



FEDERAL HOUSING FINANCE AGENCY
Office of the Director

February 7, 2018

Mr. Timothy Mayopoulos
President and Chief Executive Officer
Federal National Mortgage Association
3900 Wisconsin Avenue, NW
Washington, D.C. 20016-2892

Dear Mr. Mayopolous:

This letter supplements my letter to you of December 11, 2014 about the allocation for transfer and transfer of funds to the Housing Trust Fund and Capital Magnet Fund.

As I stated in my December 11, 2014 letter, my decision to exercise discretion regarding the reinstatement of contributions to the affordable housing funds related solely to whether “contributions to these Funds would cause financial instability and is not a finding for any other purpose.” While the enactment of the Tax Cuts and Jobs Act of 2017, PL 115-97 (2017), requires Fannie Mae to re-measure its net deferred tax asset using the new law’s lower corporate tax rate which will trigger a one-time charge through the provision for federal income taxes and will likely require a draw under the Senior Preferred Stock Purchase Agreement (PSPA), I do not consider this one-time event to relate to any financial instability on the part of the Enterprise either now or in the future. Indeed, between my December 11, 2014 letter and the enactment of the new tax law Fannie Mae has consistently generated profits that enabled the Enterprise to declare dividends totaling \$31.9 billion under the terms of the PSPA, and the reduction in the corporate tax rate under the new tax law is expected to increase the Enterprise’s net income in the future after the one-time charge is taken.

Consistent with my December 11, 2014 letter, you are directed to proceed with the transfer of allocated funds to the Housing Trust Fund and Capital Magnet Fund for fiscal year 2017 employing existing procedures and after providing the certification required for this purpose. Please contact me if you have any questions regarding this matter.

Sincerely,

Melvin L. Watt

cc: Bob Ryan
Alfred Pollard