

Fresh Perspectives

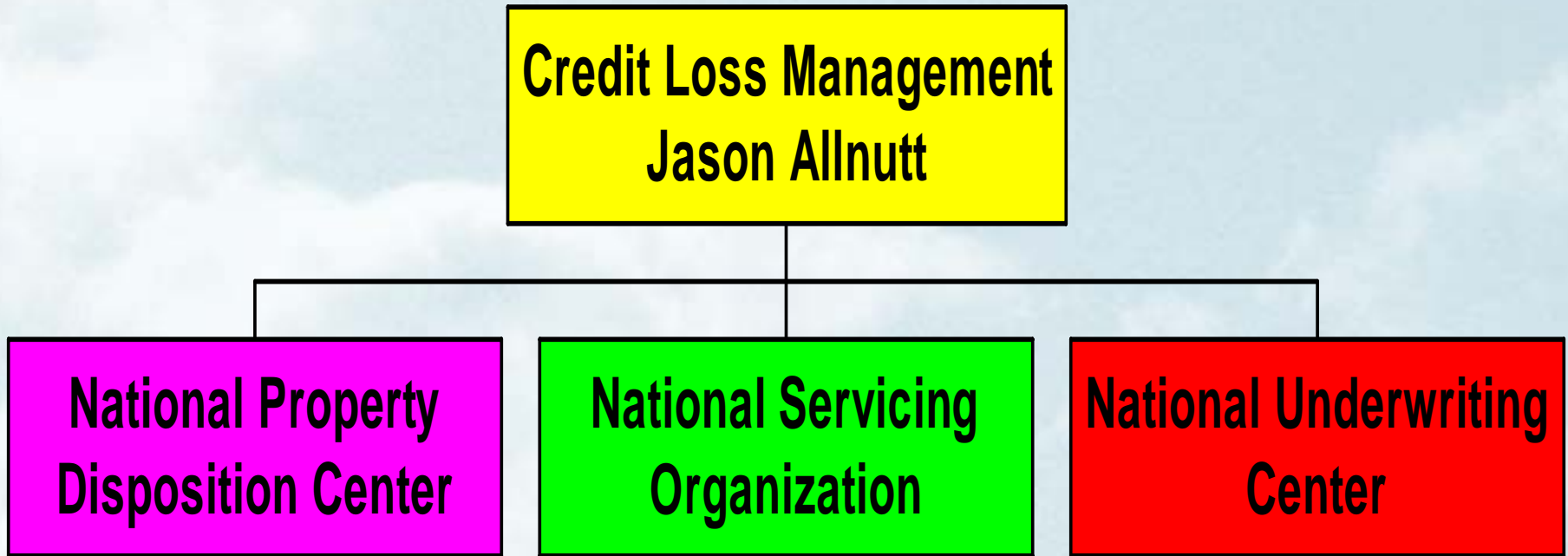
YOUR MARKETS. YOUR BUSINESS. YOUR SUCCESS.



Fannie Mae Update

Mortgage Bankers Association
National Servicing Conference
February 21, 2007

First – A Management Change



Economy Update

- We expect growth modestly below trend in 2007.
- The Fed has probably finished tightening, and may ease later this year. Long-term rates should increase modestly from current levels.
- Home sales should drop again in 2007, but the worst declines are likely behind us. Home price gains are slowing sharply, with price declines in some areas.
- Mortgage originations should drop in 2007, but refinancings will be boosted by resetting ARMs.

Take-aways

- Odds of a downturn are still low.
- Long-term rates should increase a bit.
- Regional home price weakness could cause a national price decline.
- Refinancing kept high by rate resets.

Fannie Mae Today

- \$2+ trillion book with over 16 million loans
- Implementing stronger operational disciplines internally
- Over **30,000** borrowers stayed in homes in 2006
- Over **\$16 million** in fees earned by servicers due to loss mitigation efforts plus almost \$1 million in repay plan incentives

2007 NSO Primary Initiatives

- Reduce Credit Losses by means of
 - Repay Plan Incentive
 - Increased loss mitigation options
 - Servicer scorecard
- Implement Circle of Excellence program
 - Default
 - Investor Reporting

Servicing Best Practices

1. New Borrower “welcome” calls can reduce delinquencies among new borrowers
2. Borrowers on ACH experience fewer early delinquencies
3. The best time to call borrowers is typically after 5:00 p.m. on weekdays or on weekends
4. Servicers with an ACH penetration rate of 50% or more had cash management costs that were \$0.45 per loan to \$8.74 per loan less than those with ACH penetration rates of 34% or less

Servicer Scorecard

- Scorecard piloted in 2006
- Tool to measure default performance
 - Roll rates
 - Successful workouts
 - Timelines

Hurricane Efforts Update

- 30,000 inspections with dollar damage amount available for Servicers
- Insurance Claim tracking reports
- Charge-off protocols
- Third Party Insurance Claims
- Claims on current loans.
- We continue to assist as needed

MBS Trust Agreement

- Per Ezzard, talking points are being revised – slide will be completed as soon as possible...
- Guide Announcement soon

2006 Servicing Related Announcements

- Ann.06-05: Property Insurance Changes (05/25/06)
- Ann.06-06: Delinquency Status Codes Updates (06-21-06)
- Ann.06-08: Servicer Repayment Plan Incentive Fee (07/20/06)
- Ann.06-09: Transfer of Servicing at Delivery (07/20/06)
- Ann.06-18: Conventional Mortgage Modifications (10/04/06)
- Ann.06-21: Discontinuance of Fannie Mae LIBOR Indices (11/21/06)
- Ann.06-24: Process for Foreclosure on Mortgage loans reflecting MERS as Mortgagee (12/07/06)
- Ann.06-27: Introduction of the Fannie Mae Single-Family MBS Master Trust Agreement (12/29/06)

2006 Servicing-Related Lender Letters

- LL01-06: Hurricane-Related Special Relief Measures (with correction in Foreclosure Evaluation Process (02/14/06)
- LL02-06: Mississippi Development Authority – Homeowner assistance program (04/19/06)
- LL03-06: Hurricane-Related Special Relief Measures (5/11/06)
- LL04-06: Hurricane-Related Special Relief Measures (08/08/06)
- LL06-06: Extension of Requirement to obtain Fannie Mae Approval prior to foreclosure in Certain Areas (11/21/06)

ARM Payment Resets

- Very high percentage of 2006 originations were ARMs
- Best Practices
 - Education and Communication are Key
 - Proactive identification of upcoming resets; stratify by increase in payment and affect on customers
 - Earlier notification in lieu of standard 45 or 60 days
 - Ongoing written and verbal communication with borrower from notification to change
 - Servicing and Loss Mitigation involvement if change represents hardship to borrower

SubPrime

- 2006
 - FannieMae commitment to enter into Subprime with measured risk
 - Purchased several billion in 2006
- 2007
 - Continued significant expansion into Subprime

Early Payment Defaults

- 2006 Early Payment Defaults (EPDs)
 - Trigger 1st 2 payments 45 days past due
 - 2006 acquisitions EPDs
- 2007 Trigger
 - Under review to meet requirements of marketplace while maintaining mitigation of risk

Reverse Mortgages

- Reverse Mortgages

- Product Description

- Allows homeowners age 62 + to convert equity to cash

- Working with Fannie Mae

- Loan delivery and servicing through Eboutique
 - Loan status changes and Servicer advances reported daily
 - Servicer receives funds through Eboutique
 - Servicer receives advances through Eboutique

Visit our Service Center!

Fresh Perspectives
YOUR MARKETS. YOUR BUSINESS. YOUR SUCCESS.

Fannie Mae is proud to be a sponsor of the MBA's 2007 National Mortgage Servicing Conference & Expo.

You make the dream of homeownership a reality for millions of Americans. And we are proud to support your accomplishments with servicing solutions that help you keep more people in their homes and help you stay profitable.

Explore Fresh Perspectives with Fannie Mae at these conference events:

- Welcoming Reception in the Exhibit Hall**
Tuesday, February 20
6:00 p.m. – 7:00 p.m.
Douglas Pavilion, Ground Level
- Impact of eNotes on Servicing Session**
Wednesday, February 21
10:45 a.m. – 12:15 p.m.
Manchester Ballroom GH, Second Level
- Fannie Mae Update Panel Session**
Wednesday, February 21
3:30 p.m. – 5:00 p.m.
Randle Ballroom DE, Fourth Level

SERVICING CIRCLE OF EXCELLENCE
Fannie Mae

Join Fannie Mae's
Circle of Excellence
for Servicers

We invite you to become a member of the Fannie Mae new awards program to recognize our servicers and their teams for all the great work they do.

MORTGAGE FOCUS
A Handbook in Industry Structure

2006 FINDINGS

EXECUTIVE OVERVIEW

Mortgage Origination Study

07 HOUSING FINANCE INSTITUTE
building on your success

Thank you for all of your hard work in making sure our borrowers stay in their homes and provide accurate information to our investors.

What's the purpose?
To recognize and reward our servicers for their hard work in making sure our borrowers stay in their homes and provide accurate information to our investors.

Who is eligible?
All servicers and their staffs.

What are the criteria?
We will award separate awards for performance in Default Reporting, Each servicer is eligible to receive an award.

What are the awards?
To achieve the *Circle of Excellence*, you will receive an award in your offices, a letter of recognition as well as a selection of individual rewards for your staff.

When will awards be given?
Awards will be distributed annually, starting in 2008 for 2007 performance results.

Want to learn more?
Contact your Servicing Consultant for more information.

Servicers have another incentive to structure repayment plans

We are pleased to announce that Fannie Mae now compensates servicers for the successful completion of repayment plans. We will pay a \$200 incentive fee to servicers for each repayment plan that meets our criteria and successfully brings a mortgage current. Our goal is to further encourage early loss mitigation efforts by compensating servicers for the work involved in handling repayment plans.

You will find all the details on this new program in the new Servicing Guide Announcement 05-08, issued July 20, 2006.

Home > Training & Education > Servicing & Investor Reporting

Servicing & Investor Reporting

- Jobs
- Webinars

We offer our customers' servicing and investor reporting staffs a variety of training opportunities ranging from live train seminars that enable you to learn without leaving your office to live Webcast sessions taught by seasoned professionals in locations across the country. We also offer publications focusing on servicing and investor reporting topics.

Introducing Fannie Mae's Master Trust Agreement
Please read Guide Announcement 05-27 which details and changes some of our servicing process, and will be implemented for Single Family mortgages in existing MBS, and for mortgages identified on and after the effective date of the new Fannie Mae Single Family Master Trust Agreement.
Announcement 05-27.pdf

Online Learning
You also have a number of self-paced online learning opportunities as well as a number of eLearning job aids.
- **Webinars**
- **Jobs**

Quick links to eLearning pages:

- Online Learning
- Course Library
- Classroom Training Publications

2007 HFI Registration
The Housing Finance Institute™ (HFI), Fannie Mae's premier customer training event, is coming to a city near you. Register today to learn more about HFI's exciting agenda and speakers!

Disaster Relief Seminar
Do you need guidance on the underlying business model for borrowers in areas affected by Hurricane Katrina and other disasters?
- **Webinars**
- **Jobs**

■ *Practical knowledge. Proven results.*

Fannie Mae

Chicago, IL March 19-22 September 24-27 October 9-10	Philadelphia, PA April 23-26	New Orleans, LA May 15-17	Pasadena, CA June 11-14	Washington, DC July 16-20	Dallas, TX November 5-8
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