obligation is then measured consistent with other loans that have similar characteristics.

The total compensation that we receive for the delivery of a HARP loan reflects the pricing that we are willing to offer because HARP is a part of a broader government program intended to provide assistance to homeowners and prevent foreclosures. If these benefits were not reflected in the pricing for these loans (that is, if the loans were valued using our standard build-up approach), the fair value disclosed in the table above would be lower by $1.1 billion as of December 31, 2015 and $3.3 billion as of December 31, 2014. The total fair value of our mortgage loans that have been refinanced under HARP as presented in the table above was $282.0 billion and $314.0 billion as of December 31, 2015 and 2014, respectively.

Advances to Lenders—The carrying value for the majority of our advances to lenders approximates fair value due to the short-term nature and the negligible inherent credit risk. If we were to calculate the fair value of these instruments we would use discounted cash flow models that use observable inputs such as spreads based on market assumptions, resulting in Level 2 classification.

Advances to lenders also include loans for which the carrying value does not approximate fair value. These loans do not qualify for Fannie Mae MBS securitization and are valued using market-based techniques including credit spreads, severities and prepayment speeds for similar loans, through third-party pricing services or through a model approach incorporating both interest rate and credit risk simulating a loan sale via a synthetic structure. We classify these valuations as Level 3 given that significant inputs are not observable or are determined by extrapolation of observable inputs.

Guaranty Assets and Buy-ups—Guaranty assets related to our portfolio securitizations are recorded in our consolidated balance sheets at fair value on a recurring basis and are classified as Level 3. Guaranty assets in lender swap transactions are recorded in our consolidated balance sheets at the lower of cost or fair value. These assets, which are measured at fair value on a nonrecurring basis, are also classified as Level 3.

We estimate the fair value of guaranty assets based on the present value of expected future cash flows of the underlying mortgage assets using management’s best estimate of certain key assumptions, which include prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved. These cash flows are projected using proprietary prepayment, interest rate and credit risk models. Because guaranty assets are like an interest-only income stream, the projected cash flows from our guaranty assets are discounted using one-month LIBOR plus an option-adjusted spread that is calibrated using a representative sample of interest-only swaps that reference Fannie Mae MBS. We believe the remitted fee income is less liquid than interest-only swaps and more like an excess servicing strip. Therefore, we take a further discount of the present value for these liquidity considerations. This discount is based on market quotes from third-party pricing services.

The fair value of the guaranty assets includes the fair value of any associated buy-ups.

Guaranty Obligations—The fair value of all guaranty obligations, measured subsequent to their initial recognition, is our estimate of a hypothetical transaction price we would receive if we were to issue our guaranty to an unrelated party in a standalone arm’s-length transaction at the measurement date. These obligations are classified as Level 3. The valuation methodology and inputs used in estimating the fair value of the guaranty obligations are described under “Fair Value Measurement—Mortgage Loans Held for Investment—Build-up.”

Fair Value Option

We elected the fair value option for our credit risk sharing debt securities issued under our CAS series and certain loans that contain embedded derivatives that would otherwise require bifurcation. Under the fair value option, we elected to carry these instruments at fair value instead of bifurcating the embedded derivative from such instruments.

We elected the fair value option for all long-term structured debt instruments that are issued in response to specific investor demand and have interest rates that are based on a calculated index or formula and are economically hedged with derivatives at the time of issuance. By electing the fair value option for these instruments, we are able to eliminate the volatility in our results of operations that would otherwise result from the accounting asymmetry created by recording these structured debt instruments at cost while recording the related derivatives at fair value.

We elected the fair value option for the financial assets and liabilities of the consolidated senior-subordinate trust structures. By electing the fair value option for these instruments, we are able to eliminate the volatility in our results of operations that would otherwise result from different accounting treatment between loans at cost and debt at cost.

Interest income for the mortgage loans is recorded in “Interest income—Mortgage loans” and interest expense for the debt instruments is recorded in “Interest expense—Long-term debt” in our consolidated statements of operations and comprehensive income.

The following table displays the fair value and unpaid principal balance of the financial instruments for which we have made fair value elections.

	As of December 31,					
	2015			2014		
	Loans[(1)]	Long-Term Debt of Fannie Mae	Long-Term Debt of Consolidated Trusts	Loans[(1)]	Long-Term Debt of Fannie Mae	Long-Term Debt of Consolidated Trusts
	(Dollars in millions)					
Fair value	$ 14,075	$ 11,133	$ 23,609	$ 15,629	$ 6,403	$ 19,483
Unpaid principal balance	13,661	11,263	21,604	15,001	6,512	17,810

(1) Includes nonaccrual loans with a fair value of $238 million and $240 million as of December 31, 2015 and 2014, respectively. The difference between unpaid principal balance and the fair value of these nonaccrual loans as of December 31, 2015 and 2014 is $59 million and $75 million, respectively. Includes loans that are 90 days or more past due with a fair value of $256 million and $271 million as of December 31, 2015 and 2014, respectively. The difference between unpaid principal balance and the fair value of these 90 or more days past due loans as of December 31, 2015 and 2014 is $52 million and $78 million, respectively.

Changes in Fair Value under the Fair Value Option Election

The following table displays fair value gains and losses, net, including changes attributable to instrument-specific credit risk, for loans and debt for which the fair value election was made. Amounts are recorded as a component of “Fair value gains (losses), net” in our consolidated statements of operations and comprehensive income.

	For the Year Ended December 31,								
	2015			2014			2013		
	Loans	Long-Term Debt	Total Gains (Losses)	Loans	Long-Term Debt	Total Gains (Losses)	Loans	Long-Term Debt	Total Gains (Losses)
	(Dollars in millions)								
Changes in instrument-specific credit risk	$ 86	$ 39	$ 125	$ 60	$ 216	$ 276	$ (142)	$ (31)	$ (173)
Other changes in fair value	(191)	146	(45)	670	(505)	165	(730)	346	(384)
Fair value gains (losses), net	$ (105)	$ 185	$ 80	$ 730	$ (289)	$ 441	$ (872)	$ 315	$ (557)

In determining the changes in the instrument-specific credit risk for loans, the changes in the associated credit-related components of these loans, primarily the guaranty obligation, were taken into consideration with the change in the fair value of the loans for which we elected the fair value option for financial instruments. In determining the changes in the instrument-specific credit risk for debt, the changes in Fannie Mae debt spreads to LIBOR that occurred during the period were taken into consideration with the change in the fair value of the debt for which we elected the fair value option for financial instruments. Specifically, cash flows are evaluated taking into consideration any derivatives through which Fannie Mae has swapped out of the structured features of the notes and thus created a floating-rate LIBOR-based debt instrument. The change in value of these LIBOR-based cash flows based on the Fannie Mae yield curve at the beginning and end of the period represents the instrument-specific credit risk.

18. Commitments and Contingencies

We are party to various types of legal actions and proceedings, including actions brought on behalf of various classes of claimants. We also are subject to regulatory examinations, inquiries and investigations, and other information gathering requests. In some of the matters, indeterminate amounts are sought. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. This variability in pleadings, together with our and our counsel's actual experience in litigating or settling claims, leads us to conclude that the monetary relief that may be sought by plaintiffs bears little relevance to the merits or disposition value of claims.

On a quarterly basis, we review relevant information about all pending legal actions and proceedings for the purpose of evaluating and revising our contingencies, accruals and disclosures.

We have substantial and valid defenses to the claims in the proceedings described below and intend to defend these matters vigorously. However, legal actions and proceedings of all types are subject to many uncertain factors that generally cannot be predicted with assurance. Accordingly, the outcome of any given matter and the amount or range of potential loss at particular points in time is frequently difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how courts will apply the law. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel may view the evidence and applicable law.

We establish an accrual for matters when a loss is probable and we can reasonably estimate the amount of such loss. For legal actions or proceedings where there is only a reasonable possibility that a loss may be incurred, or where we are not currently able to estimate the reasonably possible loss or range of loss, we do not establish an accrual. We are often unable to estimate the possible losses or ranges of losses, particularly for proceedings that are in their early stages of development, where plaintiffs seek indeterminate or unspecified damages, where there may be novel or unsettled legal questions relevant to the proceedings, or where settlement negotiations have not occurred or progressed.

Given the uncertainties involved in any action or proceeding, regardless of whether we have established an accrual, the ultimate resolution of certain of these matters may be material to our operating results for a particular period, depending on, among other factors, the size of the loss or liability imposed and the level of our net income or loss for that period.

In addition to the matters specifically described below, we are involved in a number of legal and regulatory proceedings that arise in the ordinary course of business that we do not expect will have a material impact on our business or financial condition. We have also advanced fees and expenses of certain current and former officers and directors in connection with various legal proceedings pursuant to our bylaws and indemnification agreements.

<u>Senior Preferred Stock Purchase Agreements Litigation</u>

A number of putative class action lawsuits were filed in the U.S. District Court for the District of Columbia against us, FHFA as our conservator, Treasury and Freddie Mac from July through September 2013 by shareholders of Fannie Mae and/or Freddie Mac challenging the August 2012 amendment to each company's senior preferred stock purchase agreement with Treasury. These lawsuits were consolidated and, on December 3, 2013, plaintiffs (preferred and common shareholders of Fannie Mae and/or Freddie Mac) filed a consolidated class action complaint in the U.S. District Court for the District of Columbia against us, FHFA as our conservator, Treasury and Freddie Mac ("*In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations*"). The preferred shareholder plaintiffs allege that the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to the August 2012 amendments to the senior preferred stock purchase agreements nullified certain of the shareholders' rights, particularly the right to receive dividends. The common shareholder plaintiffs allege that the August 2012 amendments constituted a taking of their property by requiring that all future profits of Fannie Mae and Freddie Mac be paid to Treasury. Plaintiffs allege claims for breach of contract and breach of the implied covenant of good faith and fair dealing against us, FHFA and Freddie Mac, a takings claim against FHFA and Treasury, and a breach of fiduciary duty claim derivatively on our and Freddie Mac's behalf against FHFA and Treasury. Plaintiffs seek to represent several classes of preferred and/or common shareholders of Fannie Mae and/or Freddie Mac who held stock as of the public announcement of the August 2012 amendments. Plaintiffs seek unspecified damages, equitable and injunctive relief, and costs and expenses, including attorneys' fees.

A non-class action suit, *Arrowood Indemnity Company v. Fannie Mae*, was filed in the U.S. District Court for the District of Columbia on September 20, 2013 by preferred shareholders against us, FHFA as our conservator, the Director of FHFA (in his official capacity), Treasury, the Secretary of the Treasury (in his official capacity) and Freddie Mac. Plaintiffs bring claims for breach of contract and breach of the implied covenant of good faith and fair dealing against us, FHFA and Freddie Mac, and claims for violation of the Administrative Procedure Act against the FHFA and Treasury defendants, alleging that the net worth sweep provisions nullified certain rights of the preferred shareholders, particularly the right to receive dividends. Plaintiffs seek damages, equitable and injunctive relief, and costs and expenses, including attorneys' fees.

On September 30, 2014, the court dismissed both lawsuits and plaintiffs in both suits filed timely notices of appeal. On October 27, 2014, the U.S. Court of Appeals for the D.C. Circuit consolidated these appeals with appeals in two other cases involving the same subject matter, but to which we are not a party.

Given the stage of these lawsuits, the substantial and novel legal questions that remain, and our substantial defenses, we are currently unable to estimate the reasonably possible loss or range of loss arising from this litigation.

Unconditional Purchase and Lease Commitments

We have unconditional commitments related to the purchase of loans and mortgage-related securities. These include both on- and off-balance sheet commitments. A portion of these have been recorded as derivatives in our consolidated balance sheets.

We lease certain premises and equipment under agreements that expire at various dates through 2033. Some of these leases provide for payment by the lessee of property taxes, insurance premiums, cost of maintenance and other costs. Rental expenses for operating leases were $47 million, $43 million and $41 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The following table summarizes by remaining maturity, non-cancelable future commitments related to loan and mortgage purchases, operating leases and other agreements.

	As of December 31, 2015		
	Loans and Mortgage-Related Securities[1]	Operating Leases[2]	Other[3]
	(Dollars in millions)		
2016	$ 58,715	$ 44	$ 59
2017	—	46	15
2018	—	32	11
2019	—	49	5
2020	—	53	4
Thereafter	—	718	—
Total	$ 58,715	$ 942	$ 94

(1) Primarily includes $58.5 billion that has been accounted for as mortgage commitment derivatives.

(2) Includes amounts related to office buildings and equipment leases.

(3) Includes purchase commitments for certain telecommunications services, computer software and services, and other agreements and commitments.

19. Selected Quarterly Financial Information (Unaudited)

The consolidated statements of operations for the quarterly periods in 2015 and 2014 are unaudited and in the opinion of management include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our consolidated statements of operations. Certain prior period amounts have been reclassified to conform to the current period presentation. The operating results for the interim periods are not necessarily indicative of the operating results to be expected for a full year or for other interim periods.

	For the 2015 Quarter Ended			
	March 31	June 30	September 30	December 31
	(Dollars and shares in millions, except per share amounts)			
Interest income:				
Trading securities	$ 115	$ 116	$ 99	$ 114
Available-for-sale securities	376	294	261	225
Mortgage loans	27,044	26,682	26,980	26,993
Other	33	34	37	39
Total interest income	27,568	27,126	27,377	27,371
Interest expense:				
Short-term debt	29	33	37	47
Long-term debt	22,472	21,416	21,752	22,247
Total interest expense	22,501	21,449	21,789	22,294
Net interest income	5,067	5,677	5,588	5,077
Benefit (provision) for credit losses	533	(1,033)	1,550	(255)
Net interest income after benefit (provision) for credit losses	5,600	4,644	7,138	4,822
Investment gains, net	342	514	299	181
Fair value gains (losses), net	(1,919)	2,606	(2,589)	135
Fee and other income	308	556	259	225
Non-interest income (loss)	(1,269)	3,676	(2,031)	541
Administrative expenses:				
Salaries and employee benefits	351	331	317	320
Professional services	271	251	219	243
Occupancy expenses	43	43	43	53
Other administrative expenses	58	64	373	70
Total administrative expenses	723	689	952	686
Foreclosed property expense	473	182	497	477
TCCA fees	382	397	413	429
Other expenses (income), net	(5)	202	215	201
Total expenses	1,573	1,470	2,077	1,793
Income before federal income taxes	2,758	6,850	3,030	3,570
Provision for federal income taxes	(870)	(2,210)	(1,070)	(1,103)
Net income	1,888	4,640	1,960	2,467
Less: Net income attributable to noncontrolling interest	—	—	—	(1)
Net income attributable to Fannie Mae	1,888	4,640	1,960	2,466
Dividends distributed or available for distribution to senior preferred stockholder	(1,796)	(4,359)	(2,202)	(2,859)
Net income (loss) attributable to common stockholders (Note 11)	$ 92	$ 281	$ (242)	$ (393)
Earnings (loss) per share:				
Basic and Diluted	$ 0.02	$ 0.05	$ (0.04)	$ (0.07)
Weighted-average common shares outstanding:				
Basic	5,762	5,762	5,762	5,762
Diluted	5,893	5,893	5,762	5,762

	For the 2014 Quarter Ended			
	March 31	June 30	September 30	December 31
	(Dollars and shares in millions, except per share amounts)			
Interest income:				
Trading securities	$ 127	$ 143	$ 151	$ 132
Available-for-sale securities	440	414	395	373
Mortgage loans	28,588	28,165	27,779	27,588
Other	24	24	29	33
Total interest income	29,179	28,746	28,354	28,126
Interest expense:				
Short-term debt	20	21	26	27
Long-term debt	24,421	23,821	23,144	22,957
Total interest expense	24,441	23,842	23,170	22,984
Net interest income	4,738	4,904	5,184	5,142
Benefit for credit losses	774	1,639	1,085	466
Net interest income after benefit for credit losses	5,512	6,543	6,269	5,608
Investment gains, net	95	483	171	187
Fair value losses, net	(1,190)	(934)	(207)	(2,502)
Fee and other income	4,355	383	826	323
Non-interest income (loss)	3,260	(68)	790	(1,992)
Administrative expenses:				
Salaries and employee benefits	325	319	337	340
Professional services	242	275	263	296
Occupancy expenses	50	47	47	59
Other administrative expenses	55	56	59	7
Total administrative expenses	672	697	706	702
Foreclosed property expense (income)	(262)	(214)	249	369
TCCA fees	322	335	351	367
Other expenses, net	131	238	61	48
Total expenses	863	1,056	1,367	1,486
Income before federal income taxes	7,909	5,419	5,692	2,130
Provision for federal income taxes	(2,584)	(1,752)	(1,787)	(818)
Net income	5,325	3,667	3,905	1,312
Less: Net income attributable to noncontrolling interest	—	(1)	—	—
Net income attributable to Fannie Mae	5,325	3,666	3,905	1,312
Dividends distributed or available for distribution to senior preferred stockholder	(5,692)	(3,712)	(3,999)	(1,920)
Net loss attributable to common stockholders (Note 11)	$ (367)	$ (46)	$ (94)	$ (608)
Loss per share:				
Basic and Diluted	$ (0.06)	$ (0.01)	$ (0.02)	$ (0.11)
Weighted-average common shares outstanding:				
Basic and Diluted	5,762	5,762	5,762	5,762

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