Federal Housing Finance Agency

Conservator's Report
on the Enterprises' Financial Performance

Fourth 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 fell for the second consecutive year, as home purchase activity remains weak, despite historically low mortgage rates during 2011. Sixty-five percent of all mortgage originations this year were due to refinance volume. The Enterprises continue to dominate the MBS issuance market, accounting for 73 percent market share.

Credit Quality of New Single-Family Business

The quality of new business remained high in 2011, 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 primarily due 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 2011 totaled $33.6 billion. The Single-Family Credit Guarantee segment continues to drive overall losses as credit-related expenses remain relatively high. The Investments segment results continued to be positive in 2011 driven by low funding costs as a result of the low interest rate environment, partially offset by fair value losses on derivatives. 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 $11 billion for the year was more than offset by $40 billion in credit-related expenses. Credit-related expenses were driven by the provision for credit losses due to factors such as home price deterioration, newly delinquent loans, and lower expected recoveries from mortgage insurers.

Investments and Capital Markets Segment Results

The Investments and Capital Markets segment continued to be a positive contributor to capital in 2011. Funding costs remained low as a result of the interest rate environment, contributing to the $20 billion in total revenue generated by this segment for the year.

Loss Mitigation Activity

Since conservatorship, the Enterprises have completed more than 2.1 million foreclosure prevention actions. Approximately half of these actions, nearly 1.1 million in total, were permanent loan modifications.

Projections of Financial Performance

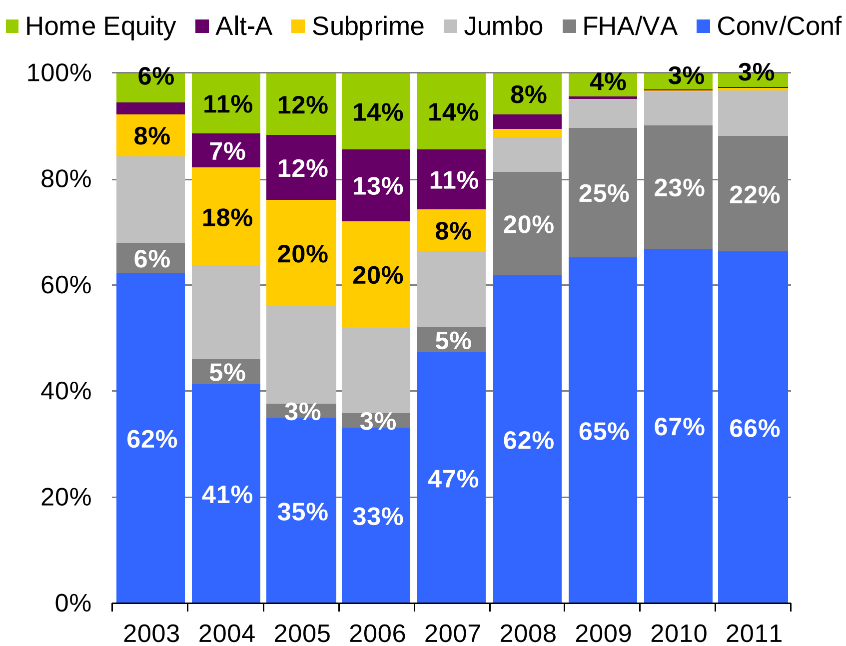
The projected combined Treasury draws for the second half of 2011 ranged from $29 billion to $56 billion. This compares to an actual combined draw of $19 billion. The primary driver of the difference between actual and projected performance was lower than projected provisions for credit losses, particularly at Fannie Mae. Lower provisions for credit losses were mainly driven by an improved book profile reflected in lower delinquencies.

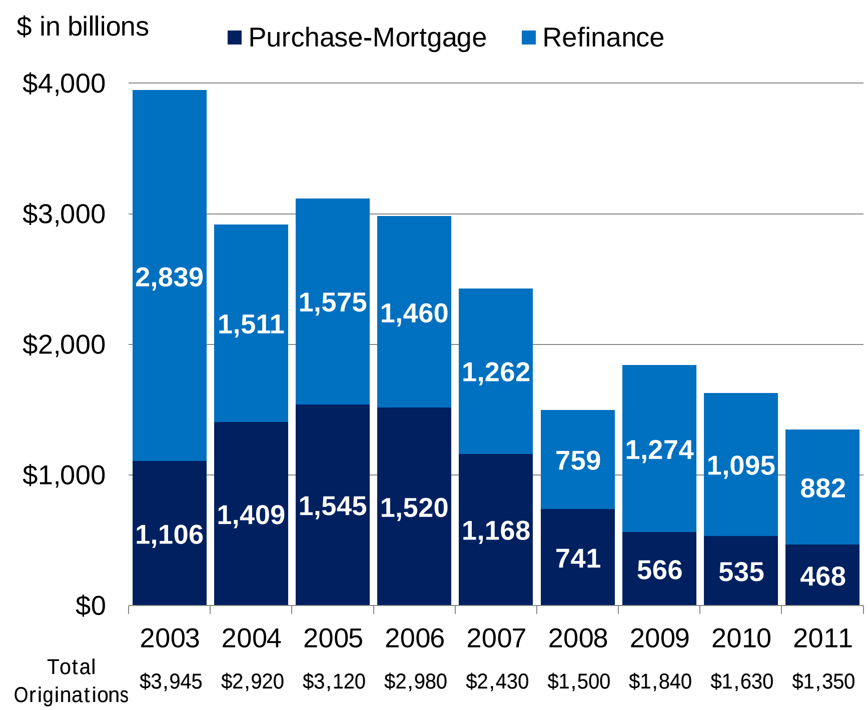
1 Mortgage Markets and the Enterprises' Market Presence

1.1 Primary Mortgage Market Trends—Mortgage Originations

- Mortgage originations fell for the second consecutive year despite historically low mortgage rates. Refinance volume continues to account for approximately two-thirds of mortgage originations. Home purchase activity in 2011 was at the lowest reported level since 2003.

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



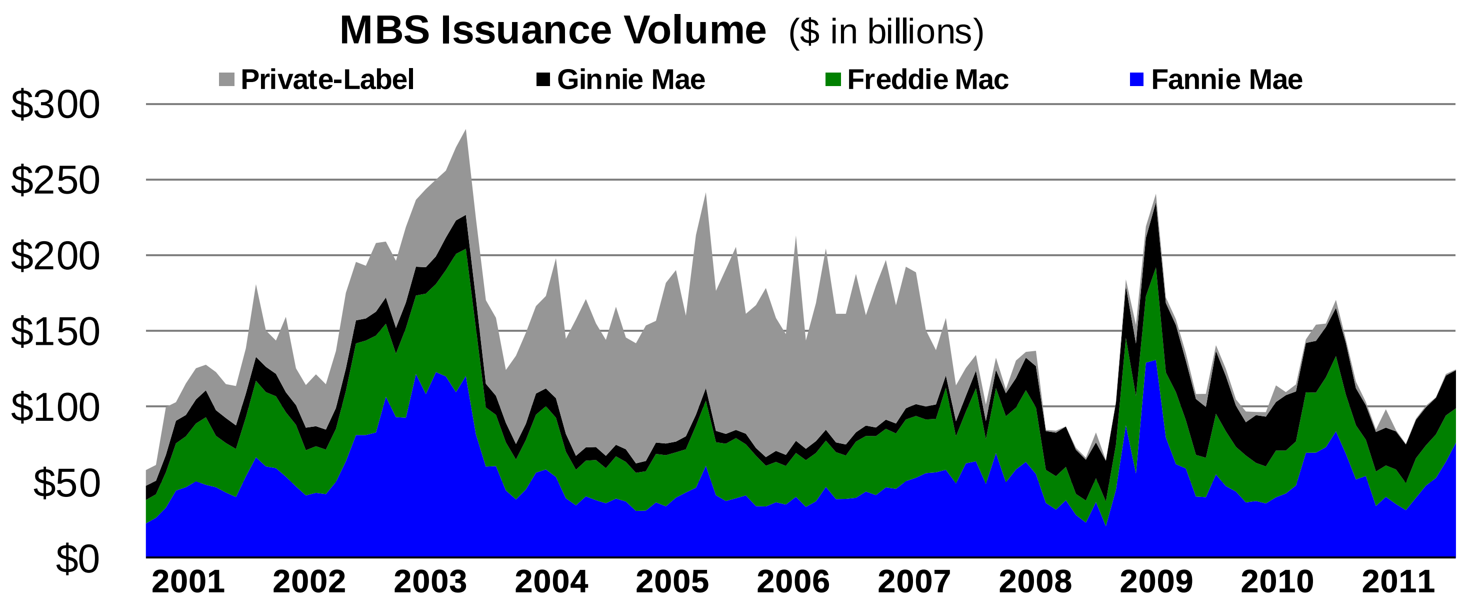


Source:
Inside Mortgage Finance

1.2 Secondary Mortgage Market Trends—Mortgage-Backed Securities Issued

- The Enterprises' market share of mortgage-backed securities (MBS) issuances in 2011 rose to 73 percent, while Ginnie Mae's market presence remained relatively 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	2011
Enterprises	67%	68%	70%	47%	41%	40%	58%	73%	72%	70%	73%
Ginnie Mae	13%	9%	8%	7%	4%	4%	5%	22%	25%	26%	25%
Total Agency	80%	77%	78%	54%	45%	44%	63%	95%	97%	96%	98%

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 in 2011. Purchases of non-traditional and higher-risk mortgages were very low, the average FICO credit score was over 750 at both Enterprises, and the average loan-to-value ratio (LTV) remained at or below 70 percent at both Enterprises. The increase in the percentage of new business with LTVs greater than 90 percent in 2011 primarily relates to the Enterprises' refinance programs, including the Home Affordable Refinance Program.

Figure 2.1 Characteristics of Single-Family Mortgage Acquisitions

(Categories overlap and are not additive)

Percent of New Single-Family Business[1]	Fannie Mae						Freddie Mac					
	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
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%	0%	5%	6%	3%	1%	1%	1%
LTV >90 Percent	10%	16%	10%	4%	7%	9%	6%	11%	9%	4%	9%	11%
Average LTV	73%	75%	72%	67%	68%	69%	73%	74%	71%	67%	69%	70%
Average Credit Score	716	716	738	761	762	762	720	718	734	756	755	755

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)

- Single-family serious delinquency rates (SDQ) remained high for the Enterprises' Single-Family credit guarantee portfolios; however, serious delinquency rates declined in 2011 for all product categories as delinquent loans were resolved through loss mitigation activities or foreclosure, and new loans with stronger credit profiles were acquired. Additionally, the size of the portfolios declined in 2011, resulting in these rates being calculated on a smaller base of loans at the end of each period. 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**	**4Q11**	**4Q07**	**4Q08**	**4Q09**	**4Q10**	**4Q11**
Product Type[1]										
Alt-A	2.2%	7.0%	15.6%	13.9%	12.4%	1.9%	5.6%	12.3%	12.2%	11.9%
Interest-Only	2.0%	8.4%	20.2%	17.9%	15.3%	2.0%	7.6%	17.6%	18.4%	17.6%
Credit Score										
<620	4.7%	9.0%	18.2%	14.6%	13.5%	3.4%	7.8%	14.9%	13.9%	12.9%
Loan-to-Value Ratio										
>90 Percent	3.0%	6.3%	13.1%	10.0%	8.1%	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%	18.7%	5.4%	11.5%	19.0%	17.1%	15.4%
Total Single-Family	1.0%	2.4%	5.4%	4.5%	3.9%	0.7%	1.8%	4.0%	3.8%	3.6%

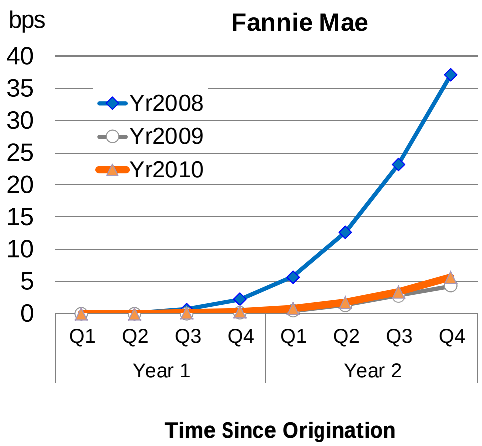
Notes
[1] Loans with multiple product features may be in more than one category. Refer to sources for Alt-A definition.

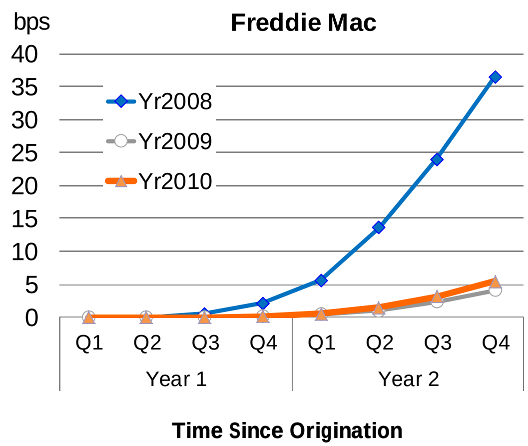
Sources:
Enterprises' Forms 10-K and 10-Q, credit supplements to SEC disclosures, and management reports.

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	4.3
2010	0.2	5.6

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	5.4

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.

Source:
Enterprises' quarterly credit supplements.

3. Capital

3.1 Capital Changes: January 1, 2008 – December 31, 2011

- At the end of 2007, the Enterprises had $71 billion of combined capital. From the end of 2007 through the fourth quarter of 2011, the Enterprises' combined charges against capital have totaled $266 billion, requiring Treasury support of $187 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 $215 billion, or 81 percent, of capital reduction to date. Senior preferred dividends on Treasury draws accounted for $36 billion, or 14 percent, of capital reduction.

Figure 3.1 Capital Changes: January 1, 2008 – December 31, 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 (Loss)[3]	($141)	*84%*	($74)	*75%*	($215)	*81%*
Multifamily Comprehensive Income (Loss)[3,4]	(5)	*3%*	14	*-14%*	9	*-3%*
Investments Comprehensive Income (Loss)[3,4]	9	*-5%*	(7)	*8%*	2	*-1%*
Consolidation Accounting Adjustment	3	*-2%*	(12)	*12%*	(8)	*3%*
Other	(13)	*8%*	(3)	*3%*	(16)	*6%*
Senior Preferred dividends	(20)	*12%*	(17)	*17%*	(36)	*14%*
Total Capital Change[5]	($167)	*100%*	($98)	*100%*	($266)	*100%*
Capital deficit	($116)		($71)		($187)	
Treasury Senior Preferred draw[6]	$116.1		$71.3		$187.5	

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 Credit Guarantee segment and Multifamily segment figures for 2009, 2010 and 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. See figures 4.1 and 5.1 for detail of comprehensive income (loss) for Single-Family Credit Guarantee and Investments segments, respectively.

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 fourth quarter of 2011 to be received in the first quarter of 2012.

3.2 Capital Changes: Fourth Quarter 2011

- During the fourth quarter of 2011, losses from the Single-Family Credit Guarantee segment coupled with senior preferred dividends, offset gains from the Investments segment, and drove overall negative contributions to capital at the combined Enterprises.

Figure 3.2 Capital Changes: September 30, 2011 – December 31, 2011 *($ in billions)*

	Fannie Mae	**Freddie Mac**	**Combined**
Available Capital[1]	$0	$0	$0
Capital Change			
Single-Family Comprehensive Income (Loss)[2]	($4)	($2)	($7)
Multifamily Comprehensive Income (Loss)[2]	0	1	2
Investments Comprehensive Income (Loss)[2]	3	2	6
Other	(1)	0	(1)
Capital increase (decrease) pre-dividends	($2)	$2	($0)
Senior Preferred dividends	(3)	(2)	(4)
Total Capital Change	($5)	($0)	($5)
Capital Deficit	($5)	($0)	($5)
Treasury Senior Preferred draw[3]	$4.6	$0.1	$4.7

Sources:
Fannie Mae and Freddie Mac SEC disclosures for the quarter ended December 31, 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 declined in 2011, but remained high primarily driven by credit-related expenses, notably the provision for credit losses. Provisions for credit losses continue to be influenced by home price deterioration, newly delinquent loans, and lower expected recoveries from mortgage insurers.

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

	Fannie Mae					Freddie Mac					
	2008	2009	2010	2011	Total	2008	2009	2010	2011	Total	Combined 2008 - 2011
Revenue[1]	$9	$9	$2	$6	$26	$5	$4	$5	$5	$19	$45
Provision for credit losses[2]	(26)	(50)	(25)	(26)	(127)	(16)	(29)	(19)	(12)	(77)	(203)
Foreclosed Property Expenses	(2)	(1)	(2)	(1)	(5)	(1)	(0)	(1)	(1)	(3)	(8)
Credit-related expenses	(28)	(51)	(26)	(27)	(132)	(17)	(29)	(19)	(13)	(79)	(211)
SOP 03-3 Losses[3]	(2)	(20)	(0)	(0)	(23)	(2)	(5)	(0)	(0)	(6)	(29)
Other expenses[4]	(2)	(3)	(2)	(3)	(10)	(1)	(1)	(2)	(2)	(6)	(16)
Pre-tax income (loss)	(22)	(65)	(27)	(24)	(138)	(15)	(31)	(17)	(10)	(73)	(211)
(Provision) benefit for taxes	(5)	1	0	0	(3)	(5)	4	1	(0)	(1)	(4)
Net income (loss)	($27)	($64)	($27)	($24)	($142)	($20)	($27)	($16)	($10)	($74)	($215)
Other Comprehensive Income	-	0	0	-	0	-	0	0	0	0	0
Total Comprehensive Income (Loss)[5]	($27)	($64)	($27)	($24)	($141)	($20)	($27)	($16)	($10)	($74)	($215)

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 $7.5 billion for Fannie Mae in 2011 was offset by net interest expense of $2.4 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 remained high at both Enterprises. Differences in the magnitude of loan loss reserves stemmed from differences in the size and credit quality of the Enterprises' single-family credit 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**	**2011**	**Total**	**2008**	**2009**	**2010**	**2011**	**Total**
Beginning balance[1]	$3	$24	$62	$60		$3	$15	$33	$39	
Provision for credit losses[2,3]	26	50	25	26	127	16	29	19	12	77
Charge-offs, net[3]	(5)	(13)	(21)	(18)	(56)	(2)	(7)	(13)	(12)	(34)
Adoption of Accounting Standards[1]	-	-	(11)	-		-	-	(0)	-	
Other	0	0	5	3		(1)	(4)	0	(1)	
Ending balance[1]	$24	$62	$60	$72		$15	$33	$39	$39	
Credit Losses - Single-Family										
Charge-offs[3]	$5	$13	$21	$18	$56	$2	$7	$13	$12	$34
Other[4]	0	0	0	0	0	0	0	1	0	2
Foreclosed Property Expense	2	1	2	1	5	1	0	1	1	3
Total[3]	$6	$13	$23	$18	$61	$4	$8	$14	$13	$39

Sources:
SEC disclosures for the relevant time periods.

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.

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 continued to decline in 2011 as these vintages aged.

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	2011	% of UPB as of Dec 31, 2008[1]	2008	2009	2010	2011
by State										
California	16%	25%	24%	23%	27%	14%	30%	32%	26%	29%
Florida	7%	11%	16%	18%	11%	7%	10%	15%	19%	13%
Arizona	3%	8%	11%	10%	12%	3%	9%	11%	11%	11%
Nevada	1%	5%	7%	6%	8%	1%	4%	6%	6%	7%
by Product[2]										
Alt-A	11%	46%	40%	33%	27%	10%	50%	44%	37%	28%
Interest-Only	8%	34%	33%	29%	26%	9%	50%	47%	37%	29%
by Vintage										
2006	14%	35%	31%	29%	28%	15%	41%	35%	30%	28%
2007	20%	28%	36%	36%	30%	19%	25%	36%	34%	36%
2008	16%	1%	5%	7%	6%	15%	0%	5%	7%	8%
2009	N/A	N/A	0%	0%	2%	N/A	N/A	0%	0%	1%
2010	N/A	N/A	N/A	0%	1%	N/A	N/A	N/A	0%	0%

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

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.

5. Investments and Capital Markets Segment Results

5.1 Investments and Capital Markets Segment Results

- In 2011, the Investments and Capital Markets segment was a positive contributor to capital primarily driven by low funding costs as a result of the interest rate environment. Both Enterprises experienced sizable derivative losses in 2011 due to the significant decrease in swap rates during the year. These losses were partially offset by combined interest-rate related gains on trading securities, reported in earnings, and available-for-sale (AFS) securities, reported in equity through accumulated other comprehensive income (AOCI).

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

	Fannie Mae					Freddie Mac					Combined
	2008	2009	2010	2011	Total	2008	2009	2010	2011	Total	2008 - 2011
Revenue[1]	$8	$13	$13	$13	$47	$3	$8	$6	$7	$24	$71
Derivatives gains (losses)	(15)	(6)	(3)	(7)	(31)	(13)	5	(2)	(4)	(14)	(45)
Trading gains (losses)	(7)	4	3	0	0	1	5	(1)	(1)	3	4
Other gains (losses)[2]	2	1	4	3	10	2	(0)	1	2	4	14
Other-than-temporary impairments	(7)	(10)	(1)	(0)	(18)	(17)	(10)	(4)	(2)	(33)	(51)
Other expenses[3]	(1)	(1)	(0)	(1)	(2)	(2)	(1)	1	0	(1)	(3)
Pre-tax income (loss)	(21)	1	16	9	5	(26)	7	1	3	(15)	(10)
(Provision) benefit for taxes[4]	(9)	(0)	0	0	(9)	(2)	(1)	0	0	(2)	(11)
Net income (loss)	($29)	$1	$16	$9	($3)	($28)	$6	$1	$3	($17)	($20)
Unrealized gains (losses) on AFS[5]	(6)	11	4	1	10	(20)	11	10	3	4	14
Accounting change for Impairments	-	3	-	-	3	0	5	-	-	5	8
Total Comprehensive Income (Loss)	($35)	$15	$20	$10	$9	($48)	$23	$11	$6	($7)	$2

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 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

- Security impairments in 2011 were 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

Vintage[1]	2008 2006 & 2007	2008 Other vintages	2008 Total	2009 2006 & 2007	2009 Other vintages	2009 Total	2010 2006 & 2007	2010 Other vintages	2010 Total	2011 2006 & 2007	2011 Other vintages	2011 Total	Total 2008-2011
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	$0.3	$0.6	$9.7
Subprime	1.9	-	1.9	5.6	0.1	5.7	0.4	0.0	0.4	(0.3)	(0.0)	(0.3)	7.7
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	($0.1)	$0.4	$0.3	$17.9

Freddie Mac

Vintage[1]	2008 2006 & 2007	2008 Other vintages	2008 Total	2009 2006 & 2007	2009 Other vintages	2009 Total	2010 2006 & 2007	2010 Other vintages	2010 Total	2011 2006 & 2007	2011 Other vintages	2011 Total	Total 2008-2011
Alt-A	$2.1	$1.8	$4.0	$0.9	$0.8	$1.7	$0.5	$0.2	$0.7	$0.1	$0.1	$0.2	$6.6
Subprime	3.4	0.2	3.6	6.4	0.1	6.5	1.7	0.0	1.8	1.3	0.0	1.3	13.2
CMBS	-	-	-	0.1	0.0	0.1	0.1	0.0	0.1	0.3	0.1	0.4	0.6
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	$2.0	$0.3	$2.3	$34.2

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 and $3 billion for Freddie Mac and Fannie Mae, respectively, 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).
- The Enterprises have completed more than 2.1 million foreclosure prevention actions since the start of conservatorship in September 2008. Nearly 1.1 million of these actions have been permanent loan modifications.
- More information on the Enterprises' loss mitigation activities can be found in FHFA's Fourth 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	Full Year 2011	Conservatorship to Date[1]
Home Retention Actions					
Repayment Plans	62,560	142,360	185,954	181,558	523,181
Forbearance Plans	5,692	25,227	63,024	34,423	124,790
Charge-offs-in-lieu	799	2,247	3,118	2,263	7,901
HomeSaver Advance *(Fannie)*	70,967	39,199	5,191	-	70,178
Loan Modifications	68,307	163,647	575,022	322,108	1,084,554
Total	**208,325**	**372,680**	**832,309**	**540,352**	**1,810,604**
Nonforeclosure - Home Forfeiture Actions					
Short Sales	15,704	55,447	107,953	115,237	284,829
Deeds-in-lieu	1,511	2,971	6,043	10,231	19,785
Total	**17,215**	**58,418**	**113,996**	**125,468**	**304,614**
Total Foreclosure Prevention Actions	**225,540**	**431,098**	**946,305**	**665,820**	**2,115,218**

[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 second half of 2011 ranged from $29 billion to $56 billion. The actual combined Treasury draw for the second half of 2011 was $19 billion.
- The primary driver of the difference was lower than projected credit-related expenses at Fannie Mae, mostly due to a lower provision for credit losses. The main driver of lower provisions for credit losses was an improved book profile reflected in lower delinquencies.

Figure 7.1 Actual versus Projected Treasury Draws for the second half of 2011 *($ in billions)*

	Cumulative Treasury Draw	Projected Draw 2H11 Scenario 1		Projected Draw 2H11 Scenario 2		Projected Draw 2H11 Scenario 3		Actual Draw Second Half 2011	
	As of 6/30/2011	Additional Draw	Cumulative Draw as of 12/31/2011	Additional Draw	Cumulative Draw as of 12/31/2011	Additional Draw	Cumulative Draw as of 12/31/2011	Additional Draw	Cumulative Draw as of 12/31/2011
Fannie Mae	$104	$19	$123	$21	$125	$38	$142	$12	$116
Freddie Mac	65	9	75	10	76	18	83	6	71
Total	$169	$29	$198	$32	$201	$56	$225	$19	$188

Numbers may not foot due to rounding

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 second half of 2011 should not be used to extrapolate future projections.