



**Fannie Mae
Disaster Response and
Disaster Recovery Plans**

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Introduction

Topics

- 9/11: How Did Fannie Mae respond?
- Katrina: How Did Fannie Mae respond?
- How is Fannie Mae preparing for the next disaster?
- Legal's Role in Disaster Response & Planning

9/11

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Response to 9/11

- 9/11: Fannie Mae remained open for business
 - On 9/11, Fannie Mae remained open for business, buying mortgage loans through its cash window and DU, using prices posted on September 10. Although there were very low volumes, these purchases were a key service for small and medium-sized lenders as banks were collectively growing short of liquidity.
 - On 9/12, Fannie Mae resumed purchases of MBS, and worked with the Bond Market Association to increase interim flexibilities of the settlement process.
 - On 9/13, Fannie Mae resumed trading MBS, and announced mortgage forbearance policies.
 - During the week of September 11-14, Fannie Mae issued \$51 billion in short-term and overnight funding.
 - Beginning September 19, Fannie Mae resumed its weekly short-term Benchmark Bills auctions.

Response to 9/11

- The Result?
 - Housing Finance Market experienced relatively little volatility
 - No “crash” of the housing market
 - Very little impact on properties securing Fannie Mae loans
 - Few lenders and servicers affected

Hurricane Katrina

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Response to Hurricane Katrina

- First step was to gather information about the Hurricane's impact
- What loans were affected?
- What lenders and servicers were affected?

Response to Hurricane Katrina

- Losses divided into two zones:
 - “Core” damage zone. Area most seriously affected by wind and flood damage. Fannie Mae initially estimated that nearly 45,600 properties securing Fannie Mae loans were likely to be heavily damaged. Subsequent inspections determined that not all properties sustained flood damage
 - Total Damage zone. The entire Individual and Public Assistance Area in Alabama, Louisiana, and Mississippi defined by FEMA as impacted by Hurricane Katrina (defined by parish in Louisiana and county in Alabama and Mississippi). Fannie Mae initially estimated that about 279,000 properties securing Fannie Mae loans were in the three-state FEMA disaster area.

Response to Hurricane Katrina

- Fannie Mae undertook an aggressive Loss Mitigation and Recovery Strategy:
 - Counseling borrowers on loss mitigation options
 - Insurance claim tracking
 - Locating borrowers
 - Monitoring the rebuild process
 - QC insurance claims
 - On the ground valuations and inspections
 - On-Site guidance to servicers

Response to Hurricane Katrina

- Result of Fannie Mae's Loss Mitigation Strategy?

Out of 45,600 loans in the most heavily damaged areas:

December 31, 2005

March 31, 2007

51% Current	53% current
17% Paid Off	43% Paid Off
32% DLQ	4% DLQ

Response to Hurricane Katrina

Fannie Mae's Current Policy in the Gulf Region

- Forbearance Policy: Policy allows for flexible forbearance plans following a disaster, generally up to 18 months but longer if needed. Servicer works with each borrower.
 - To date, 46,000 borrowers have entered into forbearance arrangements in Katrina and Rita GO Zone - 14,000 in the 45k area
- Foreclosure: Moratorium through August 31, 2006. Since then, we have instituted a pre-approval requirement for any loans in most damaged areas through end of 2007.
 - Only one foreclosure has been approved in the 45k zone since the storm; borrower consented to foreclosure following dismissal of bankruptcy case.

Response to Hurricane Katrina

- Effect on Lenders and Servicers?
 - Several lenders & servicers were forced to relocate offices
 - One lender moved to Beaumont, TX only to be affected by Hurricane Rita
 - Many lenders & servicers' key personnel were forced to relocate
 - Lenders had undelivered loans
 - Was the collateral still there?
 - Did the borrowers have jobs?
- Fannie Mae's Response?
 - Fannie Mae assisted affected lenders & servicers
 - On-the-ground servicing consultants
 - Advanced emergency funds
 - Temporarily waived net worth requirements
 - Fannie Mae announced relaxed selling guidelines (LL01-05 9/19/05)

Response to Hurricane Katrina

- What is Fannie Mae doing in Gulf now?
 - **\$3.0B special financing commitments**; on pace to complete \$4.0B goal by year end
 - Over **1,500 evacuee families housed rent-free** for 18 months
 - **80 evacuees purchased a Fannie Mae REO** in 10 states using our \$15,000 credit
 - Over **1,200 employees** participated in Gulf Coast **volunteer efforts (home rehab; rebuild playgrounds)**
 - Six concentrated **neighborhood rebuild efforts underway**:
 - Treme & Gentilly in New Orleans
 - East Biloxi & Pascagoula, MS
 - Bayou La Batre & Mobile, AL
 - Provided **over \$6M in grants to over 100 organizations**

Response to Hurricane Katrina

Legal's Role in Hurricane Katrina Response

- Assisted with Communications
 - Kept Regulators Informed
 - Reviewed Press releases
 - Reviewed Lender Letters and Guide Announcements
 - Analyzed impact on SEC filings: Forms 10-K, 10-Q, 8-K
- Worked with exposure estimators, especially on recovery prospects
- Generated legal opinions on the restrictions imposed and opportunities afforded by MBS and other governing documents
- Monitored legislative and regulatory responses
- Conducted Environmental research (toxins, oil spills, biological contaminants)

Response to Hurricane Katrina

Role of Legal Department (continued)

- Developed leases for 1,500 REO homes for evacuees
- Drafted agreements with specialty vendors
 - Skip Tracers
 - Insurance Recovery
- Assisted on loan-level issues

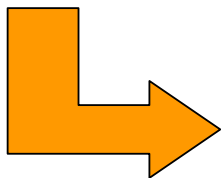
Planning for the Next Disaster

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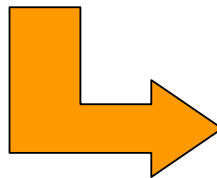
Disaster Preparedness and Response

How We Think About It

Prepare
Before Disaster
Strikes



Respond
During and After the Crisis



Recover/Rebuild
Long Term Actions

Preparing for the Next Disaster: Fannie Mae Disaster Response Teams

- Fannie Mae's Disaster Response Team
 - Mitigates impact on borrowers, servicers and originators
 - Structure:
 - Pre-Review Team performs initial review of disaster event, conducts exposure analysis.
 - Tactical Teams in Single-Family and Housing & Community Development (headed by Vice-Presidents) review significant disaster events, recommend corporate response.
 - Executive Sponsor (Senior Vice-President) oversees Tactical Team recommendations for responses to disasters.
 - Advisory Committee headed by Executive Vice President who reports directly to CEO. Oversees corporate strategy and policies.

Fannie Mae Disaster Teams

Escalation Policy

- In 2006, only a few disasters were escalated to the Tactical Teams
 - Tropical Storms Alberto and Ernesto
 - Hawaii Earthquake (October 15, 6.7 Magnitude)
- 1st Quarter 2007
 - 40 events tracked, none escalated to Tactical Team
- 2nd Quarter 2007
 - April Nor'easter – being evaluated for escalation to Tactical Team

Pre-Disaster Planning

- Develop Preparedness Plans
 - Business Units develop disaster plans: how will they respond to help borrowers, servicers and originators?
 - Policies for loss mitigation and borrower assistance are prepared and “on the shelf”
 - Training of staff
 - Develop contacts: Industry, Government, Charity
 - Internal reporting channels and decision delegation authorities outlined
- Monitor Events
 - Staff tracks potential weather events
 - Estimate impact on Fannie Mae assets
 - Tactical Team alerted if estimated impact exceeds trigger level

Immediate Response by Fannie Mae

Externally

- Communicate more; Communicate faster
- Take a Leadership Role for the Industry
- Evaluate Exposure
 - Sharpen and improve exposure estimates as data comes available
- Coordinate with Partners Outside the Company
 - FEMA
 - Industry Partners: Are servicers and lenders up and running? Where?
 - Charitable organizations

Immediate Response (continued)

Internally

- Decide if field team is needed
- Deploy resources, including charitable giving
- Communicates with business units and senior management
 - Keep Senior Management informed – daily, if necessary.
- Communicate with Employees
 - Dedicated intranet site, linked on main “HomeSite” page

Long-Term Response

- Continually refine estimates of exposure with on-the-ground intelligence
- Ensure business units execute their disaster plans
- Deploy additional resources as needed
 - Special Servicing Teams
 - Local Field Office staffs
 - Leverage employee volunteer efforts
- Implement Special Servicing Policies
- Consider Long-term Debt and Equity Investments to Rebuild

Legal/Compliance Role

Legal Department's Role in the Next Disaster

- Partner with Disaster Recovery Teams
- Review Flood Insurance Compliance
- Review Hazard Insurance requirements
- Review Policies prepared and “on the shelf”
- Evaluate Counterparty impacts – Risk Assessment
 - Monitor legislative and regulatory responses
 - Assist on loan-level issues
 - Evaluate legal impact of business decisions

Thank You!

Questions?