Federal Housing Finance Agency

Conservator's Report
on the Enterprises' Financial Performance

Third Quarter 2011

Contents

The purpose of this report is to provide an overview of key aspects of the financial condition of Fannie Mae and Freddie Mac (the Enterprises) during conservatorship. The data in this report are derived primarily from the Enterprises' SEC filings and other publicly available sources. In some cases, FHFA adjusted the classification of certain data to provide comparability between the Enterprises. In other cases, the Enterprises' reporting methodologies changed over time. Therefore, the data in this report may not exactly match published figures.

Executive Summary

Mortgage Markets and the Enterprises' Market Presence

Mortgage originations in 2011 are on pace to be below 2010 levels as home purchase activity remains weak, despite low mortgage rates during 2011. More than half of all mortgage originations this year are due to refinance volume. The Enterprises continue to dominate the MBS issuance market accounting for 71 percent market share.

Credit Quality of New Single-Family Business

The quality of new business remained high year-to-date 3Q11, as evidenced by average FICO credit scores greater than 750. Both Enterprises have experienced a slight uptick in new business with LTVs greater than 90 percent. This is due primarily to activity related to Enterprise refinance programs (including the Home Affordable Refinance Program) that support improving the housing market.

Capital

Combined Treasury support as a result of poor financial performance in the third quarter of 2011 was $13.8 billion. The Single-Family Credit Guarantee segment continues to drive losses as credit-related expenses remain high. The Investments segment results were also weak in the third quarter of 2011, partly due to derivative losses arising from a significant decline in swap rates. The Single-Family Credit Guarantee segment and senior preferred dividends have been the main drivers of charges against capital since the end of 2007.

Single-Family Credit Guarantee Segment Results

Credit-related expenses continue to drive Single-Family Credit Guarantee segment financial results for the Enterprises. Enterprise combined revenue for this segment of $7 billion year-to-date was not enough to offset the $32 billion in credit-related expenses. Credit-related expenses continue to be driven by the provision for credit losses due to factors such as home price deterioration and an aging delinquent loan population.

Investments and Capital Markets Segment Results

The Investments and Capital Markets segment has been a positive contributor to capital year-to-date 2011. Funding costs remain low as a result of the interest rate environment contributing primarily to $16 billion in total revenue for this segment year-to-date. Revenue more than offset losses on derivatives and other expenses.

Loss Mitigation Activity

Since conservatorship, the Enterprises have completed nearly 2 million foreclosure prevention actions. More than one million of these actions have been permanent loan modifications and another 676,500 have been other forms of assistance that have allowed homeowners to retain homeownership. Approximately 269,700 of the actions have been short sales and deeds-in-lieu, which resulted in households leaving their homes but without going through the foreclosure process.

Projections of Financial Performance

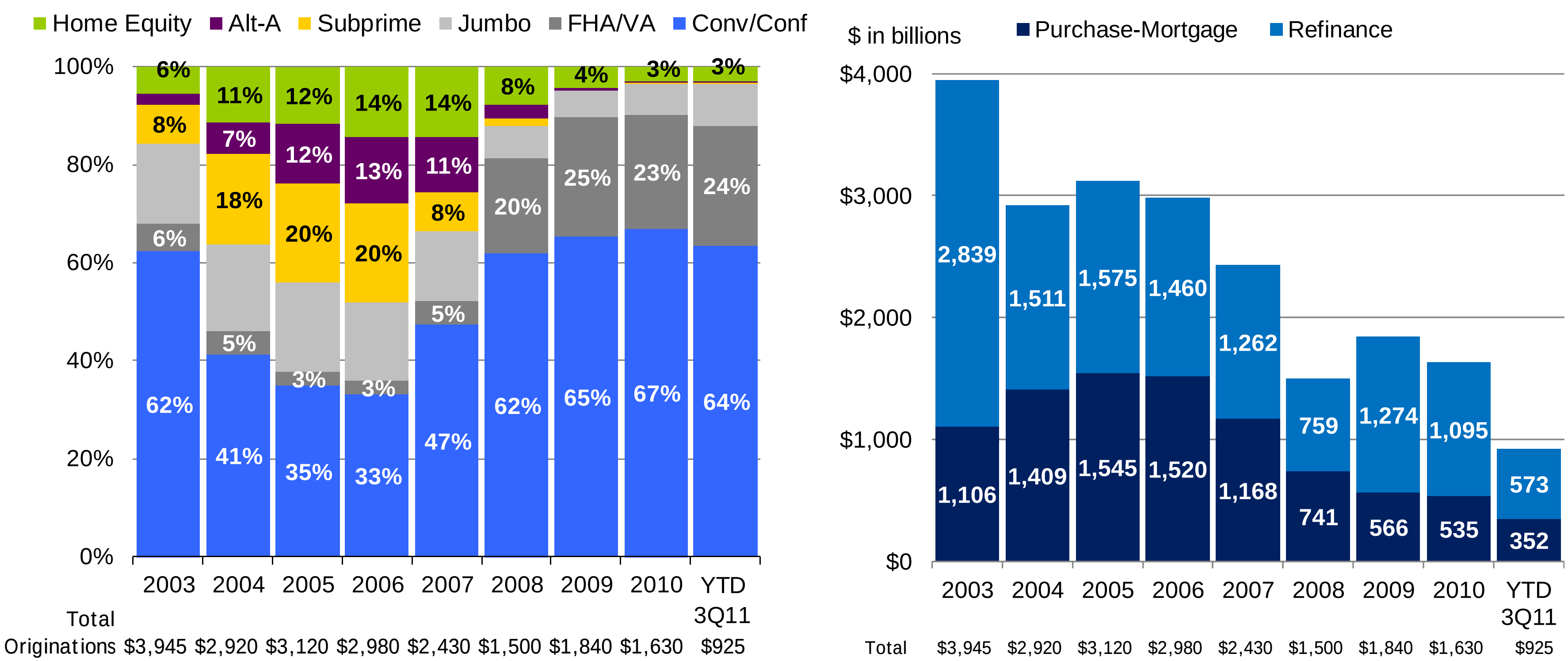
The projected combined Treasury draws for the third quarter of 2011 ranged from $16 billion to $23 billion. This compares to an actual combined draw of approximately $13.8 billion. The primary driver of the difference between actual and projected performance was lower than projected credit-related expenses at Fannie Mae as a result of reduced provisioning for credit losses. A key driver of reduced provisioning for credit losses was lower delinquencies and higher expected prepayments due to the continued lower rate environment.

1 Mortgage Markets and the Enterprises' Market Presence

1.1 Primary Mortgage Market Trends—Mortgage Originations

- Mortgage originations year-to-date of $925 billion are on pace to be below 2010 levels despite lower mortgage rates. Refinance volume continues to account for the majority of mortgage originations. Annualized home purchase activity in 2011 is at the lowest reported level since 2003.

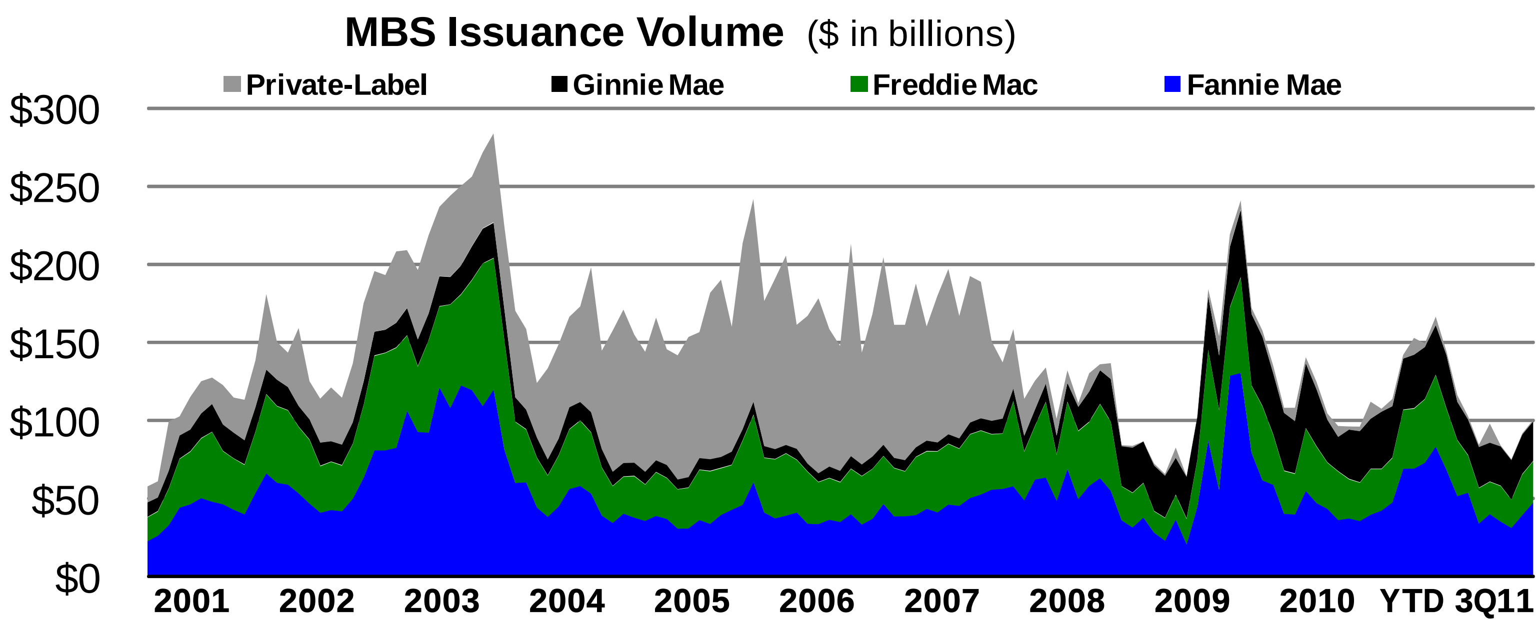
Figure 1.1 Mortgage Originations by Product Type *($ in billions)*



1.2 Secondary Mortgage Market Trends—Mortgage-Backed Securities Issued

- The Enterprises' market share of mortgage-backed securities (MBS) issuances through 3Q11 rose slightly to 71 percent, while Ginnie Mae's market presence remained unchanged. The Enterprises and Ginnie Mae continued to account for almost all issuances of mortgage-backed securities.

Figure 1.2 Enterprises' Market Share – MBS Issuance Volume



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	YTD 3Q11
Enterprises	67%	68%	70%	47%	41%	40%	58%	73%	72%	70%	71%
Ginnie Mae	13%	9%	8%	7%	4%	4%	5%	22%	25%	26%	26%
Total Agency	80%	77%	78%	54%	45%	44%	63%	95%	97%	96%	97%

Sources:
Inside Mortgage Finance, Inside MBS & ABS, Enterprises' Monthly Volume Summaries.
Issuance figures exclude MBS issued backed by assets previously held in the Enterprises' portfolios.

2 Credit Quality of New Single-Family Business

2.1 Credit Characteristics of the Enterprises' New Single-Family Business

- The credit quality of new Single-Family business remained high year-to-date 3Q11. Purchases of non-traditional and higher-risk mortgages were very low and the average FICO credit score was over 750 at both Enterprises. The increase in the percentage of new business with LTVs greater than 90 percent primarily relates to the Enterprises' refinance programs, including the Home Affordable Refinance Program.

Figure 2.1 Characteristics of Single-Family Mortgage Acquisitions

Percent of New Single-Family Business[1]
(Categories overlap and are not additive)

	Fannie Mae						Freddie Mac					
	2006	2007	2008	2009	2010	YTD 3Q11	2006	2007	2008	2009	2010	YTD 3Q11
Alt-A[2]	22%	17%	3%	0%	1%	1%	18%	22%	7%	0%	0%	0%
Interest-Only	15%	15%	6%	1%	1%	1%	17%	21%	6%	0%	0%	0%
Credit Score <620	6%	6%	3%	0%	0%	1%	5%	6%	3%	1%	1%	1%
LTV >90 Percent	10%	16%	10%	4%	7%	10%	6%	11%	9%	4%	9%	12%
Average LTV	73%	75%	72%	67%	68%	70%	73%	74%	71%	67%	69%	71%
Average Credit Score	716	716	738	761	762	760	720	718	734	756	755	753

Notes
[1] New business is defined as issuance of MBS/PC plus purchases of whole loans and does not include purchases of mortgage-related securities.
[2] Refer to sources for Alt-A definitions. Freddie Mac's 2010 figures include Alt-A purchases of $1.5 billion due to a long-term standby commitment termination and a subsequent PC issuance. There was no change to the Alt-A exposure on these mortgages as a result of these transactions. Fannie Mae newly originated Alt-A loans acquired in 2009 through 2011 consist of the refinancing of existing loans.

Sources:
Enterprises' Forms 10-K and 10-Q, credit supplements to SEC disclosures, and management reports.

2.2 Performance of Non-Traditional and Higher-Risk Mortgages (mostly purchased pre-conservatorship)

- Enterprise single-family serious delinquency rates (SDQ) remain high, despite a downward trend since 4Q09. The number of delinquent loans in 2011 remains elevated partly from a slowdown in SDQ outflows due to delays in foreclosure processing. Non-traditional and higher-risk mortgages, which account for a relatively small portion of the credit guarantee portfolios, continue to show substantially higher serious delinquency rates than traditional mortgages.

Figure 2.2 Single-Family Serious Delinquency Rates

	Fannie Mae					Freddie Mac				
	4Q07	**4Q08**	**4Q09**	**4Q10**	**3Q11**	**4Q07**	**4Q08**	**4Q09**	**4Q10**	**3Q11**
Product Type[1]										
Alt-A	2.2%	7.0%	15.6%	13.9%	12.7%	1.9%	5.6%	12.3%	12.2%	11.8%
Interest-Only	2.0%	8.4%	20.2%	17.9%	15.7%	2.0%	7.6%	17.6%	18.4%	17.7%
Credit Score										
<620	4.7%	9.0%	18.2%	14.6%	13.6%	3.4%	7.8%	14.9%	13.9%	12.7%
Loan-to-Value Ratio										
>90 Percent	3.0%	6.3%	13.1%	10.0%	8.4%	1.9%	4.8%	9.1%	7.8%	6.7%
Risk-Layering										
Credit score <620 & LTV >90 Percent	8.6%	16.0%	28.0%	21.4%	19.0%	5.4%	11.5%	19.0%	17.1%	15.2%
Total Single-Family	1.0%	2.4%	5.4%	4.5%	4.0%	0.7%	1.8%	4.0%	3.8%	3.5%

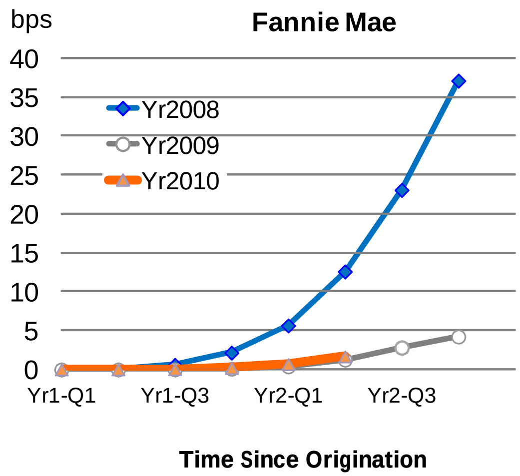
Notes
[1] Loans with multiple product features may be in more than one category. Refer to sources for Alt-A definition.

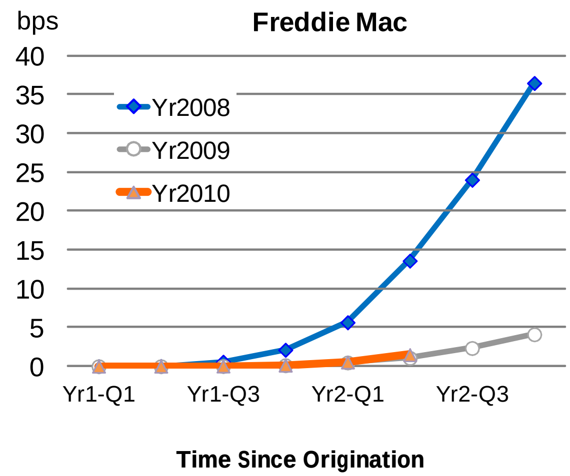
Sources:
Enterprises' Forms 10-K and 10-Q, credit supplements to SEC disclosures, and management reports.

2.3 Performance of Post-Conservatorship Business

- While not necessarily indicative of the ultimate performance, the improved credit characteristics of the new post-conservatorship business is reflected in substantially lower cumulative default rates for the 2009 and 2010 vintages compared to the years leading up to conservatorship.

Figure 2.3 Cumulative Default Rate by Origination Year





Fannie Mae[1]

Vintage	Yr1Q4	Yr 2Q4
2002	0.4	9.5
2003	0.4	7.1
2004	0.7	11.6
2005	0.7	14.0
2006	1.3	37.4
2007	3.0	78.9
2008	2.2	37.1
2009	0.1	4.2
2010	0.2	N/A

Freddie Mac[2]

Vintage	Yr1Q4	Yr2Q4
2002	0.3	7.7
2003	0.2	3.7
2004	0.4	5.2
2005	0.2	6.3
2006	0.6	25.2
2007	2.3	63.4
2008	2.1	36.4
2009	0.1	4.0
2010	0.1	N/A

Source:
Enterprises' quarterly credit supplements.

Notes
[1] Defaults include loan liquidations other than through voluntary pay-off or repurchase by lenders and include loan foreclosures, preforeclosure sales, sales to third parties and deeds-in-lieu of foreclosure. Cumulative Default Rate is the total number of single-family conventional loans in the guarantee book of business originated in the identified year that have defaulted, divided by the total number of single-family conventional loans in Fannie Mae's guarantee book of business originated in the identified year.
[2] Rates are calculated for each year of origination as the number of loans that have proceeded to foreclosure transfer or short sale and resulted in a credit loss, excluding any subsequent recoveries, divided by the number of loans in Freddie Mac's single-family credit guarantee portfolio originated in the identified year.

3. Capital

3.1 Capital Changes: January 1, 2008 – September 30, 2011

- At the end of 2007, the Enterprises had $71 billion of combined capital. From the end of 2007 through the third quarter of 2011, the Enterprises' combined charges against capital have totaled $261 billion, requiring Treasury support of $183 billion through draws under the Preferred Stock Purchase Agreements. The Single-Family Credit Guarantee segment has been the largest contributor to charges against capital, accounting for $208 billion, or 80 percent, of capital reduction to-date. Senior preferred dividends on Treasury draws accounted for $32 billion, or 12 percent, of capital reduction.

Figure 3.1 Capital Changes: January 1, 2008 – September 30, 2011 *($ in billions)*

	Fannie Mae		Freddie Mac		Combined	
Beginning Capital[1]	$44		$27		$71	
Equity Issuance[2]	7		0		7	
Available Capital	$51		$27		$78	
Capital Change						
Single-Family Comprehensive Income[3]	($137)	*84%*	($71)	*73%*	($208)	*80%*
Multifamily Comprehensive Income[3,4]	(6)	*3%*	13	*-13%*	7	*-3%*
Investments Comprehensive Income[3,4]	6	*-4%*	(10)	*10%*	(4)	*1%*
Consolidation Accounting Adjustment	3	*-2%*	(12)	*12%*	(8)	*3%*
Other	(13)	*8%*	(3)	*3%*	(16)	*6%*
Senior Preferred dividends	(17)	*11%*	(15)	*15%*	(32)	*12%*
Total Capital Change[5]	($163)	*100%*	($98)	*100%*	($261)	*100%*
Capital deficit	($112)		($71)		($183)	
Treasury Senior Preferred draw[6]	$111.6		$71.2		$182.7	

Sources:
Fannie Mae segment earnings per Fannie Mae SEC disclosures for the relevant time periods.
Freddie Mac's 2008 and 2009 comprehensive income (loss) by segment reflect revised methodology effective January 1, 2010.

The presentation on this page and other pages discussing segment results in this report reflect a change in reporting convention from prior reports. The Single-Family Guarantee segment and Multifamily segment figures for 2009, 2010 and year-to-date 2011 have been revised to reflect net income (loss) plus total other comprehensive income (loss), instead of net income (loss) only. The Investments segment figures have been changed to reflect net income (loss) plus total other comprehensive income (loss) for the Investments segment only. In reports prior to 1Q11, the Investments segment included net income (loss) plus other comprehensive income (loss) for all of the other segments.

Notes
Totals may not sum due to rounding.
[1] Capital is defined as stockholders' equity.
[2] Fannie Mae's figure includes common and preferred stock issuance pre-conservatorship.
[3] Segment comprehensive income (loss) represents net income (loss) plus total other comprehensive income (loss) by segment.
[4] Freddie Mac includes net interest income on investments in multifamily loans, net interest income on commercial mortgage-backed securities, and non-interest rate risk-related unrealized gains (losses) on commercial mortgage-backed securities in Multifamily Comprehensive Income (Loss), while Fannie Mae includes these items in Investments comprehensive income. Investments comprehensive income includes the impact of accounting changes for security impairments.
[5] Included in total capital change for both Enterprises are losses attributable to the writedown of low income housing tax credits (LIHTC) investments to zero in the fourth quarter of 2009. The writedown of these LIHTC losses for Fannie Mae and Freddie Mac were $5 billion and $3 billion, respectively, and are included in Other. The establishment of a deferred tax asset valuation allowance, which reduced capital by $21 billion for Fannie Mae and $14 billion for Freddie Mac in 2008, is also contributing to the total capital change (valuation allowance has been allocated across segments).
[6] Total draws include amounts relating to the third quarter of 2011 to be received in the fourth quarter of 2011.

3.2 Capital Changes: Third Quarter 2011

- During the third quarter of 2011, losses from the Single-Family Credit Guarantee segment drove overall negative contributions to capital at the combined Enterprises.

Figure 3.2 Capital Changes: June 30, 2011 – September 30, 2011 *($ in billions)*

	Fannie Mae	Freddie Mac	Combined
Available Capital[1]	$0	$0	$0
Capital Change			
Single-Family Comprehensive Income (Loss)[2]	($4)	($4)	($7)
Multifamily Comprehensive Income (Loss)[2]	0	(1)	(1)
Investments Comprehensive Income (Loss)[2]	(1)	0	(1)
Other	(1)	(0)	(1)
Capital increase (decrease) pre-dividends	($5)	($4)	($10)
Senior Preferred dividends	(2)	(2)	(4)
Total Capital Change	($8)	($6)	($14)
Capital Deficit	($8)	($6)	($14)
Treasury Senior Preferred draw[3]	$7.8	$6.0	$13.8

Sources:
Fannie Mae and Freddie Mac SEC disclosures for the quarter ended September 30, 2011.

Notes
Totals may not sum due to rounding.
[1] Capital is defined as stockholders' equity. Available capital is defined as beginning capital plus Treasury draw related to prior quarter's deficit.
[2] Represents net income (loss) plus total other comprehensive income (loss) by segment. Freddie Mac includes net interest income on investments in multifamily loans, net interest income on commercial mortgage-backed securities, and non-interest rate risk-related unrealized gains (losses) on commercial mortgage-backed securities in Multifamily comprehensive income (loss), while Fannie Mae includes these items in Investments comprehensive income.
[3] Reflects requested Treasury draws related to current quarter deficit, to be received during the next quarter. Enterprises' draw requests are rounded up to the nearest $1 million.

4. Single-Family Credit Guarantee Segment Results

4.1 Single-Family Credit Guarantee Segment Results

- Losses from the Single-Family Credit Guarantee segment year-to-date 3Q11 have been primarily driven by credit-related expenses, notably the provision for credit losses. Both Enterprises continue to be influenced by home price deterioration, newly delinquent loans, and an aging delinquent loan population.

Figure 4.1 Single-Family Credit Guarantee Segment Results ($ in billions)

	Fannie Mae					Freddie Mac					Combined
	2008	2009	2010	YTD 3Q11	Total	2008	2009	2010	YTD 3Q11	Total	2008 - 3Q11
Revenue[1]	$9	$9	$2	$4	$24	$5	$4	$5	$3	$18	$42
Provision for credit losses[2]	(26)	(50)	(25)	(21)	(121)	(16)	(29)	(19)	(9)	(73)	(195)
Foreclosed Property Expenses	(2)	(1)	(2)	(1)	(5)	(1)	(0)	(1)	(1)	(3)	(8)
Credit-related expenses	(28)	(51)	(26)	(22)	(127)	(17)	(29)	(19)	(10)	(76)	(203)
SOP 03-3 Losses[3]	(2)	(20)	(0)	(0)	(23)	(2)	(5)	(0)	(0)	(6)	(29)
Other expenses[4]	(2)	(3)	(2)	(2)	(9)	(1)	(1)	(2)	(1)	(6)	(15)
Pre-tax income (loss)	(22)	(65)	(27)	(20)	(134)	(15)	(31)	(17)	(8)	(71)	(204)
(Provision) benefit for taxes	(5)	1	0	0	(3)	(5)	4	1	(0)	(1)	(4)
Net income (loss)	($27)	($64)	($27)	($19)	($137)	($20)	($27)	($16)	($8)	($71)	($209)
Other Comprehensive Income	-	0	0	-	0	-	0	0	(0)	0	0
Total Comprehensive Income[5]	($27)	($64)	($27)	($19)	($137)	($20)	($27)	($16)	($8)	($71)	($208)

Sources:
Fannie Mae segment earnings per Fannie Mae SEC disclosures for the relevant time periods. Effective in the first quarter 2010, Fannie Mae changed the presentation of segment financial information; prior periods were not revised. Freddie Mac segment comprehensive income (loss) for 2008 and 2009 reflect revised methodology effective January 1, 2010. Enterprise segment comprehensive income (loss) for 2010 and 2011 is not comparable with prior periods due to the adoption of accounting standards for consolidations, effective January 1, 2010.

Notes
Totals may not sum due to rounding.
[1] Consists of guarantee fee income, trust management income, net interest income, and other income. Guarantee fee revenue of $5.6 billion for Fannie Mae year-to-date was offset by net interest expense of $2.0 billion primarily related to interest income not recognized for non-accrual loans.
[2] The provision for credit losses is the recognition of estimated incurred losses and increases the loan loss reserve. Fannie Mae's figures have been adjusted to exclude losses on credit-impaired loans acquired from MBS trusts.
[3] Losses on credit-impaired loans acquired from MBS/PC Trusts.
[4] Consists of investment gains (losses), fair value losses (Fannie Mae), administrative expenses, other expenses, and at Freddie Mac, segment adjustments.
[5] Represents segment earnings (loss) and, for periods after 2008, total comprehensive income (loss), net of taxes, for the Single-Family Credit Guarantee Segment.

4.2 Loan Loss Reserves

- Loan loss reserves remain high at both Enterprises driven by continued provisioning for credit losses. Differences in the magnitude of loss reserves year-to-date 3Q11 stem from differences in the size and credit quality of the Enterprises' single-family guarantee portfolios. Fannie Mae's single-family guarantee portfolio is larger than Freddie Mac's and has higher serious delinquency rates.

Figure 4.2 Loan Loss Reserves *($ in billions)*

	Fannie Mae					Freddie Mac				
Single-Family Loss Reserve	**2008**	**2009**	**2010**	**YTD 3Q11**	**Total**	**2008**	**2009**	**2010**	**YTD 3Q11**	**Total**
Beginning balance[1]	$3	$24	$62	$60		$3	$15	$33	$39	
Provision for credit losses[2,3]	26	50	25	21	121	16	29	19	9	73
Charge-offs, net[3]	(5)	(13)	(21)	(13)	(52)	(2)	(7)	(13)	(9)	(31)
Adoption of Accounting Standards[1]	-	-	(11)	0		-	-	(0)	0	
Other	0	0	5	3		(1)	(4)	0	(0)	
Ending balance[1]	$24	$62	$60	$71		$15	$33	$39	$39	
Credit Losses - Single-Family										
Charge-offs[3]	$5	$13	$21	$13	$52	$2	$7	$13	$9	$31
Other[4]	0	0	0	0	0	0	0	1	0	1
Foreclosed Property Expense	2	1	2	1	5	1	0	1	1	3
Total[3]	$6	$13	$23	$14	$57	$4	$8	$14	$10	$35

Notes
Totals may not sum due to rounding.
[1] Fannie Mae's loan loss reserve excludes amounts related to the allowance for accrued interest receivable and allowance for preforeclosure property taxes and insurance receivable. Freddie Mac's loan loss reserve excludes amounts related to the allowance for accrued interest receivable and forgone interest on loans placed on non-accrual status.
[2] Freddie Mac's figures represent Segment Earnings provision for credit losses, which is generally higher than that recorded under GAAP, primarily due to recognized provision associated with forgone interest income on loans placed on non-accrual status, which is not recognized under GAAP.
[3] Fannie Mae's provision for credit losses have been adjusted to exclude losses on credit-impaired loans acquired from MBS trusts. Additionally, the effect of losses from credit-impaired loans acquired from MBS trusts on charge-offs and foreclosed property expense has been reflected as an adjustment to total credit losses and charge-offs, net.
[4] Freddie Mac's figures include charge-offs related to certain loans purchased under financial guarantees.

Sources:
SEC disclosures for the relevant time periods.

4.3 Credit Losses

- Non-traditional and higher-risk mortgages concentrated in the 2006 and 2007 vintages, and mortgages originated in California, Florida, Arizona and Nevada continue to account for a disproportionate share of credit losses (charge-offs and foreclosed property expenses). However, the proportion of losses coming from non-traditional products continues to trend downward.

Figure 4.3 Credit Losses *(Percent of total credit losses)*

	Fannie Mae					Freddie Mac				
	% of UPB as of Dec 31, 2008[1]	2008	2009	2010	YTD 3Q11	% of UPB as of Dec 31, 2008[1]	2008	2009	2010	YTD 3Q11
by State										
California	16%	25%	24%	23%	29%	14%	30%	32%	26%	30%
Florida	7%	11%	16%	18%	9%	7%	10%	15%	19%	12%
Arizona	3%	8%	11%	10%	13%	3%	9%	11%	11%	12%
Nevada	1%	5%	7%	6%	9%	1%	4%	6%	6%	7%
by Product[2]										
Alt-A	11%	46%	40%	33%	28%	10%	50%	44%	37%	29%
Interest-Only	8%	34%	33%	29%	27%	9%	50%	47%	37%	30%
by Vintage										
2006	14%	35%	31%	29%	28%	15%	41%	35%	30%	28%
2007	20%	28%	36%	36%	31%	19%	25%	36%	34%	36%
2008	16%	1%	5%	7%	5%	15%	0%	5%	7%	8%
2009	N/A	N/A	0%	0%	2%	N/A	N/A	0%	0%	1%

Notes
[1] Represents each category's share of the respective Enterprise's single-family book of business, which is based on the unpaid principal balance of all single-family unsecuritized mortgages held by the Enterprises and those underlying Freddie Mac mortgage-related securities, or covered by the Enterprise's other guarantee commitments.
[2] Product categories overlap.

Sources:
Enterprises' Forms 10-K and 10-Q, credit supplements to SEC disclosures, and management reports.

5. Investments and Capital Markets Segment Results

5.1 Investments and Capital Markets Segment Results

- Year-to-date 3Q11, the Investments and Capital Markets segment has been a positive contributor to capital driven by low funding costs as a result of the interest rate environment. Both Enterprises experienced derivative losses in 3Q11 due to a significant decrease in swap rates.

Figure 5.1 Investments and Capital Markets Segment Results *($ in billions)*

	Fannie Mae					Freddie Mac					Combined
	2008	2009	2010	YTD 3Q11	Total	2008	2009	2010	YTD 3Q11	Total	2008 - 3Q11
Revenue[1]	$8	$13	$13	$11	$45	$3	$8	$6	$5	$22	$67
Derivatives gains (losses)	(15)	(6)	(3)	(6)	(31)	(13)	5	(2)	(4)	(14)	(45)
Trading gains (losses)	(7)	4	3	(0)	(0)	1	5	(1)	(1)	4	4
Other gains (losses)[2]	2	1	4	2	9	2	(0)	1	1	4	12
Other-than-temporary impairments	(7)	(10)	(1)	(0)	(18)	(17)	(10)	(4)	(1)	(32)	(50)
Other expenses[3]	(1)	(1)	(0)	(0)	(2)	(2)	(1)	1	0	(1)	(3)
Pre-tax income (loss)	(21)	1	16	6	3	(26)	7	1	1	(17)	(14)
(Provision) benefit for taxes[4]	(9)	(0)	0	0	(9)	(2)	(1)	0	0	(2)	(11)
Net income (loss)	($29)	$1	$16	$6	($6)	($28)	$6	$1	$1	($19)	($25)
Unrealized gains (losses) on AFS[5]	(6)	11	4	(0)	9	(20)	11	10	3	4	13
Accounting change for Impairments	0	3	0	0	3	0	5	0	0	5	8
Total Comprehensive Income	($35)	$15	$20	$6	$6	($48)	$23	$11	$4	($10)	($4)

Sources:
Fannie Mae segment earnings per Fannie Mae SEC disclosures for the relevant time periods. Effective in the first quarter 2010, Fannie Mae changed the presentation of segment financial information; prior periods were not revised. Freddie Mac segment comprehensive income for 2008 and 2009 reflect revised methodology effective January 1, 2010. Enterprise segment comprehensive income for 2010 and 2011 is not comparable with prior periods due to the adoption of accounting standards for consolidations effective January 1, 2010.

Notes
Totals may not sum due to rounding.
[1] Consists of guarantee fee expense, trust management income, net interest income, and other income.
[2] Figures consist of debt extinguishment losses, debt foreign exchange gains (losses), debt fair-value losses, investment gains (losses), and hedged mortgage assets gains, net.
[3] Consists of administrative expenses, other expenses, and at Freddie Mac, segment adjustments.
[4] Includes extraordinary losses /noncontrolling interest.
[5] Amount for 2008 includes consolidated changes in unrealized gains (losses) on available for sale securities, net of taxes. Effective April 2009, includes adjustments for other-than-temporary impairments, net of taxes, included in accumulated other comprehensive income due to a change in accounting standards for impairments. At Freddie Mac, amount also includes the change in unrealized gains (losses), net of taxes, related to cash flow hedge relationships.

5.2 Security Impairments

- Year-to-date 3Q11, annualized security impairments are below 2010 levels for both Enterprises. Freddie Mac's non-agency portfolio is larger than Fannie Mae's, generally causing higher levels of security impairments.

Figure 5.2 Security Impairments *($ in billions)*

Fannie Mae	**2008**			**2009**			**2010**			**YTD 3Q11**			
Vintage[1]	2006 & 2007	Other vintages	Total	2006 & 2007	Other vintages	Total	2006 & 2007	Other vintages	Total	2006 & 2007	Other vintages	Total	Total 2008-3Q11
Alt-A/Option ARM Alt-A	$3.0	$1.8	$4.8	$1.7	$2.3	$4.0	$0.2	$0.1	$0.3	$0.2	$0.1	$0.3	$9.4
Subprime	1.9	-	1.9	5.6	0.1	5.7	0.4	0.0	0.4	0.0	0.0	0.0	8.0
Other	0.0	0.2	0.2	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Total[2]	$4.9	$2.0	$7.0	$7.3	$2.6	$9.9	$0.6	$0.2	$0.7	$0.2	$0.2	$0.4	$17.9

Freddie Mac	**2008**			**2009**			**2010**			**YTD 3Q11**			
Vintage[1]	2006 & 2007	Other vintages	Total	2006 & 2007	Other vintages	Total	2006 & 2007	Other vintages	Total	2006 & 2007	Other vintages	Total	Total 2008-3Q11
Alt-A	$2.1	$1.8	$4.0	$0.9	$0.8	$1.7	$0.5	$0.2	$0.7	$0.1	$0.0	$0.1	$6.5
Subprime	3.4	0.2	3.6	6.4	0.1	6.5	1.7	0.0	1.8	0.8	0.0	0.8	12.7
CMBS	-	-	-	0.1	0.0	0.1	0.1	0.0	0.1	0.3	0.1	0.3	0.5
Option ARM	6.0	1.6	7.6	1.4	0.4	1.7	1.2	0.2	1.4	0.3	0.1	0.4	11.1
Other	1.1	0.4	1.4	0.8	0.1	0.9	0.3	0.1	0.3	0.0	0.0	0.1	2.7
Total[2]	$12.6	$4.0	$16.6	$9.6	$1.5	$11.0	$3.8	$0.5	$4.3	$1.5	$0.2	$1.7	$33.6

Notes
Totals may not sum due to rounding.
[1] Vintage of private-label securities is based on security issue date.
[2] The adoption of an accounting standard for impairments in April 2009 required the Enterprises to begin recognizing only the credit portion of impairments in their statements of income and comprehensive income. This accounting standard did not require the Enterprises to revise previously recorded amounts in their statements of income and comprehensive income but did result in an equity increase of $5 billion which is not reflected in Figure 5.2. For the full year of 2008 and a portion of 2009, amounts include both credit and non-credit-related security impairments.

Sources:
Fannie Mae and Freddie Mac management reports.

6. Loss Mitigation Activity

- The Enterprises have traditionally worked with delinquent borrowers to mitigate credit losses in situations where the borrower demonstrates the willingness and ability to cure the delinquency. Loss mitigation actions include home retention actions (loan modifications, repayment plans and forbearance plans), and home forfeiture actions (short sales and deeds-in-lieu).
- In 2010, loss mitigation activity increased substantially for all home retention actions with the greatest increase attributable to increases in loan modifications. Loan modifications continued to be the dominant type of loss mitigation action completed year-to- date 3Q11.
- More information on the Enterprises' loss mitigation activities can be found in FHFA's Third Quarter 2011 Foreclosure Prevention & Refinance Report .

Figure 6 Enterprises' Completed Foreclosure Prevention Actions

Completed Foreclosure Prevention Actions

	Full Year 2008	Full Year 2009	Full Year 2010	YTD Sep-11	Conservatorship to Date[1]
Home Retention Actions					
Repayment Plans	62,560	142,360	185,954	139,586	481,209
Forbearance Plans	5,692	25,227	63,024	27,320	117,687
Charge-offs in Lieu	799	2,247	3,118	1,751	7,389
HomeSaver Advance *(Fannie)*	70,967	39,199	5,191	-	70,178
Loan Modifications	68,307	163,647	575,022	250,997	1,013,443
Total	**208,325**	**372,680**	**832,309**	**419,654**	**1,689,906**
Nonforeclosure - Home Forfeiture Actions					
Short Sales	15,704	55,447	107,953	83,452	253,044
Deeds-in-lieu	1,511	2,971	6,043	7,121	16,675
Total	**17,215**	**58,418**	**113,996**	**90,573**	**269,719**
Total Foreclosure Prevention Actions	**225,540**	**431,098**	**946,305**	**510,227**	**1,959,625**

[1] Since the first full quarter in conservatorship (4Q08).

7. Comparison of Actual Results to Projections of the Enterprises' Financial Performance

7.1 Comparison of Actual Results to Projections of the Enterprises' Financial Performance

- FHFA published updated projections of the Enterprises' financial performance in October 2011. The purpose and approach of these projections can be found in FHFA's Projections of the Enterprises' Financial Performance, October 2011.
- October 2011 projections are not expected outcomes, but rather modeled projections in response to "what if" exercises based on assumptions about Enterprise operations, financial market conditions, and house prices.
- The combined projected Treasury draws for the Enterprises for the third quarter of 2011 ranged from $16 billion to $23 billion. The actual combined Treasury draw for the third quarter of 2011 was $14 billion.
- The primary driver of the difference was lower than projected credit-related expenses at Fannie Mae, mostly as a result of lower provisioning for credit losses, mainly driven by lower delinquencies and higher expected prepayments due to the lower interest rate environment.

Figure 7.1 Actual versus Projected Treasury Draws through 3Q11 *($ in billions)*

	Cumulative Treasury Draw	Projected Draw through 3Q11 Scenario 1		Projected Draw through 3Q11 Scenario 2		Projected Draw through 3Q11 Scenario 3		Actual Draw through 3Q11	
	As of 6/30/2011	Additional Draw	Cumulative Draw as of 9/30/2011	Additional Draw	Cumulative Draw as of 9/30/2011	Additional Draw	Cumulative Draw as of 9/30/2011	Additional Draw	Cumulative Draw as of 9/30/2011
Fannie Mae	$104	$10	$113	$10	$114	$17	$120	$8	$112
Freddie Mac *	65	6	71	6	71	6	71	6	71
Total	$169	$16	$184	$16	$185	$23	$191	$14	$183

* - The production of the October 2011 projections was put in place well before the end of 3Q11. An adjustment was made to Freddie Mac's projections for 3Q11 to reflect additional information regarding estimated actual results for 3Q11.

7.2 Impact of Actual Results on Future Projections of the Enterprises' Financial Performance

- Mortgage defaults pushed out to later periods could reduce projected losses if home prices improve or increase projected losses if home prices worsen.
- The Enterprises' future financial performance is heavily dependent on the performance of the U.S. housing market. Trends observed in the third quarter of 2011 should not be used to extrapolate future projections.