UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 0-50231

Federal National Mortgage Association

(Exact name of registrant as specified in its charter)

Fannie Mae

Federally chartered corporation	52-0883107	1100 15th Street, NW Washington, DC 20005	800 232-6643
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*	*(Address of principal executive offices, including zip code)*	*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☑

As of October 15, 2022, there were 1,158,087,567 shares of common stock of the registrant outstanding.

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PART I—FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

We have been under conservatorship, with the Federal Housing Finance Agency ("FHFA") acting as conservator, since September 6, 2008. As conservator, FHFA succeeded to all rights, titles, powers and privileges of the company, and of any shareholder, officer or director of the company with respect to the company and its assets. The conservator has since provided for the exercise of certain functions and authorities by our Board of Directors. Our directors owe their fiduciary duties of care and loyalty solely to the conservator. Thus, while we are in conservatorship, the Board has no fiduciary duties to the company or its stockholders.

We do not know when or how the conservatorship will terminate, what further changes to our business will be made during or following conservatorship, what form we will have and what ownership interest, if any, our current common and preferred stockholders will hold in us after the conservatorship is terminated or whether we will continue to exist following conservatorship. Members of Congress and the Administration continue to express the importance of housing finance system reform.

We are not currently permitted to pay dividends or other distributions to stockholders. Our agreements with the U.S. Department of the Treasury ("Treasury") include a commitment from Treasury to provide us with funds to maintain a positive net worth under specified conditions; however, the U.S. government does not guarantee our securities or other obligations. Our agreements with Treasury also include covenants that significantly restrict our business activities. For additional information on the conservatorship, the uncertainty of our future, and our agreements with Treasury, see "Business—Conservatorship, Treasury Agreements and Housing Finance Reform" and "Risk Factors—GSE and Conservatorship Risk" in our Form 10-K for the year ended December 31, 2021 ("2021 Form 10-K").

You should read this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in conjunction with our unaudited condensed consolidated financial statements and related notes in this report and the more detailed information in our 2021 Form 10-K. You can find a "Glossary of Terms Used in This Report" in our 2021 Form 10-K.

Forward-looking statements in this report are based on management's current expectations and are subject to significant uncertainties and changes in circumstances, as we describe in "Forward-Looking Statements." Future events and our future results may differ materially from those reflected in our forward-looking statements due to a variety of factors, including those discussed in "Risk Factors" and elsewhere in this report and in our 2021 Form 10-K.

Introduction

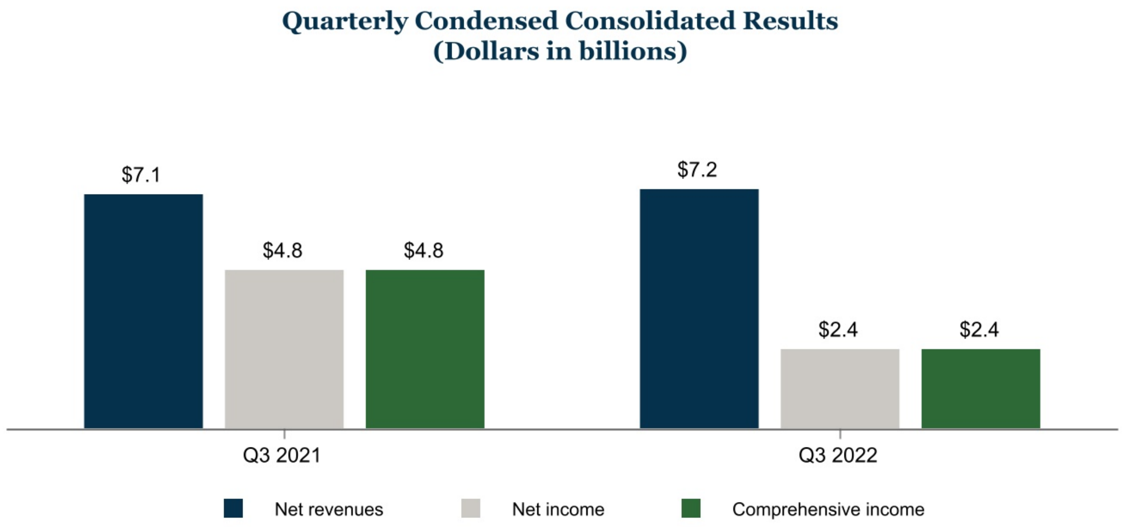
Fannie Mae is a leading source of financing for mortgages in the United States, with $4.3 trillion in assets as of September 30, 2022. Organized as a government-sponsored entity, Fannie Mae is a shareholder-owned corporation. Our charter is an act of Congress, which establishes that our purposes are to provide liquidity and stability to the residential mortgage market and to promote access to mortgage credit. We were initially established in 1938.

Our revenues are primarily driven by guaranty fees we receive for assuming the credit risk on loans underlying the mortgage-backed securities we issue. We do not originate loans or lend money directly to borrowers. Rather, we work primarily with lenders who originate loans to borrowers. We securitize those loans into Fannie Mae mortgage-backed securities that we guarantee (which we refer to as Fannie Mae MBS or our MBS).

Effectively managing credit risk is key to our business. In exchange for assuming credit risk on the loans we acquire, we receive guaranty fees. These fees take into account the credit risk characteristics of the loans we acquire. Guaranty fees are set at the time we acquire loans and do not change over the life of the loan. How long a loan remains in our guaranty book is heavily dependent on interest rates. When interest rates decrease, a larger portion of our book of business turns over as more loans refinance. On the other hand, as interest rates increase, fewer loans refinance and our book turns over more slowly. Since guaranty fees are set at the time a loan is originated, the impact of any change in guaranty fees on future revenues depends on the rates at which loans in our book of business turn over and new loans are added.

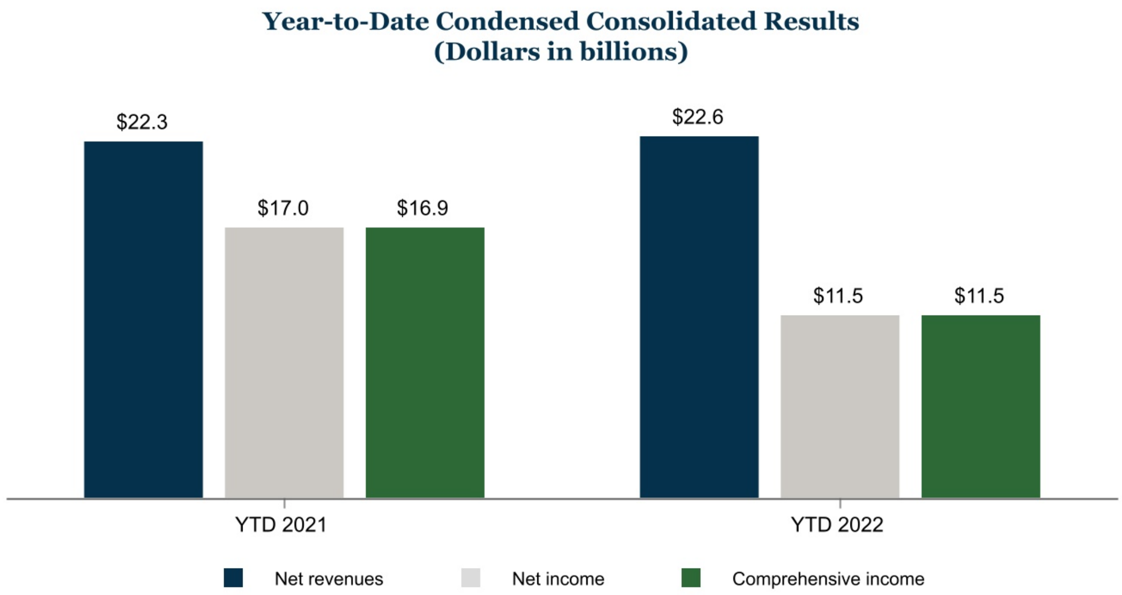
Executive Summary

Summary of Our Financial Performance



- *Net revenues* increased $146 million in the third quarter of 2022 compared with the third quarter of 2021, primarily due to:
    - higher income from portfolios, primarily due to higher yields on assets in our other investments portfolio as a result of increases in interest rates; and
    - higher base guaranty fee income due to an increase in the size of our guaranty book of business and higher average charged guaranty fees.

  These increases were partially offset by lower net amortization income as a result of a higher interest rate environment in the third quarter of 2022, which slowed refinancing activity driving lower prepayment volumes compared with the third quarter of 2021.
- *Net income* decreased $2.4 billion for the third quarter of 2022 compared with the third quarter of 2021, driven primarily by shifts to credit-related expense and investment losses in the third quarter of 2022 from credit-related income and investment gains in the third quarter of 2021.
    - Credit-related expense in the third quarter of 2022 was primarily driven by decreases in actual and forecasted home prices.
    - The shift from investment gains in the third quarter of 2021 to investment losses in the third quarter of 2022 was primarily driven by a significant decrease in the volume of single-family loan sales coupled with lower loan sale prices in the third quarter of 2022.
- *Net worth* increased to $58.8 billion as of September 30, 2022 from $56.4 billion as of June 30, 2022. The increase is attributable to $2.4 billion of comprehensive income for the third quarter of 2022.



- *Net revenues* increased $299 million in the first nine months of 2022 compared with the first nine months of 2021, primarily due to:
    - higher base guaranty fee income due to an increase in the size of our guaranty book of business and higher average charged guaranty fees; and
    - higher income from portfolios, primarily due to higher yields on assets in our other investments portfolio as a result of increases in interest rates as well as a decrease in interest expense on our funding debt due to a decrease in the average outstanding balance.

  These increases were partially offset by lower net amortization income as a result of a higher interest rate environment in the first nine months of 2022, which slowed refinancing activity driving lower prepayment volumes compared with the first nine months of 2021.
- *Net income* decreased $5.5 billion in the first nine months of 2022 compared with the first nine months of 2021, primarily driven by shifts to credit-related expense and investment losses in the first nine months of 2022 from credit-related income and investment gains in the first nine months of 2021, partially offset by higher fair value gains.
    - Credit-related expense in the first nine months of 2022 was primarily driven by decreases in actual and forecasted home prices in the third quarter of 2022, higher actual and projected interest rates, and provision relating to newly acquired loans. These factors were partially offset by the benefit from actual and forecasted home price growth in the first and second quarters of 2022.
    - The shift from investment gains in the first nine months of 2021 to investment losses in the first nine months of 2022 was primarily driven by a significant decrease in the volume of single-family loan sales coupled with lower loan sale prices in 2022.
    - Fair value gains in the first nine months of 2022 were primarily driven by the impact of rising interest rates and widening of the secondary spread on the fair value of our mortgage commitment derivatives and long-term debt of consolidated trusts held at fair value, partially offset by fair value losses on fixed-rate trading securities.
- *Net worth* increased to $58.8 billion as of September 30, 2022 from $47.4 billion as of December 31, 2021. The increase is attributable to $11.5 billion of comprehensive income for the first nine months of 2022.

See "Consolidated Results of Operations" for more information on our financial results for the third quarter and first nine months of 2022 compared with the third quarter and first nine months of 2021.

Financial Performance Outlook

Given the amount of credit-related expense we recognized in the first nine months of 2022, we expect significant credit-related expense in 2022 compared with significant credit-related income in 2021. We also expect much lower amortization income in 2022 compared with 2021, driven by significantly less refinancing activity in 2022 due to a higher mortgage interest-rate environment; however, we expect this decline in amortization income to be largely offset by increases in interest income from portfolios and base guaranty fee income. We expect these factors to result in lower net income in 2022 compared with 2021. See “Key Market Economic Indicators” for a discussion of how home prices, interest rates and other macroeconomic factors can affect our financial results.

Liquidity Provided in the First Nine Months of 2022

Through our single-family and multifamily business segments, we provided $580 billion in liquidity to the mortgage market in the first nine months of 2022, enabling the financing of 2.2 million home purchases, refinancings and rental units.

Fannie Mae Provided $580 Billion in Liquidity in the First Nine Months of 2022

Unpaid Principal Balance	Units
$307B	931K Single-Family Home Purchases
$222B	826K Single-Family Refinancings
$51B	435K Multifamily Rental Units

We continued our commitment to green financing in the first nine months of 2022, issuing a total of $7.3 billion in multifamily green MBS, $1.1 billion in single-family green MBS, and $781 million in multifamily green resecuritizations. We also issued $8.1 billion in multifamily social MBS and $381 million in multifamily social resecuritizations in the first nine months of 2022. These green and social bonds were issued in alignment with our Sustainable Bond Framework, which guides our issuances of green and social bonds that support energy and water efficiency and housing affordability.

Legislation and Regulation

The information in this section updates and supplements information regarding legislative, regulatory, conservatorship and other developments affecting our business set forth in “Business—Conservatorship, Treasury Agreements and Housing Finance Reform” and “Business—Legislation and Regulation” in our 2021 Form 10-K, as well as in “MD&A—Legislation and Regulation” in our Form 10-Q for the quarter ended March 31, 2022 (“First Quarter 2022 Form 10-Q”) and our Form 10-Q for the quarter ended June 30, 2022 (“Second Quarter 2022 Form 10-Q”). Also see “Risk Factors” in our 2021 Form 10-K and in this report for discussions of risks relating to legislative and regulatory matters.

Proposed Multifamily Housing Goals for 2023 and 2024

On August 18, 2022, FHFA published a proposed rule on the multifamily housing goals for Fannie Mae and Freddie Mac for 2023 and 2024. The proposed rule would establish a new methodology for measuring our multifamily housing goals. Rather than measuring the multifamily housing goals based on a fixed number of units as our 2022 goals require, the proposed rule for our 2023 and 2024 multifamily housing goals would be based on the percentage share of the goal-eligible units in our annual multifamily loan acquisitions that are affordable to each income category. The proposed rule did not include any changes to the underlying criteria that determine which multifamily units qualify for credit under the housing goals.

The chart below sets forth the multifamily housing goals applicable to Fannie Mae for 2022, as compared with FHFA's proposed multifamily housing goals for 2023 and 2024.

Multifamily Housing Goals

	Current Goals	Proposed Goals
	2022	2023 and 2024
	(Number of units)	(Percentage share of goal-eligible units)
Low-Income Goal (≤ 80% of area median income)[1]	415,000	61 %
Very Low-Income Subgoal (≤ 50% of area median income)[2]	88,000	12
Small Multifamily (5-50 Units) Low-Income Subgoal[3]	17,000	2

(1) Affordable to low-income families, defined as families with incomes less than or equal to 80% of area median income.

(2) Affordable to very low-income families, defined as families with incomes less than or equal to 50% of area median income.

(3) Units in small multifamily properties (defined as properties with 5 to 50 units) affordable to low-income families, defined as families with incomes less than or equal to 80% of area median income.

The proposed rule indicates that these benchmark levels may be adjusted as needed in the final rule based on comments received and new information that becomes available before publication of the final rule.

Comments on the proposed rule were due October 17, 2022. We submitted a comment letter to FHFA relating to the proposed multifamily housing goals on October 14, 2022. As noted in our comment letter, we believe the new percentage share-based methodology of the proposed rule will allow us to provide liquidity that reflects the variable nature of the multifamily mortgage market, and that the proposed benchmarks provide challenging, yet attainable, goals for us to support affordable multifamily housing while maintaining safety and soundness.

As described in "Risk Factors—GSE and Conservatorship Risk" in our 2021 Form 10-K, actions we may take to meet our housing goals may increase our credit losses and credit-related expense.

2021 Housing Goals and Duty to Serve Performance

In August 2022, FHFA notified us that it had preliminarily determined that we met all of our single-family and multifamily housing goals for 2021. In October 2022, FHFA reported its determination that we complied with our 2021 duty to serve requirements. See "Business—Legislation and Regulation—GSE-Focused Matters" in our 2021 Form 10-K for more information regarding our 2021 housing goals and duty to serve underserved markets.

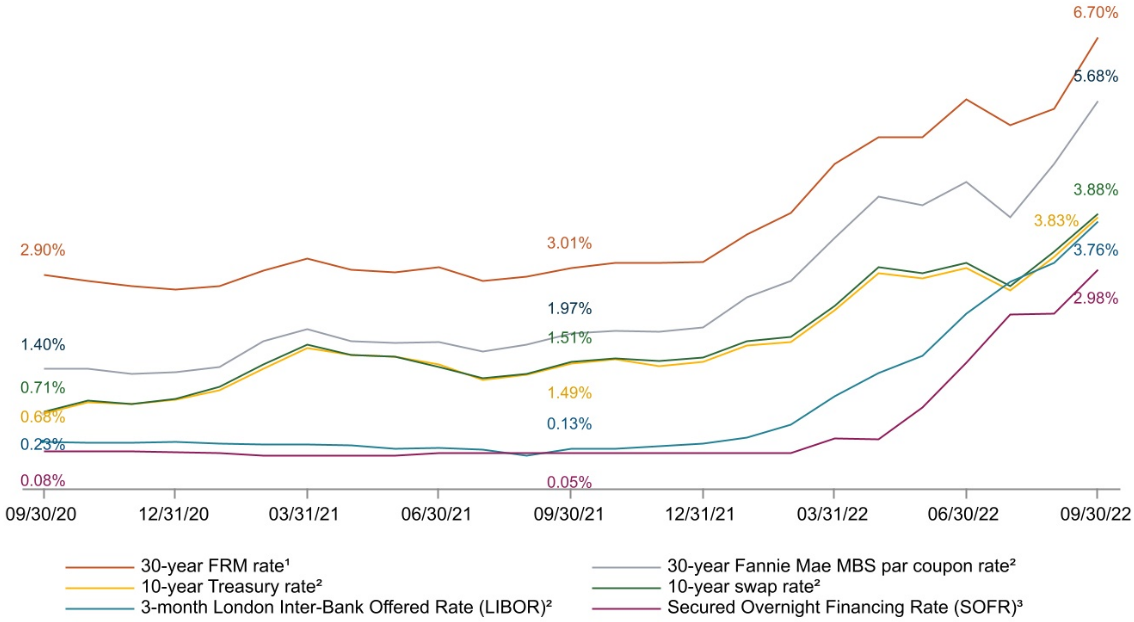
Stress Testing

Pursuant to an FHFA rule implementing a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act, each year we are required to conduct a stress test, based on our data as of the prior December 31, using two different scenarios of financial conditions provided by FHFA—baseline and severely adverse—and to publish a summary of our stress test results for the severely adverse scenario by August 15. We publish our stress test results on our website. On August 11, 2022, we and FHFA published our 2022 stress test results for the severely adverse scenario. Refer to our website and the FHFA website for updated stress test information.

Key Market Economic Indicators

Below we discuss how varying macroeconomic conditions can influence our financial results across different business and economic environments. Our forecasts and expectations are based on many assumptions, subject to many uncertainties and may change, perhaps substantially, from our current forecasts and expectations. For further discussion on housing activity, see "Single-Family Business—Single-Family Mortgage Market" and "Multifamily Business—Multifamily Mortgage Market."

Selected Benchmark Interest Rates



(1) Refers to the U.S. weekly average fixed-rate mortgage rate according to Freddie Mac's Primary Mortgage Market Survey®. These rates are reported using the latest available data for a given period.

(2) According to Bloomberg.

(3) Refers to the daily rate per the Federal Reserve Bank of New York.

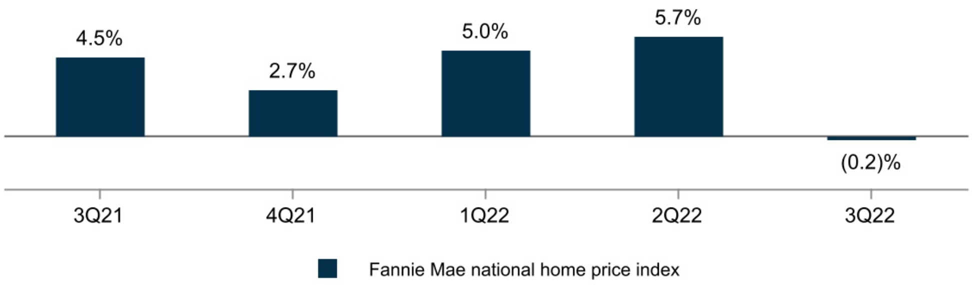
How Interest Rates Can Affect Our Financial Results

- *Net interest income*. In a rising interest-rate environment, our mortgage loans tend to prepay more slowly as borrowers are less incentivized or unable to refinance. We amortize various cost basis adjustments over the life of the mortgage loan, including those relating to loan-level price adjustments we receive as upfront fees at the time we acquire single-family loans. As a result, any prepayment of a loan results in an accelerated realization of those upfront fees as income. Therefore, as loan prepayments slow, the accelerated realization of amortization income also slows. Conversely, in a declining interest-rate environment, our mortgage loans tend to prepay faster as borrowers are more likely to refinance, typically resulting in the opposite trend of higher net amortization income from cost basis adjustments on mortgage loans and related debt. Interest rates also affect the amount of interest income we earn on our assets. Our other investments portfolio and certain mortgage-related assets earn more interest income in a higher interest-rate environment and less interest income in a lower interest-rate environment. See "Consolidated Results of Operations—Net Interest Income" for a discussion of how interest rate changes impacted our financial results.
- *Fair value gains (losses)*. We have exposure to fair value gains and losses resulting from changes in interest rates, primarily through our mortgage commitment derivatives and risk management derivatives, which we mark to market through earnings. Fair value gains and losses on our mortgage commitment derivatives fluctuate depending on how interest rates and prices move between the time a commitment is opened and

when it settles. The net position and composition across the yield curve of our risk management derivatives changes over time. As a result, interest rate changes (increases or decreases) and yield curve changes (parallel, steepening or flattening shifts) will generate varying amounts of fair value gains or losses in a given period.

- *Credit-related income (expense).* Increases in mortgage interest rates tend to lengthen the expected lives of our loans as borrowers are less likely or unable to refinance, which generally increases the expected impairment and provision for credit losses on loans, particularly those modified in troubled debt restructuring ("TDR") arrangements. Decreases in mortgage interest rates tend to shorten the expected lives of our loans as borrowers are more likely to refinance, which generally reduces the impairment and provision for credit losses on such loans. See "Consolidated Results of Operations—Credit-Related Income (Expense)" and "Note 1, Summary of Significant Accounting Policies" for additional information on our adoption of Accounting Standards Update ("ASU") 2022-02, Financial Instruments – Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02") on January 1, 2022, resulting in the prospective discontinuation of TDR accounting, and its impact on our financial results.

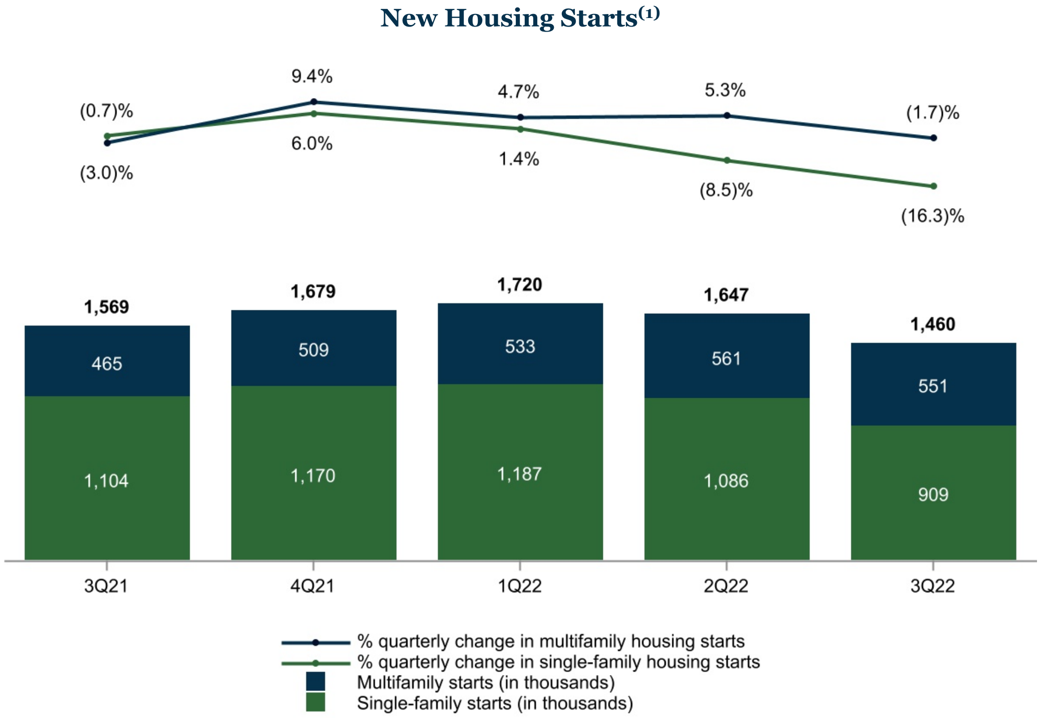
Single-Family Quarterly Home Price Growth (Decline) Rate [(1)]



(1) Calculated internally using property data on loans purchased by Fannie Mae, Freddie Mac and other third-party home sales data. Fannie Mae's home price index is a weighted repeat-transactions index, measuring average price changes in repeat sales on the same properties. Fannie Mae's home price index excludes prices on properties sold in foreclosure. Fannie Mae's home price estimates are based on non-seasonally adjusted preliminary data and are subject to change as additional data becomes available.

How Home Prices Can Affect Our Financial Results

- Actual and forecasted home prices impact our provision or benefit for credit losses as well as the growth and size of our guaranty book of business.
- Changes in home prices affect the amount of equity that borrowers have in their homes. Borrowers with less equity typically have higher delinquency and default rates.
- As home prices increase, the severity of losses we incur on defaulted loans that we hold or guarantee decreases because the amount we can recover from the properties securing the loans increases. Declines in home prices increase the losses we incur on defaulted loans.
- As home prices rise, the principal balance of loans associated with newly acquired purchase money mortgages may increase, causing growth in the size of our guaranty book. Additionally, rising home prices can increase the amount of equity borrowers have in their home, which may lead to an increase in origination volumes for cash-out refinance loans with higher principal balances than the existing loan. Replacing existing loans with newly acquired cash-out refinances can affect the growth and size of our guaranty book.
- Following a period of significant home price growth in 2021 and the first half of 2022, home prices declined on a national basis in the third quarter of 2022, driven by elevated mortgage interest rates which reduced affordability.
- We expect additional home price declines in the fourth quarter of 2022. As a result, we expect home price growth on a national basis to moderate to 9.0% for full year 2022, compared with 18.7% growth in 2021. We expect home price declines on a national basis of 1.5% for full year 2023 driven by elevated mortgage interest rates, a weakening economy and labor market, and affordability constraints. We also expect regional variation in the timing and rate of home price changes.

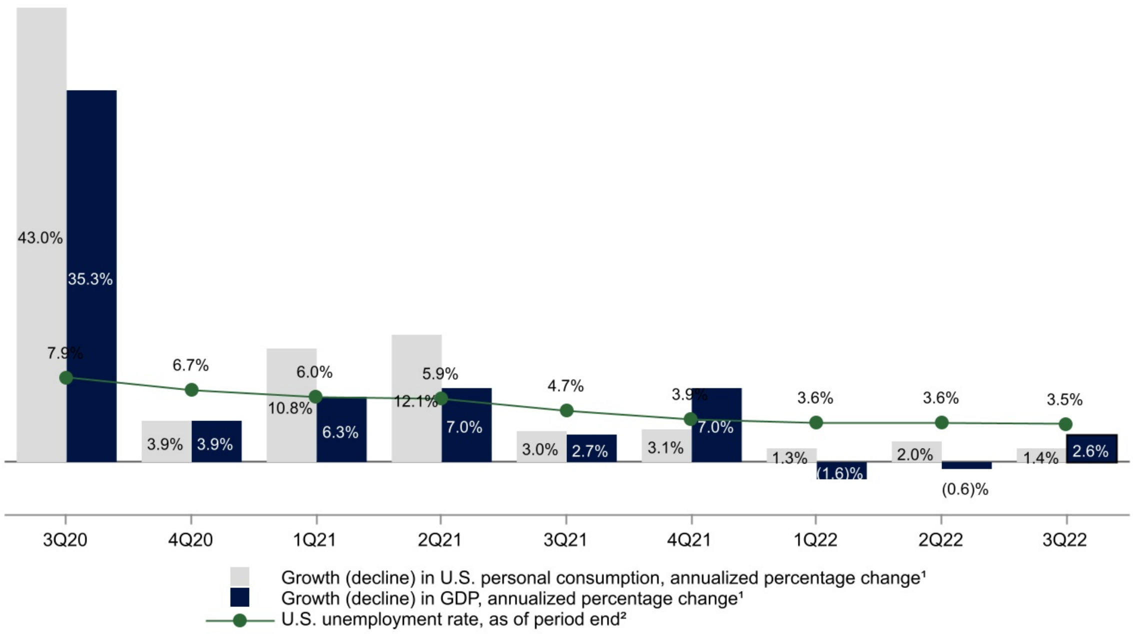


(1) According to U.S. Census Bureau and subject to revision.

How Housing Activity Can Affect Our Financial Results

- Housing is among the most interest-rate sensitive sectors of the economy. In addition to interest rates, two key aspects of economic activity that can impact supply and demand for housing, and thus our business and financial results, are the rates of household formation and housing construction.
- Household formation is a key driver of demand for both single-family and multifamily housing as a newly formed household will either rent or purchase a home. Thus, changes in the pace of household formation can affect home prices and credit performance as well as the degree of loss on defaulted loans.
- Growth of household formation stimulates homebuilding. Homebuilding has typically been a cyclical leader, weakening prior to a slowdown in U.S. economic activity and accelerating prior to a recovery, which contributes to the growth of gross domestic product ("GDP") and employment. However, the housing sector's performance may vary from its historical precedent due to the many uncertainties surrounding future economic or housing policy as well as the impact of labor and material availability and cost on the economy and the housing market.
- A decline in housing starts results in fewer new homes being available for purchase and potentially a lower volume of mortgage originations. Construction activity can also affect credit losses through its impact on home prices. If the growth of demand exceeds the growth of supply, prices will appreciate and impact the risk profile of newly originated home purchase mortgages, depending on where in the housing cycle the market is. A reduced pace of construction is often associated with a broader economic slowdown and may signal expected increases in delinquency and losses on defaulted loans.
- We expect home sales and single-family housing starts through the remainder of 2022 will continue to decline in response to elevated mortgage rates, diminished home purchase affordability, and a stalling economy. Single-family housing starts in the third quarter of 2022 fell in response to anticipated decreases in demand. In 2023, we expect single-family and multifamily housing starts to decline compared with 2022 due to the economic constraints of continued high interest rates and an expected modest recession.

GDP, Unemployment Rate and Personal Consumption



(1) Real GDP growth (decline) and personal consumption growth (decline) are based on the quarterly series calculated by the Bureau of Economic Analysis and are subject to revision.

(2) According to the U.S. Bureau of Labor Statistics and subject to revision.

How GDP, the Unemployment Rate and Personal Consumption Can Affect Our Financial Results

- Changes in GDP, the unemployment rate and personal consumption can affect several mortgage market factors, including the demand for both single-family and multifamily housing and the level of loan delinquencies, which impacts credit losses.
- Economic growth is a key factor for the performance of mortgage-related assets. In a growing economy, employment and income are typically rising, thus allowing borrowers to meet payment requirements, existing homeowners to consider purchasing and moving to another home, and renters to consider becoming homeowners. Homebuilding typically increases to meet the rise in demand. Mortgage delinquencies typically fall in an expanding economy, thereby decreasing credit losses.
- In a slowing economy, income growth and housing activity typically slow as an early indicator of reduced economic activity, followed by slowing employment. Typically, as an economic slowdown intensifies, households reduce their spending. This reduction in consumption then accelerates the slowdown. An economic slowdown can lead to employment losses, impairing the ability of borrowers and renters to meet mortgage and rental payments, thus causing loan delinquencies to rise. Home sales and mortgage originations also typically fall in a slowing economy.
- While GDP declined in the first half of 2022, GDP grew moderately in the third quarter of 2022. We currently expect a GDP contraction in the fourth quarter of 2022, resulting in essentially flat GDP growth for 2022. We expect that a modest recession is likely to occur beginning in the first quarter of 2023, resulting in an increase in the unemployment rate. We expect our economic outlook will be influenced by a number of factors that are subject to change, such as the persistence of inflationary pressures, the speed at which expected monetary policy tightening is adjusted and the increasing risk of international financial market disruptions.

See “Risk Factors” in this report and “Risk Factors—Market and Industry Risk” in our 2021 Form 10-K for further discussion of risks to our business and financial results associated with interest rates, home prices, housing activity and economic conditions.

Consolidated Results of Operations

This section discusses our condensed consolidated results of operations and should be read together with our condensed consolidated financial statements and the accompanying notes.

Summary of Condensed Consolidated Results of Operations

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2022	2021	Variance	2022	2021	Variance
	(Dollars in millions)					
Net interest income	**$ 7,124**	$ 6,972	$ 152	**$ 22,331**	$ 22,000	$ 331
Fee and other income	**105**	111	(6)	**269**	301	(32)
Net revenues	**7,229**	7,083	146	**22,600**	22,301	299
Investment gains (losses), net	**(172)**	243	(415)	**(323)**	934	(1,257)
Fair value gains (losses), net	**292**	(17)	309	**1,301**	321	980
Administrative expenses	**(870)**	(745)	(125)	**(2,473)**	(2,239)	(234)
Credit-related income (expense):						
Benefit (provision) for credit losses	**(2,536)**	937	(3,473)	**(2,994)**	4,290	(7,284)
Foreclosed property income (expense)	**15**	(69)	84	**21**	(105)	126
Total credit-related income (expense)	**(2,521)**	868	(3,389)	**(2,973)**	4,185	(7,158)
TCCA fees[(1)]	**(850)**	(781)	(69)	**(2,515)**	(2,270)	(245)
Credit enhancement expense[(2)]	**(364)**	(233)	(131)	**(974)**	(791)	(183)
Change in expected credit enhancement recoveries[(3)]	**290**	(42)	332	**303**	(117)	420
Other expenses, net[(4)]	**(169)**	(268)	99	**(633)**	(867)	234
Income before federal income taxes	**2,865**	6,108	(3,243)	**14,313**	21,457	(7,144)
Provision for federal income taxes	**(429)**	(1,266)	837	**(2,816)**	(4,470)	1,654
Net income	**$ 2,436**	$ 4,842	$ (2,406)	**$ 11,497**	$ 16,987	$ (5,490)
Total comprehensive income	**$ 2,433**	$ 4,828	$ (2,395)	**$ 11,483**	$ 16,914	$ (5,431)

(1) TCCA fees refers to the expense recognized as a result of the 10 basis point increase in guaranty fees on all single-family residential mortgages delivered to us on or after April 1, 2012 pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011 and as extended by the Infrastructure Investment and Jobs Act, which we remit to Treasury. For more information on TCCA fees, see "Note 1, Summary of Significant Accounting Policies—Related Parties—Transactions with Treasury."

(2) Consists of costs associated with our freestanding credit enhancements, which primarily include our Connecticut Avenue Securities® ("CAS") and Credit Insurance Risk Transfer™ ("CIRT™") programs, enterprise-paid mortgage insurance ("EPMI") and certain lender risk-sharing programs.

(3) Includes estimated changes in benefits, as well as any realized amounts, from our freestanding credit enhancements.

(4) Consists of debt extinguishment gains and losses, housing trust fund expenses, loan subservicing costs, servicer fees paid in connection with certain loss mitigation activities, and gains and losses from partnership investments.

Net Interest Income

Our primary source of net interest income is guaranty fees we receive for managing the credit risk on loans underlying Fannie Mae MBS held by third parties.

Guaranty fees consist of two primary components:

- base guaranty fees that we receive over the life of the loan; and
- upfront fees that we receive at the time of loan acquisition primarily related to single-family loan-level price adjustments and other fees we receive from lenders, which are amortized into net interest income as cost basis adjustments over the contractual life of the loan. We refer to this as amortization income.

We recognize almost all of our guaranty fee revenue in net interest income because we consolidate the substantial majority of loans underlying our Fannie Mae MBS in consolidated trusts in our condensed consolidated balance sheets. Guaranty fees from these loans account for the difference between the interest income on loans in consolidated trusts and the interest expense on the debt of consolidated trusts.

The timing of when we recognize amortization income can vary based on a number of factors, the most significant of which is a change in mortgage interest rates. In a rising interest-rate environment, our mortgage loans tend to prepay more slowly, which typically results in lower net amortization income. Conversely, in a declining interest-rate environment, our mortgage loans tend to prepay faster, typically resulting in higher net amortization income.

We also recognize net interest income on the difference between interest income earned on the assets in our retained mortgage portfolio and our other investments portfolio (collectively, our "portfolios") and the interest expense associated with the debt that funds those assets. See "Retained Mortgage Portfolio" and "Liquidity and Capital Management—Liquidity Management—Other Investments Portfolio" for more information about our portfolios.

We recognize fair value changes attributable to movements in benchmark interest rates for mortgage loans and funding debt, and for related interest-rate swaps in hedging relationships, as a component of net interest income, including the amortization of hedge-related basis adjustments on mortgage loans or funding debt and any related interest accrual on the swaps. The income or expense associated with this activity is presented in the "Income (expense) from hedge accounting" line item in the table below. See "MD&A—Consolidated Results of Operations—Hedge Accounting Impact" and "Note 1, Summary of Significant Accounting Policies" in our 2021 Form 10-K for more information about our hedge accounting program.

The table below displays the components of our net interest income from our guaranty book of business, which we discuss in "Guaranty Book of Business," and from our portfolios, as well as from hedge accounting.

Components of Net Interest Income

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2022	2021	Variance	2022	2021	Variance
	(Dollars in millions)					
Net interest income from guaranty book of business:						
Base guaranty fee income[(1)]	**$ 4,116**	$ 3,643	$ 473	**$ 12,091**	$ 10,260	$ 1,831
Base guaranty fee income related to TCCA fees[(2)]	**850**	781	69	**2,515**	2,270	245
Net amortization income[(3)]	**1,429**	2,338	(909)	**5,924**	8,600	(2,676)
Total net interest income from guaranty book of business	**6,395**	6,762	(367)	**20,530**	21,130	(600)
Net interest income from portfolios[(4)]	**794**	170	624	**1,747**	742	1,005
Income (expense) from hedge accounting	**(65)**	40	(105)	**54**	128	(74)
Total net interest income	**$ 7,124**	$ 6,972	$ 152	**$ 22,331**	$ 22,000	$ 331
Income (expense) from hedge accounting included in net interest income:						
Fair value gains (losses) on designated risk management derivatives in fair value hedges	**$ (1,020)**	$ (192)	$ (828)	**$ (2,548)**	$ (1,053)	$ (1,495)
Fair value gains on hedged mortgage loans held for investment and debt of Fannie Mae[(5)]	**1,192**	194	998	**2,981**	1,069	1,912
Contractual interest income (expense) accruals related to interest-rate swaps designated as hedging instruments	**(101)**	61	(162)	**(64)**	169	(233)
Discontinued hedge-related basis adjustment amortization expense	**(136)**	(23)	(113)	**(315)**	(57)	(258)
Total income (expense) from hedge accounting in net interest income	**$ (65)**	$ 40	$ (105)	**$ 54**	$ 128	$ (74)

(1) Excludes revenues generated by the 10 basis point guaranty fee increase we implemented pursuant to the TCCA, the incremental revenue from which is remitted to Treasury and not retained by us.

(2) Represents revenues generated by the 10 basis point guaranty fee increase we implemented pursuant to the TCCA, the incremental revenue from which is remitted to Treasury and not retained by us.

(3) Net amortization income refers primarily to the amortization of premiums and discounts on mortgage loans and debt of consolidated trusts. These cost basis adjustments represent the difference between the initial fair value and the carrying value of these instruments as well as upfront fees we receive at the time of loan acquisition. It does not include the amortization of cost basis adjustments resulting from hedge accounting, which is included in income (expense) from hedge accounting.

(4) Includes interest income from assets held in our retained mortgage portfolio and our other investments portfolio, as well as other assets used to support lender liquidity. Also includes interest expense on our outstanding Connecticut Avenue Securities debt.

(5) Amounts are recorded as cost basis adjustments on the hedged loans or debt and amortized over the hedged item's remaining contractual life beginning at the termination of the hedging relationship. See "Note 8, Derivative Instruments" for additional information on the effect of our fair value hedge accounting program and related disclosures.

Net interest income increased in the third quarter and first nine months of 2022 compared with the third quarter and first nine months of 2021, primarily as a result of higher base guaranty fee income and higher income from portfolios, partially offset by lower net amortization income. More specifically, our net interest income was impacted in the periods by:

- *Higher base guaranty fee income.* An increase in the size of our guaranty book of business combined with higher average charged guaranty fees were the primary drivers of the increase in base guaranty fee income for the third quarter and first nine months of 2022 compared with the third quarter and first nine months of 2021.
- *Higher income from portfolios.* Higher income from portfolios in the third quarter and first nine months of 2022 compared with the third quarter and first nine months of 2021, was primarily driven by higher yields on assets in our other investments portfolio as a result of increases in interest rates. For the first nine months of 2022, higher income from portfolios was also driven by a decrease in interest expense on our funding debt due to a decrease in the average outstanding balance compared with the first nine months of 2021.
- *Lower net amortization income*. Throughout the third quarter and first nine months of 2022, we were in a higher interest-rate environment and observed lower volumes of refinancing activity compared with the third quarter and first nine months of 2021, which drove fewer loan prepayments. As a result, we had lower amortization income in the third quarter and first nine months of 2022 compared with the third quarter and first nine months of 2021. For a description of how fewer loan prepayments results in lower amortization income, refer to “Key Market Economic Indicators—How Interest Rates Can Affect Our Financial Results—Net Interest Income.”

We expect refinancing activity to be significantly lower throughout 2022 compared with 2021 levels, as the recent sharp rise in interest rates has resulted in few borrowers who could benefit from refinancing. As described in “Executive Summary—Financial Performance Outlook,” we expect much lower amortization income in 2022 compared with 2021, driven by significantly less refinancing activity in 2022 due to a higher mortgage interest-rate environment; however, we expect this decline in amortization income to be largely offset by increases in interest income from portfolios and base guaranty fee income. Because we expect mortgage interest rates will remain elevated throughout 2023 and therefore refinancing activity will remain low, we expect these trends to continue with amortization income declining and interest income from portfolios increasing in 2023 compared with 2022.

Analysis of Net Interest Income

The table below displays an analysis of our net interest income, average balances and related yields earned on assets and incurred on liabilities. For most components of the average balances, we use a daily weighted average of unpaid principal balance net of unamortized cost basis adjustments. When daily average balance information is not available, such as for mortgage loans, we use monthly averages.

Analysis of Net Interest Income and Yield(1)

	For the Three Months Ended September 30,					
	2022			2021		
	Average Balance	Interest Income/ (Expense)	Average Rates Earned/Paid	Average Balance	Interest Income/ (Expense)	Average Rates Earned/Paid
	(Dollars in millions)					
Interest-earning assets:						
Mortgage loans of Fannie Mae	**$ 58,290**	**$ 628**	**4.31 %**	$ 81,999	$ 673	3.28 %
Mortgage loans of consolidated trusts	**4,048,625**	**29,486**	**2.91**	3,800,970	24,125	2.54
Total mortgage loans(2)	**4,106,915**	**30,114**	**2.93**	3,882,969	24,798	2.55
Mortgage-related securities	**4,612**	**35**	**3.04**	5,975	34	2.28
Non-mortgage-related securities(3)	**104,009**	**490**	**1.88**	184,325	111	0.24
Securities purchased under agreements to resell	**30,829**	**171**	**2.22**	36,839	5	0.05
Advances to lenders	**4,935**	**40**	**3.24**	8,522	33	1.55
Total interest-earning assets	**$ 4,251,300**	**$ 30,850**	**2.90 %**	$ 4,118,630	$ 24,981	2.43 %
Interest-bearing liabilities:						
Short-term funding debt	**$ 3,695**	**$ (17)**	**1.84 %**	$ 4,324	*	*
Long-term funding debt	**122,571**	**(635)**	**2.07**	225,568	$ (659)	1.17 %
CAS debt	**7,221**	**(126)**	**6.98**	13,855	(144)	4.16
Total debt of Fannie Mae	**133,487**	**(778)**	**2.33**	243,747	(803)	1.32
Debt securities of consolidated trusts held by third parties	**4,055,958**	**(22,948)**	**2.26**	3,829,882	(17,206)	1.80
Total interest-bearing liabilities	**$ 4,189,445**	**$ (23,726)**	**2.27 %**	$ 4,073,629	$ (18,009)	1.77 %
Net interest income/net interest yield		**$ 7,124**	**0.67 %**		$ 6,972	0.66 %

	For the Nine Months Ended September 30,					
	2022			2021		
	Average Balance	Interest Income/ (Expense)	Average Rates Earned/Paid	Average Balance	Interest Income/ (Expense)	Average Rates Earned/Paid
	(Dollars in millions)					
Interest-earning assets:						
Mortgage loans of Fannie Mae	$ 62,460	$ 2,202	4.70 %	$ 96,249	$ 2,280	3.16 %
Mortgage loans of consolidated trusts	4,004,225	84,136	2.80	3,704,361	70,803	2.55
Total mortgage loans(2)	4,066,685	86,338	2.83	3,800,610	73,083	2.56
Mortgage-related securities	5,025	92	2.44	6,667	118	2.36
Non-mortgage-related securities(3)	129,003	917	0.94	160,623	326	0.27
Securities purchased under agreements to resell	22,495	205	1.20	52,705	17	0.04
Advances to lenders	5,800	93	2.11	9,135	106	1.53
Total interest-earning assets	$ 4,229,008	$ 87,645	2.76 %	$ 4,029,740	$ 73,650	2.44 %
Interest-bearing liabilities:						
Short-term funding debt	$ 3,909	$ (23)	0.78 %	$ 5,944	$ (4)	0.09 %
Long-term funding debt	146,165	(1,724)	1.57	243,659	(2,092)	1.14
CAS debt	9,358	(373)	5.31	14,323	(446)	4.15
Total debt of Fannie Mae	159,432	(2,120)	1.77	263,926	(2,542)	1.28
Debt securities of consolidated trusts held by third parties	4,016,013	(63,194)	2.10	3,739,575	(49,108)	1.75
Total interest-bearing liabilities	$ 4,175,445	$ (65,314)	2.09 %	$ 4,003,501	$ (51,650)	1.72 %
Net interest income/net interest yield		$ 22,331	0.70 %		$ 22,000	0.73 %

* Represents less than $0.5 million of interest expense and less than 0.005% of average yield.

(1) Includes the effects of discounts, premiums and other cost basis adjustments.

(2) Average balance includes mortgage loans on nonaccrual status. Interest income from yield maintenance revenue and the amortization of loan fees, primarily consisting of upfront cash fees, was $1.1 billion and $4.4 billion, respectively, for the third quarter of 2022 and first nine months of 2022, compared with $2.5 billion and $7.3 billion, respectively, for the third quarter of 2021 and first nine months of 2021.

(3) Consists of cash, cash equivalents and U.S. Treasury securities.

Analysis of Deferred Amortization Income

We initially recognize mortgage loans and debt of consolidated trusts in our condensed consolidated balance sheets at fair value. The difference between the initial fair value and the carrying value of these instruments is recorded as a cost basis adjustment, either as a premium or a discount, in our condensed consolidated balance sheets. We amortize these cost basis adjustments over the contractual lives of the loans or debt. On a net basis, for mortgage loans and debt of consolidated trusts, we are in a premium position with respect to debt of consolidated trusts, which represents deferred income we will recognize in our condensed consolidated statements of operations and comprehensive income as amortization income in future periods. Our net premium position on debt of consolidated MBS trusts decreased as of September 30, 2022, compared with December 31, 2021, primarily as a result of higher interest rates, which resulted in recognizing primarily net discounts on newly issued MBS debt as prices declined.

Deferred Amortization Income Represented by Net Premium Position on Debt of Consolidated Trusts (Dollars in billions)

Investment Gains (Losses), Net

Investment gains (losses), net primarily includes gains and losses recognized on the sale of available-for-sale (“AFS”) securities, the sale of loans, gains and losses recognized on the consolidation and deconsolidation of securities, and lower of cost or fair value adjustments on held-for-sale (“HFS”) loans.

The shift from net investment gains in the third quarter and first nine months of 2021 to net investment losses in the third quarter and first nine months of 2022 was primarily driven by a significant decrease in the volume of single-family loan sales coupled with lower loan sale prices in 2022.

Fair Value Gains (Losses), Net

The estimated fair value of our derivatives, trading securities and other financial instruments carried at fair value may fluctuate substantially from period to period because of changes in interest rates, the yield curve, mortgage and credit spreads and implied volatility, as well as activity related to these financial instruments.

As discussed below in “Impact of Hedge Accounting on Fair Value Gains (Losses), Net,” we apply fair value hedge accounting to reduce earnings volatility in our financial statements driven by changes in benchmark interest rates. Accordingly, we recognize the fair value gains and losses and the contractual interest income and expense associated with risk management derivatives designated in qualifying hedging relationships in net interest income.

The table below displays the components of our fair value gains and losses, which includes the impact of hedge accounting.

Fair Value Gains (Losses), Net

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in millions)			
Risk management derivatives fair value gains (losses) attributable to:				
Net contractual interest income (expense) on interest-rate swaps	**$ (164)**	$ 59	**$ (166)**	$ 163
Net change in fair value during the period	**(433)**	(97)	**(2,135)**	(734)
Impact of hedge accounting	**1,121**	131	**2,612**	884
Risk management derivatives fair value gains, net	**524**	93	**311**	313
Mortgage commitment derivatives fair value gains (losses), net	**517**	(25)	**2,933**	504
Credit enhancement derivatives fair value losses, net	**(32)**	(55)	**(83)**	(163)
Total derivatives fair value gains, net	**1,009**	13	**3,161**	654
Trading securities losses, net	**(1,319)**	(129)	**(3,754)**	(726)
Long-term debt fair value gains, net[1]	**787**	62	**2,424**	346
Other, net[2]	**(185)**	37	**(530)**	47
Fair value gains (losses), net	**$ 292**	$ (17)	**$ 1,301**	$ 321

(1) Consists of fair value gains and losses on CAS and non-CAS debt held at fair value.
(2) Consists primarily of fair value gains and losses on mortgage loans held at fair value.

Fair value gains, net in the third quarter and first nine months of 2022 were primarily driven by:

- increases in the fair value of mortgage commitment derivatives due to gains on commitments to sell mortgage-related securities as prices decreased during the commitment period due to rising interest rates and widening of the secondary spread, which is the spread between the 30-year MBS current coupon yield and 10-year U.S. Treasury rate; and
- gains associated with decreases in the fair value of long-term debt of consolidated trusts held at fair value, also due to rising interest rates and widening of the secondary spread.

These gains were partially offset by fair value losses in the third quarter and first nine months of 2022 on trading securities, primarily driven by increases in U.S. Treasury yields, which resulted in losses on fixed-rate securities held in our other investments portfolio.

Fair value losses, net in the third quarter of 2021 were primarily driven by losses on trading securities due to increases in U.S. Treasury yields during the third quarter of 2021, which resulted in losses on fixed-rate securities held in our other investments portfolio. These losses were offset by gains associated with decreases in the fair value of long-term debt of consolidated trusts held at fair value due to rising interest rates.

Fair value gains, net in the first nine months of 2021 were primarily driven by:

- increases in the fair value of mortgage commitment derivatives due to gains on commitments to sell mortgage-related securities as prices decreased during the commitment period as interest rates increased; and
- gains associated with decreases in the fair value of long-term debt of consolidated trusts held at fair value due to rising interest rates.

These gains were partially offset by fair value losses in the first nine months of 2021 on trading securities, primarily driven by increases in interest rates during the first quarter of 2021, which resulted in losses on fixed-rate securities held in our other investments portfolio.

Impact of Hedge Accounting on Fair Value Gains (Losses), Net

Our earnings can experience volatility due to interest-rate changes and differing accounting treatments that apply to certain financial instruments on our balance sheet. To help address this volatility, we began applying fair value hedge accounting in January 2021 to reduce the current-period impact on our earnings related to changes in specified benchmark interest rates. Hedge accounting aligns the timing of when we recognize fair value changes in hedged items attributable to these benchmark interest-rate movements with fair value changes in the hedging instrument. For additional discussion on the purpose and structure of our hedge accounting program, see "Risk Management—Market Risk Management, including Interest-Rate Risk Management—Earnings Exposure to Interest-Rate Risk."

The table below displays the amount of contractual interest accruals and fair value gains and losses related to designated interest-rate swaps in qualifying hedging relationships that are recognized in "Net interest income" rather than "Fair value gains (losses), net" as a result of hedge accounting. Derivatives not in hedging relationships are not affected.

Impact of Hedge Accounting on Fair Value Gains (Losses), Net

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in millions)			
Net contractual interest income (expense) accruals related to interest-rate swaps designated as hedging instruments recognized in net interest income	**$ (101)**	$ 61	**$ (64)**	$ 169
Fair value losses on derivatives designated as hedging instruments recognized in net interest income	**(1,020)**	(192)	**(2,548)**	(1,053)
Fair value losses, net recognized in net interest income (expense) from hedge accounting	**$ (1,121)**	$ (131)	**$ (2,612)**	$ (884)

Credit-Related Income (Expense)

Our credit-related income or expense can vary substantially from period to period based on a number of factors, such as changes in actual and forecasted home prices or property valuations, fluctuations in actual and forecasted interest rates, borrower payment behavior, events such as natural disasters or pandemics, the types, volume and effectiveness of our loss mitigation activities, including forbearances and loan modifications, the volume of foreclosures completed and the volume and pricing of loans redesignated from held for investment ("HFI") to held for sale ("HFS").

In recent periods, changes in actual and projected interest rates have been a significant driver of our credit-related income (expense) as these changes drive prepayment speeds, which impacts the measurement of the economic concessions granted to borrowers on modified loans. Pursuant to our adoption of Accounting Standards Update ("ASU") 2022-02 on January 1, 2022, we prospectively discontinued TDR accounting and no longer measure the economic concession for restructurings occurring on or after the adoption date. This accounting also results in the elimination of any existing economic concession related to a loan that was previously designated as a TDR if such loan is restructured on or after January 1, 2022. Although increases in interest rates were a meaningful driver of our credit-related expense in the first nine months of 2022, we expect the decrease in the balance of loans that were previously designated as TDRs will reduce the sensitivity of our credit-related income (expense) to interest rate volatility over time. See "Note 1, Summary of Significant Accounting Policies—New Accounting Guidance" and "Note 3, Mortgage Loans" for more information about our adoption of ASU 2022-02.

Our credit-related income or expense and our related loss reserves can also be impacted by updates to the models, assumptions and data used in determining our allowance for loan losses. Although we believe the estimates underlying our allowance as of September 30, 2022 are reasonable, they are subject to uncertainty. Changes in future economic conditions and loan performance from our current expectations may result in volatility in our allowance for loan losses and, as a result, our credit-related income or expense. See "Critical Accounting Estimates" for additional information about how our estimate of credit losses is subject to uncertainty, including a discussion of management's evaluation of the impact of Hurricanes Ian and Fiona (collectively, the "hurricanes") on our estimate of credit losses as of September 30, 2022.

Benefit (Provision) for Credit Losses

The table below provides a quantitative analysis of the drivers of our single-family and multifamily benefit or provision for credit losses and the change in expected credit enhancement recoveries. The benefit or provision for credit losses includes our benefit or provision for loan losses, accrued interest receivable losses and our guaranty loss reserves, and excludes credit losses on our available for sale ("AFS") securities. Many of the drivers that contribute to our benefit or provision for credit losses overlap or are interdependent. The attribution shown below is based on internal allocation estimates.

Components of Benefit (Provision) for Credit Losses and Change in Expected Credit Enhancement Recoveries

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
	(Dollars in millions)			
Single-family benefit (provision) for credit losses:				
Changes in loan activity[1][2]	**$ (373)**	$ 185	**$ (964)**	$ 155
Redesignation of loans from HFI to HFS	**(116)**	118	**(120)**	1,103
Actual and forecasted home prices	**(1,732)**	584	**(1,194)**	2,887
Actual and projected interest rates	**(225)**	(86)	**(1,116)**	(674)
Release of economic concessions[3]	**155**	—	**758**	—
Changes in assumptions regarding COVID-19 forbearance and loan delinquencies[2]	**—**	214	**—**	551
Other[4]	**(70)**	(130)	**(201)**	78
Single-family benefit (provision) for credit losses	**(2,361)**	885	**(2,837)**	4,100
Multifamily benefit (provision) for credit losses:				
Changes in loan activity[1][2]	**(65)**	(40)	**(54)**	(180)
Actual and projected interest rates	**(97)**	(7)	**(258)**	15
Actual and projected economic data	**(3)**	68	**85**	389
Estimated impact of the COVID-19 pandemic[2]	**—**	42	**—**	119
Other[4]	**(10)**	(13)	**70**	(155)
Multifamily benefit (provision) for credit losses	**(175)**	50	**(157)**	188
Total benefit (provision) for credit losses	**$ (2,536)**	$ 935	**$ (2,994)**	$ 4,288
Change in expected credit enhancement recoveries for active loans:				
Single-family	**$ 245**	$ (28)	**$ 271**	$ (101)
Multifamily	**45**	(15)	**32**	(30)
Change in expected credit enhancement recoveries for active loans	**$ 290**	$ (43)	**$ 303**	$ (131)

(1) Primarily consists of loan acquisitions, liquidations and amortization of modification concessions granted to borrowers and write-offs of amounts determined to be uncollectible. For multifamily, changes in loan activity also includes changes in the allowance due to loan delinquencies and the impact of changes in debt service coverage ratios ("DSCRs") based on updated property financial information, which is used to assess loan credit quality.

(2) Beginning January 1, 2022, changes in assumptions regarding COVID-19 forbearance and loan delinquencies are included in "Changes in loan activity."

(3) Represents the benefit from the release of economic concessions related to loans previously designated as TDRs that received loss mitigation arrangements during the period due to the adoption of ASU 2022-02.

(4) Includes provision for allowance on accrued interest receivable. For single-family, also includes changes in the reserve for guaranty losses that are not separately included in the other components. For multifamily, also includes the impact of model enhancements implemented in the first quarter of 2021.

Single-Family Benefit (Provision) for Credit Losses

Our single-family provision for credit losses in the third quarter of 2022 was primarily driven by a provision from actual and forecasted home prices. Actual home prices declined slightly on a national basis in the third quarter of 2022. In addition, our home price forecast worsened compared with the second quarter of 2022. While our second quarter 2022 home price forecast estimated home price growth in the second half of 2022 and in 2023, our current home price forecast estimates additional home price declines in the fourth quarter of 2022 and throughout 2023. Lower home prices increase the likelihood that loans will default and increase the amount of credit loss on loans that do default, which increases our estimate of losses and ultimately increases our loss reserves and provision for credit losses. See “Key Market Economic Indicators” for additional information about how home prices affect our credit loss estimates, including a discussion of home price growth and declines, and our home price forecast. Also see “Critical Accounting Estimates” for more information about our home price forecast.

The largest drivers of our single-family provision for credit losses for first nine months of 2022 were:

- Provision from actual and forecasted home prices. The provision from actual and forecasted home prices in the third quarter of 2022 discussed above was the largest driver of our single-family provision for credit losses for the first nine months of 2022. The impact of this home-price related provision in the third quarter of 2022 was partially offset by a benefit from actual and expected home price growth in each of the first and second quarters of 2022. During the first half of the year, our forecasted home prices were positive for the second half of 2022 through 2023. In addition, we observed strong actual home price growth through the second quarter of 2022.
- Provision from higher actual and projected interest rates as of September 30, 2022 compared with December 31, 2021. As mortgage rates increase, we expect a decrease in future prepayments on single-family loans, including modified loans accounted for as TDRs. Lower expected prepayments extend the expected lives of these TDR loans, which increases the expected impairment relating to economic concessions provided on them, resulting in a provision for credit losses.
- Provision from changes in loan activity, which includes provision on newly acquired loans. Throughout the first nine months of 2022, refinance loan volumes have continued to decline and purchase loans have increased as a percentage of acquisitions compared to the first nine months of 2021. As we shift to more purchase loans, the credit profile of our acquisitions weakens as purchase loans generally have higher origination LTV ratios than refinance loans. This drove a higher estimated risk of default and loss severity in the allowance and therefore a higher credit loss provision for those loans at the time of acquisition. In addition, for the third quarter of 2022, our credit loss provision also increased as our more negative home price forecast impacted our estimate of losses on newly acquired loans. See “Single-Family Business— Single-Family Mortgage Credit Risk Management” for more information on our loan acquisitions for the first nine months of 2022.

The primary factors that contributed to our single-family benefit for credit losses in the third quarter of 2021 were:

- Benefit from actual and forecasted home price growth. During the third quarter of 2021, actual home price growth continued to be strong. We also increased our expectations for home price growth on a national basis for full-year 2021.
- Benefit from changes in assumptions regarding COVID-19 forbearance and loan delinquencies. During the third quarter of 2021, the benefit was driven by the removal of the remaining non-modeled adjustment related to COVID-19 as discussed below.

The primary factors that contributed to our single-family benefit for credit losses in the first nine months of 2021 were:

- Benefit from actual and forecasted home price growth, which was robust throughout 2021.
- Benefit from the redesignation of certain nonperforming and reperforming single-family loans from HFI to HFS. We redesignated certain nonperforming and reperforming single-family loans from HFI to HFS, as we no longer intended to hold them for the foreseeable future or to maturity. Upon redesignation of these loans, we recorded the loans at the lower of cost or fair value with a write-off against the allowance for loan losses. Amounts recorded in the allowance related to these loans exceeded the amounts written off, resulting in a net benefit for credit losses.
- Benefit from changes in assumptions regarding COVID-19 forbearance and loan delinquencies. During the first and second quarters of 2021, management used its judgment to supplement the loss projections developed by our credit loss model to account for uncertainty arising from the COVID-19 pandemic that was not represented in historical data or otherwise captured by our credit model. As of September 30, 2021, management removed the remaining non-modeled adjustment as the effects of the economic stimulus, the vaccine rollout, and the effectiveness of COVID-19-related loss mitigation strategies became much less uncertain. Specifically, the decrease in uncertainty as of September 30, 2021 compared with the end of 2020 was primarily driven by the

passage of the American Rescue Plan Act of 2021 and the broad implementation of the COVID-19 vaccination program in the United States, which contributed to a significant increase in business activity and helped support continued economic growth. There was also a steady decline in the number of borrowers in a COVID-19-related forbearance, lessening expectations of credit losses. Additionally, we believed the array of possible future economic environments included in our credit model, which captured scenarios that may be remote, combined with data consumed over the course of the COVID-19 pandemic, removed the need to continue to supplement modeled results.

The impact of these factors was partially offset by a provision for higher actual and projected interest rates, which reduced our single-family benefit for credit losses recognized in the first nine months of 2021 as interest rates were higher as of September 30, 2021 compared with December 31, 2020.

Multifamily Benefit (Provision) for Credit Losses

The largest driver of our multifamily provision for credit losses in the third quarter and first nine months of 2022 was a provision for higher actual and projected interest rates. Rising interest rates may reduce the ability of multifamily borrowers to refinance their loans, which often have balloon balances at maturity, increasing our provision for credit losses. Additionally, rising interest rates also increase the chance that multifamily borrowers with adjustable-rate mortgages may default due to higher payments if the property net operating income is not increasing at a similar rate.

The primary factors that contributed to our multifamily benefit for credit losses in the third quarter and first nine months of 2021 were:

- Benefit from actual and projected economic data. In the third quarter and first nine months of 2021, property value forecasts increased due to continued demand for multifamily housing. In addition, improved job growth led to an increase in projected average property net operating income, which reduced the probability of loan defaults resulting in a benefit for credit losses for the quarter and year-to-date.
- Benefit from lower expected credit losses as a result of the COVID-19 pandemic. Similar to our single-family benefit for credit losses described above, for the first and second quarters of 2021 management used its judgment to supplement the loss projections developed by our credit loss model to account for uncertainty arising from the COVID-19 pandemic. As of September 30, 2021, management removed the remaining non-modeled adjustment as the effects of the economic stimulus, the vaccine rollout, and the effectiveness of COVID-19-related loss mitigation strategies were less uncertain. See "Single-Family Benefit (Provision) for Credit Losses," above for more information on these factors.

Federal Income Taxes

Our provision for federal income taxes decreased for the third quarter and first nine months of 2022 compared with the third quarter and first nine months of 2021 primarily due to lower pre-tax income. Also contributing to the decrease in our provision for federal income taxes was a reduction in our effective tax rate, particularly for the third quarter of 2022, as a result of filing amended returns for certain prior years to claim research and development tax credits.

Consolidated Balance Sheet Analysis

This section discusses our condensed consolidated balance sheets and should be read together with our condensed consolidated financial statements and the accompanying notes.

Summary of Condensed Consolidated Balance Sheets

	As of		
	September 30, 2022	December 31, 2021	Variance
		(Dollars in millions)	
Assets			
Cash and cash equivalents and securities purchased under agreements to resell	**$ 59,590**	$ 63,191	$ (3,601)
Restricted cash and cash equivalents	**27,921**	66,183	(38,262)
Investments in securities	**58,994**	89,043	(30,049)
Mortgage loans:			
Of Fannie Mae	**54,122**	66,127	(12,005)
Of consolidated trusts	**4,058,908**	3,907,744	151,164
Allowance for loan losses	**(8,302)**	(5,629)	(2,673)
Mortgage loans, net of allowance for loan losses	**4,104,728**	3,968,242	136,486
Deferred tax assets, net	**12,729**	12,715	14
Other assets	**25,491**	29,792	(4,301)
Total assets	**$ 4,289,453**	$ 4,229,166	$ 60,287
Liabilities and equity			
Debt:			
Of Fannie Mae	**$ 129,776**	$ 200,892	$ (71,116)
Of consolidated trusts	**4,078,038**	3,957,299	120,739
Other liabilities	**22,799**	23,618	(819)
Total liabilities	**4,230,613**	4,181,809	48,804
Fannie Mae stockholders' equity:			
Senior preferred stock	**120,836**	120,836	—
Other net deficit	**(61,996)**	(73,479)	11,483
Total equity	**58,840**	47,357	11,483
Total liabilities and equity	**$ 4,289,453**	$ 4,229,166	$ 60,287

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents declined from December 31, 2021 to September 30, 2022 primarily driven by a decrease in prepayments due to lower refinance volumes for loans of consolidated trusts, resulting in lower cash balances held in trust at period end. For information on our accounting policy for restricted cash and cash equivalents, see "Note 1, Summary of Significant Accounting Policies" in our 2021 Form 10-K.

Investments in Securities

Investments in securities declined from December 31, 2021 to September 30, 2022 as we primarily used short-term liquid assets that accumulated in prior periods to fund our operations and to pay off maturing debt during the first nine months of 2022. For further discussion, see "Liquidity and Capital Management—Liquidity Management."

Mortgage Loans, Net of Allowance

The mortgage loans reported in our condensed consolidated balance sheets are classified as either HFS or HFI and include loans owned by Fannie Mae and loans held in consolidated trusts.

Mortgage loans, net of allowance for loan losses increased from December 31, 2021 to September 30, 2022, driven by loan acquisitions outpacing liquidations and sales.

For additional information on our mortgage loans, see "Note 3, Mortgage Loans," and for additional information on changes in our allowance for loan losses, see "Note 4, Allowance for Loan Losses."

Debt

The decrease in debt of Fannie Mae from December 31, 2021 to September 30, 2022 was primarily due to the maturity of long-term debt, which outpaced new issuances as our funding needs remained low. The increase in debt of consolidated trusts from December 31, 2021 to September 30, 2022 was primarily driven by sales of Fannie Mae MBS, which are accounted for as issuances of debt of consolidated trusts in our condensed consolidated balance sheets, since the MBS certificate ownership is transferred from us to a third party. See "Liquidity and Capital Management—Liquidity Management—Debt Funding" for a summary of activity in short-term and long-term debt of Fannie Mae. Also see "Note 7, Short-Term and Long-Term Debt" for additional information on our total outstanding debt.

Stockholders' Equity

Our stockholders' equity (also referred to as our net worth) increased to $58.8 billion as of September 30, 2022, compared with $47.4 billion as of December 31, 2021, due to the $11.5 billion in comprehensive income recognized during the first nine months of 2022.

The aggregate liquidation preference of the senior preferred stock increased to $177.9 billion as of September 30, 2022 due to the $4.6 billion increase in our net worth in the second quarter of 2022. The aggregate liquidation preference of the senior preferred stock will further increase to $180.3 billion as of December 31, 2022 due to the $2.4 billion increase in our net worth in the third quarter of 2022. For more information about how this liquidation preference is determined, see "Business—Conservatorship, Treasury Agreements and Housing Finance Reform—Treasury Agreements—Senior Preferred Stock" in our 2021 Form 10-K and "Liquidity and Capital Management—Capital Management—Capital Activity" in this report.

Retained Mortgage Portfolio

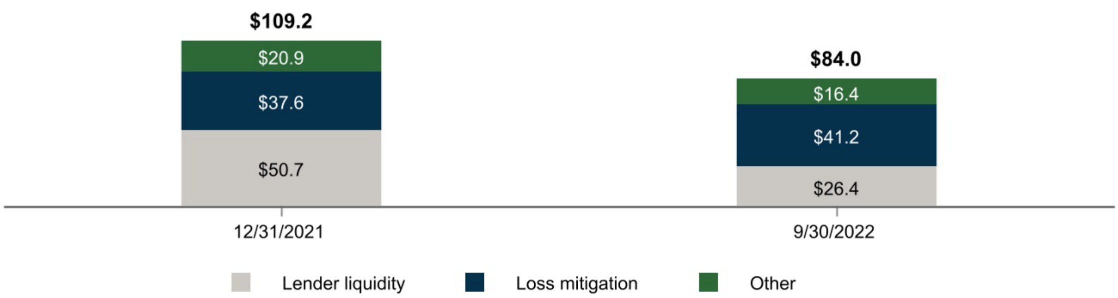
We use our retained mortgage portfolio primarily to provide liquidity to the mortgage market through our whole loan conduit and to support our loss mitigation activities, particularly in times of economic stress when other sources of liquidity to the mortgage market may decrease or withdraw. Previously, we also used our retained mortgage portfolio for investment purposes.

Our retained mortgage portfolio consists of mortgage loans and mortgage-related securities that we own, including Fannie Mae MBS and non-Fannie Mae mortgage-related securities. Assets held by consolidated MBS trusts that back mortgage-related securities owned by third parties are not included in our retained mortgage portfolio.

The chart below separates the instruments within our retained mortgage portfolio, measured by unpaid principal balance, into three categories based on each instrument's use:

- *Lender liquidity*, which includes balances related to our whole loan conduit activity, supports our efforts to provide liquidity to the single-family and multifamily mortgage markets.
- *Loss mitigation* supports our loss mitigation efforts through the purchase of delinquent loans from our MBS trusts.
- *Other* represents assets that were previously purchased for investment purposes. The majority of the balance of "Other" as of September 30, 2022 consisted of Fannie Mae reverse mortgage securities and reverse mortgage loans. We expect the amount of assets in "Other" will continue to decline over time as they liquidate, mature or are sold.

Retained Mortgage Portfolio
(Dollars in billions)



The decrease in our retained mortgage portfolio as of September 30, 2022 compared with December 31, 2021 was primarily due to a decrease in our lender liquidity portfolio driven by sales of Fannie Mae securities and a decline in mortgage refinance activity leading to lower acquisition volumes through the whole loan conduit.

The table below displays the components of our retained mortgage portfolio, measured by unpaid principal balance. Based on the nature of the asset, these balances are included in either "Investments in securities" or "Mortgage loans of Fannie Mae" in our Summary of Condensed Consolidated Balance Sheets shown above.

Retained Mortgage Portfolio

	As of	
	September 30, 2022	**December 31, 2021**
	(Dollars in millions)	
Lender liquidity:		
Agency securities[1]	**$ 22,045**	$ 34,509
Mortgage loans	**4,337**	16,174
Total lender liquidity	**26,382**	50,683
Loss mitigation mortgage loans[2]	**41,194**	37,601
Other:		
Reverse mortgage loans	**6,867**	9,908
Mortgage loans	**3,544**	3,954
Reverse mortgage securities[3]	**5,161**	6,146
Other[4]	**834**	929
Total other	**16,406**	20,937
Total retained mortgage portfolio	**$ 83,982**	$ 109,221
Retained mortgage portfolio by segment:		
Single-family mortgage loans and mortgage-related securities	**$ 79,600**	$ 101,518
Multifamily mortgage loans and mortgage-related securities	**$ 4,382**	$ 7,703

(1) Consists of Fannie Mae, Freddie Mac and Ginnie Mae mortgage-related securities, including Freddie Mac securities guaranteed by Fannie Mae. Excludes Fannie Mae and Ginnie Mae reverse mortgage securities and Fannie Mae-wrapped private-label securities.

(2) Includes single-family loans on nonaccrual status of $8.4 billion and $11.0 billion, and multifamily loans on nonaccrual status of $294 million and $340 million as of September 30, 2022 and December 31, 2021, respectively.

(3) Consists of Fannie Mae and Ginnie Mae reverse mortgage securities.

(4) Consists of private-label and other securities, Fannie Mae-wrapped private-label securities and mortgage revenue bonds.

The amount of mortgage assets that we may own is capped at $250 billion and will decrease to $225 billion on December 31, 2022 under the terms of our senior preferred stock purchase agreement with Treasury. In addition, we are currently required to cap our mortgage assets at $225 billion per instruction from FHFA. See "Business—Conservatorship, Treasury Agreements and Housing Finance Reform" in our 2021 Form 10-K for additional information on our portfolio cap.

We include 10% of the notional value of interest-only securities in calculating the size of the retained portfolio for the purpose of determining compliance with the senior preferred stock purchase agreement retained portfolio limits and associated FHFA guidance. As of September 30, 2022, 10% of the notional value of our interest-only securities was $1.8 billion, which is not included in the table above.

Under the terms of our MBS trust documents, we have the option or, in some instances, the obligation, to purchase mortgage loans that meet specific criteria from an MBS trust. The purchase price for these loans is the unpaid principal balance of the loan plus accrued interest. If a delinquent loan remains in a single-family MBS trust, the servicer is responsible for advancing the borrower's missed scheduled principal and interest payments to the MBS holders for up to four months, after which time we must make these missed payments. In addition, we must reimburse servicers for advanced principal and interest payments.

In support of our loss mitigation strategies, we purchased $14.2 billion of loans from our single-family MBS trusts in the first nine months of 2022, the substantial majority of which were delinquent, compared with $6.1 billion of loans purchased from single-family MBS trusts in the first nine months of 2021. We purchased more loans out of trust in the first nine months of 2022 than in the first nine months of 2021 because the forbearance periods for many loans that entered into a COVID-19-related forbearance began expiring in late 2021. The size of our retained mortgage portfolio will be impacted by the volume of loans we ultimately buy, the timing of those purchases, and the length of time those loans remain in our retained mortgage portfolio. See “Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Problem Loan Management—Single-Family Loans in Forbearance” and “Multifamily Business—Multifamily Mortgage Credit Risk Management—Multifamily Problem Loan Management and Foreclosure Prevention—Multifamily Loan Forbearance” for information on our loans in forbearance.

Guaranty Book of Business

Our “guaranty book of business” consists of:

- Fannie Mae MBS outstanding, excluding the portions of any structured securities we issue that are backed by Freddie Mac securities;
- mortgage loans of Fannie Mae held in our retained mortgage portfolio; and
- other credit enhancements that we provide on mortgage assets.

“Total Fannie Mae guarantees” consists of:

- our guaranty book of business; and
- the portions of any structured securities we issue that are backed by Freddie Mac securities.

We and Freddie Mac issue single-family uniform mortgage-backed securities, or “UMBS.” In this report, we use the term “Fannie Mae-issued UMBS” to refer to single-family Fannie Mae MBS that are directly backed by fixed-rate mortgage loans and generally eligible for trading in the to-be-announced (“TBA”) market. We use the term “Fannie Mae MBS” or “our MBS” to refer to any type of mortgage-backed security that we issue, including UMBS®, Supers®, Real Estate Mortgage Investment Conduit securities (“REMICs”) and other types of single-family or multifamily mortgage-backed securities.

Some Fannie Mae MBS that we issue are backed in whole or in part by Freddie Mac securities. When we resecuritize Freddie Mac securities into Fannie Mae-issued structured securities, such as Supers and REMICs, our guaranty of principal and interest extends to the underlying Freddie Mac securities. However, Freddie Mac continues to guarantee the payment of principal and interest on the underlying Freddie Mac securities that we have resecuritized. Although our guaranty of the underlying Freddie Mac securities requires us to hold additional capital under the enterprise regulatory capital framework, prior to July 1, 2022, we did not charge an incremental fee to create structured securities that include Freddie Mac securities. Effective July 1, 2022, we began charging an upfront fee of 50 basis points to include Freddie Mac securities in our structured securities. For more information regarding this upfront fee, see “MD&A—Legislation and Regulation—Upfront Fee for Commingled Securities and Review of the Enterprise Regulatory Capital Framework” in our Second Quarter 2022 Form 10-Q. References to our single-family guaranty book of business exclude Freddie Mac-acquired mortgage loans underlying Freddie Mac securities that we have resecuritized.

Our issuance of structured securities backed in whole or in part by Freddie Mac securities creates additional off-balance sheet exposure. Our guaranty extends to the underlying Freddie Mac security included in the structured security, but we do not have control over the Freddie Mac mortgage loan securitizations. Because we do not have the power to direct matters (primarily the servicing of mortgage loans) that impact the credit risk to which we are exposed, which constitute control of these securitization trusts, we do not consolidate these trusts in our condensed consolidated balance sheet, giving rise to off-balance sheet exposure. See “Liquidity and Capital Management—Liquidity Management—Off-Balance Sheet Arrangements” and “Note 6, Financial Guarantees” for information regarding our maximum exposure to loss on unconsolidated Fannie Mae MBS and Freddie Mac securities.

The table below displays the composition of our guaranty book of business based on unpaid principal balance.

Composition of Fannie Mae Guaranty Book of Business

	As of					
	September 30, 2022			December 31, 2021		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
	(Dollars in millions)					
Conventional guaranty book of business[1]	**$ 3,647,567**	**$ 432,694**	**$ 4,080,261**	$ 3,536,613	$ 419,463	$ 3,956,076
Government guaranty book of business[2]	**12,960**	**607**	**13,567**	16,777	718	17,495
Guaranty book of business	**3,660,527**	**433,301**	**4,093,828**	3,553,390	420,181	3,973,571
Freddie Mac securities guaranteed by Fannie Mae[3]	**239,888**	**—**	**239,888**	212,259	—	212,259
Total Fannie Mae guarantees	**$ 3,900,415**	**$ 433,301**	**$ 4,333,716**	$ 3,765,649	$ 420,181	$ 4,185,830

(1) Refers to mortgage loans and mortgage-related securities that are not guaranteed or insured, in whole or in part, by the U.S. government.

(2) Refers to mortgage loans and mortgage-related securities guaranteed or insured, in whole or in part, by the U.S. government.

(3) Consists of off-balance sheet arrangements of approximately (i) $198.8 billion and $177.8 billion in unpaid principal balance of Freddie Mac-issued UMBS backing Fannie Mae-issued Supers as of September 30, 2022 and December 31, 2021, respectively; and (ii) $41.1 billion and $34.5 billion in unpaid principal balance of Freddie Mac securities backing Fannie Mae-issued REMICs as of September 30, 2022 and December 31, 2021, respectively.

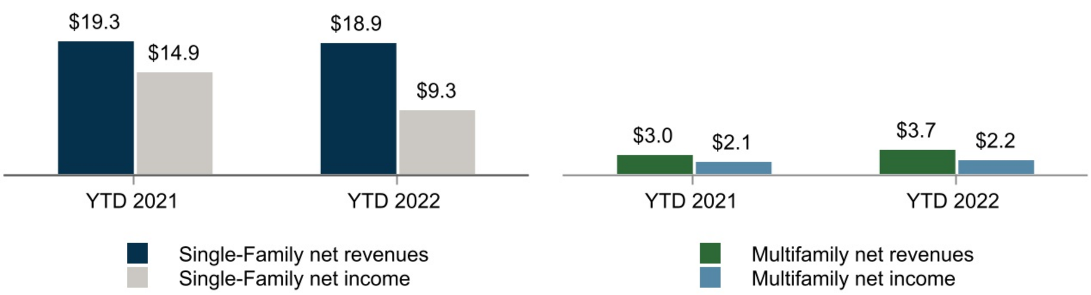
The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, including by the Housing and Economic Recovery Act of 2008 (together, the "GSE Act") requires us to set aside each year an amount equal to 4.2 basis points of the unpaid principal balance of our new business purchases and to pay this amount to specified U.S. Department of Housing and Urban Development ("HUD") and Treasury funds in support of affordable housing. In March 2022, we paid $598 million to the funds based on our new business purchases in 2021. For the first nine months of 2022, we recognized an expense of $244 million related to this obligation based on $580.4 billion in new business purchases during the period. We expect to pay this amount to the funds in 2023, plus additional amounts to be accrued based on our new business purchases in the fourth quarter of 2022. See "Business—Legislation and Regulation—GSE-Focused Matters—Affordable Housing Allocations" in our 2021 Form 10-K for more information regarding this obligation.

Business Segments

We have two reportable business segments: Single-Family and Multifamily. The Single-Family business operates in the secondary mortgage market relating to single-family mortgage loans, which are secured by properties containing four or fewer residential dwelling units. The Multifamily business operates in the secondary mortgage market relating primarily to multifamily mortgage loans, which are secured by properties containing five or more residential units.

The chart below displays net revenues and net income for each of our business segments for the first nine months of 2022 compared with the first nine months of 2021. Net revenues consist of net interest income and fee and other income.

Business Segment Net Revenues and Net Income
(Dollars in billions)



In the following sections, we describe each segment's business metrics, financial results and credit performance. For an overview of how we are compensated for and manage the risk of credit losses through the life cycle of our loans and how we measure our credit risk, see "Business—Managing Mortgage Credit Risk" in our 2021 Form 10-K.

Single-Family Business

This section supplements and updates information regarding our Single-Family business segment in our 2021 Form 10-K. See "MD&A—Single-Family Business" in our 2021 Form 10-K for additional information regarding the primary business activities, lenders, investors and competition of our Single-Family business.

Single-Family Mortgage Market

Housing activity decreased in the third quarter of 2022 compared with the second quarter of 2022. Total existing home sales averaged 4.8 million units annualized in the third quarter of 2022, compared with 5.4 million units in the second quarter of 2022, according to data from the National Association of REALTORS®. According to the U.S. Census Bureau, new single-family home sales averaged an annualized rate of approximately 608,000 units in the third quarter of 2022, compared with approximately 609,000 units in the second quarter of 2022.

The 30-year fixed mortgage rate averaged 6.11% in September 2022, compared with 5.52% in June 2022, according to Freddie Mac's Primary Mortgage Market Survey®.

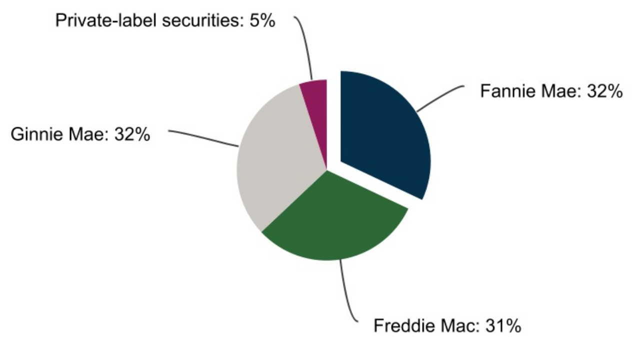
According to the October forecast from our Economic and Strategic Research Group, we forecast that total originations in the U.S. single-family mortgage market in 2022 will decrease from 2021 levels by approximately 49%, from an estimated $4.57 trillion in 2021 to $2.33 trillion in 2022, and the amount of refinance originations in the U.S. single-family mortgage market will decrease from an estimated $2.67 trillion in 2021 to $701 billion in 2022. Our October forecast is based on data available as of October 10, 2022. See "Key Market Economic Indicators" for additional discussion of how housing activity can affect our financial results and the uncertainties that may affect our forecasts and expectations.

Single-Family Market Activity

Single-Family Mortgage-Related Securities Issuances Share

Our single-family Fannie Mae MBS issuances were $125.8 billion for the third quarter of 2022, compared with $303.1 billion for the third quarter of 2021. This decrease was driven by a lower volume of refinance activity in the third quarter of 2022 due to higher mortgage rates. Based on the latest data available, the chart below displays our estimated share of single-family mortgage-related securities issuances in the third quarter of 2022 as compared with that of our primary competitors for the issuance of single-family mortgage-related securities.

Single-Family Mortgage-Related Securities Issuances Share
Third Quarter 2022



We estimate our share of single-family mortgage-related securities issuances was 36% in the second quarter of 2022 and 36% in the third quarter of 2021.

Presentation of Our Single-Family Conventional Guaranty Book of Business

For purposes of the information reported in this "Single-Family Business" section, we measure the single-family conventional guaranty book of business using the unpaid principal balance of our mortgage loans underlying Fannie Mae MBS outstanding. By contrast, the single-family conventional guaranty book of business presented in the "Composition of Fannie Mae Guaranty Book of Business" table in the "Guaranty Book of Business" section is based on the unpaid principal balance of the Fannie Mae MBS outstanding, rather than the unpaid principal balance of the underlying mortgage loans. These amounts differ primarily as a result of payments we receive on underlying loans that have not yet been remitted to the MBS holders or instances where we have advanced missed borrower payments on mortgage loans to make required distributions to related MBS holders. As measured for purposes of the information reported below, our single-family conventional guaranty book of business was $3,629.0 billion as of September 30, 2022 and $3,483.1 billion as of December 31, 2021.

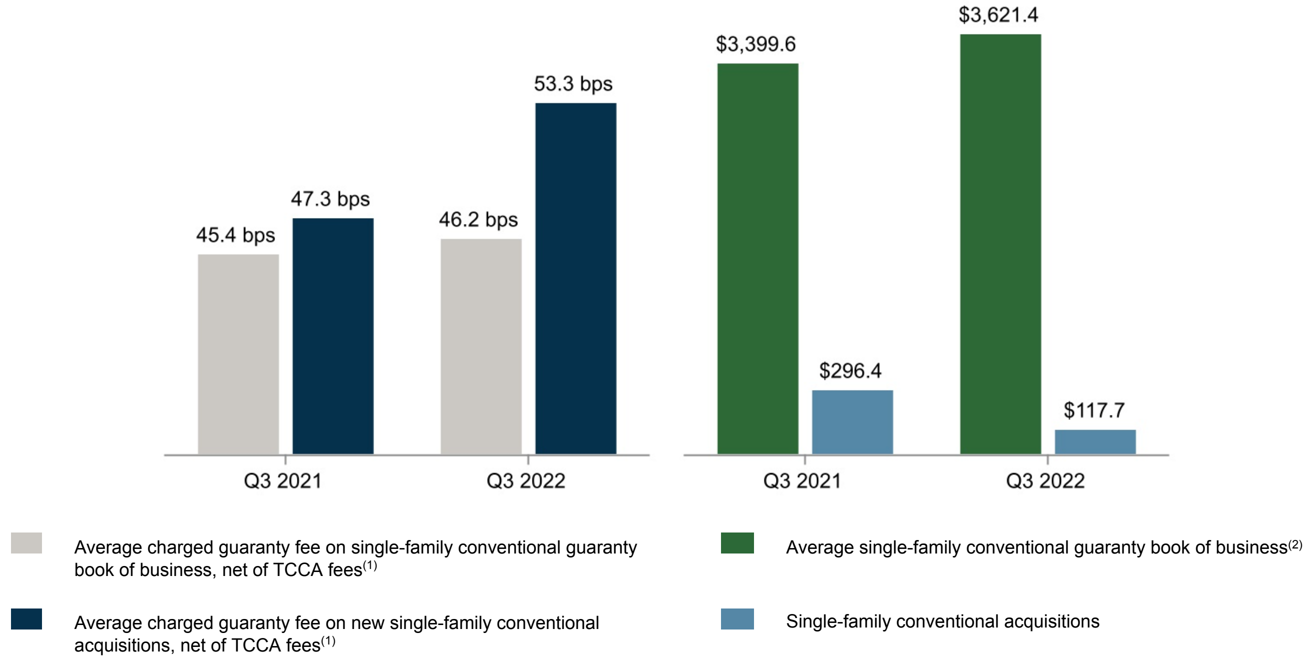
Single-Family Business Metrics

Select Business Metrics

Net interest income for our Single-Family business is driven by the guaranty fees we charge and the size of our single-family conventional guaranty book of business. The guaranty fees we charge are based on the characteristics of the loans we acquire. We may adjust our guaranty fees in light of market conditions and to achieve return targets. As a result, the average charged guaranty fee on new acquisitions may fluctuate based on the credit quality and product mix of loans acquired, as well as market conditions and other factors.

The charts below display our average charged guaranty fees, net of TCCA fees, on our single-family conventional guaranty book of business and on new single-family conventional loan acquisitions, along with our average single-family conventional guaranty book of business and our single-family conventional loan acquisitions for the periods presented.

Select Single-Family Business Metrics
(Dollars in billions)



(1) Excludes the impact of a 10 basis point guaranty fee increase implemented pursuant to the TCCA, the incremental revenue from which is remitted to Treasury and not retained by us.

(2) Our single-family conventional guaranty book of business primarily consists of single-family conventional mortgage loans underlying Fannie Mae MBS outstanding. It also includes single-family conventional mortgage loans of Fannie Mae held in our retained mortgage portfolio, and other credit enhancements that we provide on single-family conventional mortgage assets. Our single-family conventional guaranty book of business does not include: (a) mortgage loans guaranteed or insured, in whole or in part, by the U.S. government; (b) Freddie Mac-acquired mortgage loans underlying Freddie Mac-issued UMBS that we have resecuritized; or (c) non-Fannie Mae single-

family mortgage-related securities held in our retained mortgage portfolio for which we do not provide a guaranty. Our average single-family conventional guaranty book of business is based on quarter-end balances.

As shown in the chart above, our third quarter 2022 single-family conventional acquisitions decreased compared with the third quarter of 2021, primarily as a result of the recent sharp rise in interest rates, which decreased refinancing acquisitions as fewer borrowers could benefit from refinancing.

Average charged guaranty fee on newly acquired conventional single-family loans is a metric management uses to measure the price we earn as compensation for the credit risk we manage and to assess our return. Average charged guaranty fee represents, on an annualized basis, the average of the base guaranty fees charged during the period for our single-family conventional guaranty arrangements, which we receive monthly over the life of the loan, plus the recognition of any upfront cash payments, including loan-level price adjustments, based on an estimated average life at the time of acquisition. The calculation of single-family conventional charged guaranty fees at acquisition is sensitive to changes in inputs used in the calculation, including assumptions about the weighted average life of the loan, therefore changes in charged guaranty fees are not necessarily indicative of a change in pricing.

Our average charged guaranty fee on newly acquired conventional single-family loans, net of TCCA fees, increased in the third quarter of 2022 compared with the third quarter of 2021. The increase in average charged guaranty fee on newly acquired single-family loans was primarily driven by the overall weaker credit risk profile of our third quarter 2022 acquisitions. We generally charge higher guaranty fees on loans with weaker credit risk characteristics. The weaker credit profile of our third quarter 2022 acquisitions was primarily driven by the increased share of our acquisitions that were purchase loans in the third quarter of 2022 compared with a higher share of refinance loans in the third quarter of 2021, as purchase loans generally have higher origination LTV ratios than refinance loans. See “Single-Family Mortgage Credit Risk Management—Single-Family Portfolio Diversification and Monitoring” below for a description of key risk characteristics of our single-family acquisitions in the third quarter of 2022 and third quarter of 2021.

Recent and Future Price Changes

We use loan-level price adjustments, including various upfront risk-based fees, to price for the credit risk we assume in providing our guaranty. FHFA, as conservator, must approve changes to the national loan-level price adjustments (or upfront fees) that we charge for the risk we assume in providing our guaranty and can direct us to make other changes to our single-family guaranty fee pricing. We have the ability to change our base contractual guaranty fee pricing, subject to minimum base guaranty fees set by FHFA. For new single-family acquisitions, FHFA has instructed us to meet a minimum return on equity target based on our capital requirements. FHFA also has instructed us to establish a long-term target for returns at the enterprise level, which may impact our guaranty fees.

In January 2022, FHFA announced targeted increases to the upfront fees we charge for certain high-balance loans and second home loans. High-balance loans are mortgages originated in certain designated areas above the baseline conforming loan limit. The new fees became effective for loans purchased on or after April 1, 2022, and for loans delivered into an MBS trust with an issue date on or after April 1, 2022. High-balance loans continue to be eligible for our existing affordable loan products, HomeReady® and HFA Preferred™, which offer caps on loan-level price adjustments for eligible borrowers. In addition, the high-balance upfront fees are not charged on loans to first time homebuyers in high-cost areas with incomes at or below 100% of area median income. The portion of our acquisitions attributed to high-balance and second home loans decreased in the second and third quarters of 2022 compared with the first quarter of 2022.

In October 2022, FHFA announced targeted changes to Fannie Mae and Freddie Mac’s guaranty fee pricing that would eliminate upfront fees for certain borrowers and affordable mortgage products, while increasing upfront fees for some cash-out refinance loans. FHFA has instructed us to eliminate upfront fees for the following borrowers and products:

- First-time homebuyers at or below 100% of area median income in most of the United States and below 120% of area median income in high-cost areas;
- HomeReady loans;
- HFA Preferred loans; and
- Single-family loans supporting the Duty-to-Serve program.

FHFA has instructed us to implement these fee reductions on December 1, 2022 and the fee increases for cash-out refinance loans on February 1, 2023.

In announcing these pricing changes, the Director of FHFA stated that FHFA will continue its ongoing review of Fannie Mae and Freddie Mac’s pricing framework.

We expect that the elimination of upfront fees for the borrowers and products referenced above likely will not be fully offset by the increase in upfront fees on cash-out refinances, given that we expect cash-out refinancing activity to remain low in 2023. These pricing changes may also negatively impact the credit risk profile of our new single-family acquisitions and investor interest in our future single-family credit risk transfer transactions. Changes in our pricing or other aspects of our business can significantly affect our competitive position, our loan acquisition volumes, or the type of business we do. FHFA's ability to direct us to make changes in our guaranty fee pricing can challenge our ability to address changing market conditions, meet FHFA's return targets for our acquisitions and/or manage the mix of loans we acquire.

Single-Family Business Financial Results[1]

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2022	2021	Variance	2022	2021	Variance
	(Dollars in millions)					
Net interest income[2]	**$ 5,918**	$ 5,870	$ 48	**$ 18,746**	$ 19,087	$ (341)
Fee and other income	**83**	86	(3)	**204**	228	(24)
Net revenues	**6,001**	5,956	45	**18,950**	19,315	(365)
Investment gains (losses), net	**(178)**	222	(400)	**(271)**	944	(1,215)
Fair value gains (losses), net	**309**	(31)	340	**1,379**	323	1,056
Administrative expenses	**(730)**	(620)	(110)	**(2,084)**	(1,862)	(222)
Credit-related income (expense)[3]	**(2,367)**	807	(3,174)	**(2,834)**	4,011	(6,845)
TCCA fees[2]	**(850)**	(781)	(69)	**(2,515)**	(2,270)	(245)
Credit enhancement expense	**(298)**	(174)	(124)	**(778)**	(619)	(159)
Change in expected credit enhancement recoveries[4]	**245**	(28)	273	**271**	(101)	372
Other expenses, net[5]	**(159)**	(261)	102	**(556)**	(863)	307
Income before federal income taxes	**1,973**	5,090	(3,117)	**11,562**	18,878	(7,316)
Provision for federal income taxes	**(276)**	(1,065)	789	**(2,270)**	(3,952)	1,682
Net income	**$ 1,697**	$ 4,025	$ (2,328)	**$ 9,292**	$ 14,926	$ (5,634)

(1) See "Note 9, Segment Reporting" for information about our segment allocation methodology.

(2) Reflects the impact of a 10 basis point guaranty fee increase implemented pursuant to the TCCA, the incremental revenue from which is remitted to Treasury. The resulting revenue is included in "Net interest income" and the expense is recognized as "TCCA fees."

(3) Consists of the benefit or provision for credit losses and foreclosed property income or expense.

(4) Consists of increase (decrease) in benefits recognized from our single-family freestanding credit enhancements, which primarily relate to our CAS and CIRT programs.

(5) Consists primarily of debt extinguishment gains and losses, housing trust fund expenses, servicer fees paid in connection with certain loss mitigation activities, and loan subservicing costs.

Net Interest Income

The increase in single-family net interest income for the third quarter of 2022 compared with the third quarter of 2021 was primarily driven by higher base guaranty fee income and higher income from portfolios, partially offset by lower net amortization income.

The decrease in single-family net interest income for the first nine months of 2022 compared with the first nine months of 2021 was primarily driven by lower net amortization income, partially offset by higher base guaranty fee income and higher income from portfolios.

See "Consolidated Results of Operations—Net Interest Income" for more information on the factors that impact our single-family net interest income.

Investment Gains (Losses), Net

The shift from net investment gains in the third quarter and first nine months of 2021 to net investment losses in the third quarter and first nine months of 2022 was primarily driven by a significant decrease in the volume of single-family loan sales coupled with lower loan sale prices in 2022.

The drivers of investment gains (losses), net for the Single-Family segment are consistent with the drivers of investment gains (losses), net in our condensed consolidated statements of operations and comprehensive income, which we discuss in "Consolidated Results of Operations—Investment Gains (Losses), Net."

Fair Value Gains (Losses), Net

Fair value gains, net in the third quarter and first nine months of 2022 were primarily driven by gains as a result of increases in the fair value of mortgage commitment derivatives and gains associated with decreases in the fair value of long-term debt of consolidated trusts held at fair value, which were partially offset by fair value losses on trading securities.

Fair value losses, net in the third quarter of 2021 were primarily driven by losses on trading securities, partially offset by decreases in the fair value of long-term debt of consolidated trusts held at fair value.

Fair value gains, net in the first nine months of 2021 were primarily driven by gains as a result of increases in the fair value of mortgage commitment derivatives and gains associated with decreases in the fair value of long-term debt of consolidated trusts held at fair value, which were partially offset by losses on trading securities.

The drivers of fair value gains, net for the Single-Family segment are consistent with the drivers of fair value gains, net in our condensed consolidated statements of operations and comprehensive income, which we discuss in "Consolidated Results of Operations—Fair Value Gains (Losses), Net."

For information on the implementation of our hedge accounting program and its impact on our financial statements, see "Consolidated Results of Operations—Hedge Accounting Impact" in our 2021 Form 10-K and "Consolidated Results of Operations—Fair Value Gains (Losses), Net" in this report.

Credit-Related Income (Expense)

Credit-related expense for the third quarter of 2022 was driven primarily by decreases in actual and forecasted home prices.

Credit-related expense for the first nine months of 2022 was primarily driven by decreases in actual and forecasted home prices in the third quarter of 2022, higher actual and projected interest rates, and provision relating to newly acquired loans. These factors were partially offset by the benefit from actual and forecasted home price growth in the first and second quarters of 2022.

Credit-related income for the third quarter of 2021 was driven by a benefit for credit losses due primarily to strong actual and forecasted home price growth and a reduction in our estimate of losses we expected to incur as a result of the COVID-19 pandemic.

Credit-related income for the first nine months of 2021 was driven by a benefit for credit losses due primarily to strong actual and forecasted home price growth, the redesignation of certain nonperforming and reperforming single-family loans from HFI to HFS and a reduction in our estimate of losses we expected to incur as a result of the COVID-19 pandemic. The impact of those factors was partially offset by higher actual and projected interest rates.

See "Consolidated Results of Operations—Credit-Related Income (Expense)" for more information on the primary factors that contributed to our single-family credit-related income or expense. See "Note 1, Summary of Significant Accounting Policies" and "Note 3, Mortgage Loans" for additional information on our adoption of ASU 2022-02 on January 1, 2022 and the prospective discontinuation of TDR accounting.

Provision for Federal Income Taxes

Our provision for federal income taxes decreased for the third quarter and first nine months of 2022 compared with the third quarter and first nine months of 2021 primarily due to lower pre-tax income. Also contributing to the decrease in our provision for federal income taxes was a reduction in our effective tax rate, particularly for the third quarter of 2022, as a result of filing amended returns for certain prior years to claim research and development tax credits.

Single-Family Mortgage Credit Risk Management

This section updates our discussion of single-family mortgage credit risk management in our 2021 Form 10-K. For an overview of key elements of our mortgage credit risk management, see "Business—Managing Mortgage Credit Risk" in our 2021 Form 10-K. For additional information on our acquisition and servicing policies, underwriting and servicing standards, quality control process, repurchase requests, and representation and warranty framework, see "MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management" in our 2021 Form 10-K.

Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards

Desktop Underwriter Update

As part of our comprehensive risk management approach, we periodically update our proprietary automated underwriting system, Desktop Underwriter® ("DU®"), to reflect changes to our underwriting and eligibility guidelines. In July 2022, we implemented updates to DU's risk and eligibility assessment in response to changing market conditions. These changes have resulted in a reduction in loans eligible for acquisition through DU, particularly for cash-out refinance transactions when multiple high-risk factors are present. We will continue to closely monitor loan acquisitions and market conditions and, as appropriate, make changes to DU, including its eligibility criteria, to ensure that the loans we acquire are consistent with our risk appetite and mission.

New Credit Score Models and Expected Change to Credit Report Requirement

Fannie Mae uses credit scores to establish a minimum credit threshold for mortgage lending, provide a foundation for risk-based pricing, and support disclosures to investors. We currently use the "classic FICO® Score" from Fair Isaac Corporation as our credit score model, which FHFA has approved.

In October 2022, FHFA announced the validation and approval of two new credit score models for use by Fannie Mae and Freddie Mac: the FICO® Score 10 T credit score model and the VantageScore® 4.0 credit score model. FHFA's announcement stated that they expect implementation of these new credit score models will be a multiyear effort. Once implemented, lenders will be required to deliver both FICO Score 10 T and VantageScore 4.0 credit scores with each loan sold to us when available, replacing the classic FICO Score model. The new models are expected to improve both the accuracy and inclusivity of borrower credit scores, including by capturing new payment histories for borrowers when available, such as rent, utilities and telecom payments.

FHFA also announced in October 2022 that Fannie Mae and Freddie Mac will work toward changing the requirement that lenders provide credit reports from all three nationwide consumer reporting agencies. Instead, we will require lenders to provide credit reports from any two of the three nationwide consumer reporting agencies. FHFA expects this change will reduce costs and encourage innovation, without introducing additional risk to Fannie Mae and Freddie Mac.

Repurchase Requests and Representation and Warranty Framework

If we determine that a mortgage loan did not meet our Selling Guide requirements, then our mortgage sellers and/or servicers are obligated to repurchase the loan, reimburse us for our losses or provide other remedies, unless the loan is eligible for relief under our representation and warranty framework. We describe our representation and warranty framework in "MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards—Repurchase Requests and Representation and Warranty Framework" in our 2021 Form 10-K. We refer to our demands that mortgage sellers and servicers meet these obligations as repurchase requests.

As of September 30, 2022, we had issued repurchase requests on approximately 0.25% of the $1.4 trillion in unpaid principal balance of single-family loans delivered to us during the twelve months ended December 31, 2021. The amount of our total outstanding repurchase requests to mortgage sellers and servicers was $939 million as of September 30, 2022, of which 4.7% was over 180 days outstanding. In comparison, we had issued repurchase requests on approximately 0.21% of the $1.4 trillion in unpaid principal balance of single-family loans delivered to us during the twelve months ended December 31, 2020. The amount of our total outstanding repurchase requests to mortgage sellers and servicers was $589 million as of September 30, 2021 of which 4.5% was over 180 days outstanding.

The dollar amounts of our outstanding repurchase requests are based on the unpaid principal balance of the loans underlying the repurchase request, not the actual amount we have requested from the mortgage sellers or servicers.

Single-Family Portfolio Diversification and Monitoring

The following table displays our single-family conventional business volumes and our single-family conventional guaranty book of business, based on certain key risk characteristics that we use to evaluate the risk profile and credit quality of our single-family loans.

We provide additional information on the credit characteristics of our single-family loans in quarterly financial supplements, which we furnish to the Securities and Exchange Commission (the "SEC") with current reports on Form 8-K and make available on our website. Information in our quarterly financial supplements is not incorporated by reference into this report.

Key Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business[1]

	Percent of Single-Family Conventional Business Volume at Acquisition[2]				Percent of Single-Family Conventional Guaranty Book of Business[3] As of	
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,			
	2022	2021	2022	2021	September 30, 2022	December 31, 2021
Original loan-to-value ("LTV") ratio:[4]						
<= 60%	**17 %**	30 %	**23 %**	32 %	**26 %**	27 %
60.01% to 70%	**11**	16	**14**	16	**15**	15
70.01% to 80%	**34**	31	**33**	31	**33**	33
80.01% to 90%	**14**	9	**11**	9	**10**	10
90.01% to 95%	**18**	10	**14**	9	**11**	10
95.01% to 100%	**6**	4	**5**	3	**4**	4
Greater than 100%	**—**	—	**—**	*	**1**	1
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Weighted average	***78 %***	*70 %*	***74 %***	*69 %*	***72 %***	*72 %*
Average loan amount	**$ 306,126**	$ 282,305	**$ 301,161**	$ 282,206	**$ 205,467**	$ 198,865
Loan count (in thousands)	**384**	1,050	**1,758**	3,792	**17,662**	17,515
Estimated mark-to-market LTV ratio:[5]						
<= 60%					**69 %**	61 %
60.01% to 70%					**15**	19
70.01% to 80%					**10**	13
80.01% to 90%					**4**	5
90.01% to 100%					**2**	2
Greater than 100%					*****	*
Total					**100 %**	100 %
Weighted average					***50 %***	*54 %*
FICO credit score at origination:[6]						
< 620	*** %**	— %	*** %**	— %	**1 %**	1 %
620 to < 660	**4**	4	**4**	3	**4**	4
660 to < 680	**4**	4	**4**	3	**4**	3
680 to < 700	**8**	7	**8**	6	**6**	7
700 to < 740	**23**	19	**22**	18	**19**	19
>= 740	**61**	66	**62**	70	**66**	66
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Weighted average	***746***	*753*	***747***	*757*	***752***	*753*
Debt-to-income ("DTI") ratio at origination:[7]						
<= 43%	**65 %**	76 %	**69 %**	78 %	**76 %**	77 %
43.01% to 45%	**10**	8	**10**	8	**9**	9
Greater than 45%	**25**	16	**21**	14	**15**	14
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Weighted average	***38 %***	*35 %*	***37 %***	*34 %*	***35 %***	*34 %*

	Percent of Single-Family Conventional Business Volume at Acquisition(2)				Percent of Single-Family Conventional Guaranty Book of Business(3) As of	
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,			
	2022	2021	**2022**	2021	**September 30, 2022**	December 31, 2021
Product type:						
Fixed-rate:(8)						
Long-term	**93 %**	82 %	**89 %**	83 %	**85 %**	84 %
Intermediate-term	**5**	17	**10**	17	**14**	15
Total fixed-rate	**98**	99	**99**	100	**99**	99
Adjustable-rate	**2**	1	**1**	*	**1**	1
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Number of property units:						
1 unit	**98 %**	99 %	**98 %**	98 %	**97 %**	97 %
2-4 units	**2**	1	**2**	2	**3**	3
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Property type:						
Single-family homes	**91 %**	91 %	**91 %**	91 %	**91 %**	91 %
Condo/Co-op	**9**	9	**9**	9	**9**	9
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Occupancy type:						
Primary residence	**91 %**	95 %	**91 %**	93 %	**91 %**	90 %
Second/vacation home	**2**	3	**3**	3	**3**	4
Investor	**7**	2	**6**	4	**6**	6
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Loan purpose:						
Purchase	**79 %**	39 %	**58 %**	32 %	**39 %**	36 %
Cash-out refinance	**17**	26	**27**	22	**22**	21
Other refinance	**4**	35	**15**	46	**39**	43
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Geographic concentration:(9)						
Midwest	**14 %**	14 %	**12 %**	13 %	**14 %**	14 %
Northeast	**13**	13	**13**	14	**16**	16
Southeast	**27**	22	**26**	22	**23**	23
Southwest	**24**	20	**23**	18	**19**	18
West	**22**	31	**26**	33	**28**	29
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Origination year:						
2016 and prior					**19 %**	23 %
2017					**3**	4
2018					**2**	3
2019					**5**	6
2020					**26**	30
2021					**33**	34
2022					**12**	—
Total					**100 %**	100 %

* Represents less than 0.5% of single-family conventional business volume or guaranty book of business.

(1) Second-lien mortgage loans held by third parties are not reflected in the original LTV or the estimated mark-to-market LTV ratios in this table.

(2) Calculated based on the unpaid principal balance of single-family loans for each category at time of acquisition.

(3) Calculated based on the aggregate unpaid principal balance of single-family loans for each category divided by the aggregate unpaid principal balance of loans in our single-family conventional guaranty book of business as of the end of each period.

(4) The original LTV ratio generally is based on the original unpaid principal balance of the loan divided by the appraised property value reported to us at the time of acquisition of the loan. Excludes loans for which this information is not readily available.

(5) The aggregate estimated mark-to-market LTV ratio is based on the unpaid principal balance of the loan as of the end of each reported period divided by the estimated current value of the property, which we calculate using an internal valuation model that estimates periodic changes in home value. Excludes loans for which this information is not readily available.

(6) Loans with unavailable FICO credit scores represent less than 0.5% of single-family conventional business volume or guaranty book of business, and therefore are not presented separately in this table.

(7) Excludes loans for which this information is not readily available.

(8) Long-term fixed-rate consists of mortgage loans with maturities greater than 15 years, while intermediate-term fixed-rate loans have maturities equal to or less than 15 years.

(9) Midwest consists of IL, IN, IA, MI, MN, NE, ND, OH, SD and WI. Northeast consists of CT, DE, ME, MA, NH, NJ, NY, PA, PR, RI, VT and VI. Southeast consists of AL, DC, FL, GA, KY, MD, MS, NC, SC, TN, VA and WV. Southwest consists of AZ, AR, CO, KS, LA, MO, NM, OK, TX and UT. West consists of AK, CA, GU, HI, ID, MT, NV, OR, WA and WY.

Characteristics of our New Single-Family Loan Acquisitions

Refinancing activity has declined significantly in the first nine months of 2022 compared with the first nine months of 2021, particularly in the third quarter of 2022, as a large portion of our single-family guaranty book of business had already recently refinanced and interest rates increased. Accordingly, the share of our single-family loan acquisitions consisting of refinance loans (versus home purchase loans) decreased to 21% in the third quarter of 2022 compared with 61% in the third quarter of 2021. Typically, home purchase loans have higher LTV ratios than refinance loans. This trend contributed to an increase in the percentage of our single-family loan acquisitions with LTV ratios over 80%, from 23% in the third quarter of 2021 to 38% in the third quarter of 2022. The decline in refinance share also contributed to a decline in the percentage of loans we acquired with a FICO credit score of 740 or greater, from 66% in the third quarter of 2021 to 61% in the third quarter of 2022.

Our share of acquisitions of loans with DTI ratios above 45% increased to 25% in the third quarter of 2022 compared with 16% in the third quarter of 2021. This increase was driven by the higher share of home purchase acquisitions, which tend to have higher DTI ratios than refinance loan acquisitions. It also reflects the impact of higher interest rates and inflation on borrowers' monthly obligations.

For a discussion of factors that may impact the volume and credit characteristics of loans we acquire in the future, see "MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Portfolio Diversification and Monitoring" in our 2021 Form 10-K. In this section of our 2021 Form 10-K, we also provide more information on the credit characteristics of loans in our single-family conventional guaranty book of business, including high-balance loans, reverse mortgages and mortgage products with rate resets.

Single-Family Credit Enhancement and Transfer of Mortgage Credit Risk

Our charter generally requires credit enhancement on any single-family conventional mortgage loan that we purchase or securitize if it has an LTV ratio over 80% at the time of purchase. We generally achieve this through primary mortgage insurance. We also enter into various other types of transactions in which we transfer mortgage credit risk to third parties.

Our approved monoline mortgage insurers' financial ability and willingness to pay claims is an important determinant of our overall credit risk exposure. For a discussion of our exposure to and management of the institutional counterparty credit risk associated with the providers of these credit enhancements, see "MD&A—Risk Management—Institutional Counterparty Credit Risk Management" and "Note 13, Concentrations of Credit Risk" in our 2021 Form 10-K and "Risk Management—Institutional Counterparty Credit Risk Management" and "Note 10, Concentrations of Credit Risk" in this report. Also see "Risk Factors" in our 2021 Form 10-K.

The table below displays information about loans in our single-family conventional guaranty book of business covered by one or more forms of credit enhancement, including mortgage insurance or a credit risk transfer transaction. For a description of primary mortgage insurance and the other types of credit enhancements specified in the table, see "MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Credit Enhancement and Transfer of Mortgage Credit Risk" in our 2021 Form 10-K.

Single-Family Loans with Credit Enhancement

	As of			
	September 30, 2022		December 31, 2021	
	Unpaid Principal Balance	Percentage of Single-Family Conventional Guaranty Book of Business	Unpaid Principal Balance	Percentage of Single-Family Conventional Guaranty Book of Business
	(Dollars in billions)			
Primary mortgage insurance and other	**$ 746**	**20 %**	$ 697	20 %
Connecticut Avenue Securities	**740**	**20**	512	14
Credit Insurance Risk Transfer	**313**	**9**	168	5
Lender risk-sharing	**59**	**2**	70	2
Less: Loans covered by multiple credit enhancements	**(355)**	**(10)**	(253)	(7)
Total single-family loans with credit enhancement	**$ 1,503**	**41 %**	$ 1,194	34 %

Transfer of Mortgage Credit Risk

In addition to primary mortgage insurance, our Single-Family business has developed other risk-sharing capabilities to transfer portions of our single-family mortgage credit risk to the private market. Our credit risk transfer transactions have been designed to transfer a portion of the losses we expect would be incurred in an economic downturn or a stressed credit environment. Generally, benefits are received after the underlying property has been liquidated and all applicable proceeds, including private mortgage insurance benefits, have been applied to reduce the loss. As described in "MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Credit Enhancement and Transfer of Mortgage Credit Risk—Credit Risk Transfer Transactions" in our 2021 Form 10-K, we have used primarily three single-family credit risk transfer programs: Connecticut Avenue Securities® ("CAS"), Credit Insurance Risk Transfer™ ("CIRT™"), and lender risk-sharing.

In the first nine months of 2022, we transferred a portion of the mortgage credit risk on single-family mortgage loans with an unpaid principal balance of $515.7 billion at the time of the transactions; substantially all of the loans in these credit risk transfer transactions were acquired in 2021. The rise in interest rates throughout 2022, increased macroeconomic uncertainty and the increased supply of credit risk transfer securities in the market has negatively impacted investor demand for our credit risk transfer transactions. As a result, in our more recent credit risk transfer transactions, the premium investors require has generally increased. Taking into account the increasing cost of these transactions, the resulting capital relief, and the credit risk transfer market capacity, we have chosen to increase the first loss position retained by Fannie Mae compared with prior transactions.

The factors that we expect will affect the extent to which we engage in single-family credit risk transfer transactions in the future and the structure of those transactions include our risk appetite, future market conditions, the cost of the transactions, FHFA guidance or requirements (including FHFA's scorecard), the capital relief provided by the transactions, and our overall business and capital plans.

In March 2022, FHFA published a final rule amending the enterprise regulatory capital framework. Among other changes, the amendment refined the risk-based capital treatment of credit risk transfer transactions. These changes to the enterprise regulatory capital framework increase the capital relief afforded by credit risk transfer transactions.

The table below displays the aggregate mortgage credit risk transferred to third parties and retained by Fannie Mae pursuant to our single-family credit risk transfer transactions. The table does not include the credit risk transferred on single-family transactions that were cancelled or terminated as of September 30, 2022. The table below also excludes coverage obtained through primary mortgage insurance. The risk in force of these transactions, which refers to the maximum amount of losses that could be absorbed by credit risk transfer investors, was approximately $41 billion as of September 30, 2022, compared with approximately $34 billion as of September 30, 2021. Our credit risk transfer transactions issued prior to 2021 were impacted by high levels of refinancing activity. As a result, the losses on the remaining covered reference pools must generally be higher before we would receive a benefit from those credit risk transfer transactions. In addition, home price appreciation since we entered into the transactions reduces the likelihood that we will incur losses on the covered loans large enough to receive a benefit from these transactions. As of September 30, 2022, approximately 51% of the outstanding risk in force of our single-family credit risk transfer transactions was from transactions issued prior to 2021.

Outstanding as of September 30, 2022

(Dollars in billions)

(1) Credit risk retained by Fannie Mae in CAS, CIRT and lender risk-sharing transactions. Tranche sizes vary across programs.

(2) Credit risk transferred to third parties. Tranche sizes vary across programs.

(3) Includes mortgage pool insurance transactions covering loans with an unpaid principal balance of approximately $1.3 billion outstanding as of September 30, 2022.

(4) For CIRT and some lender risk-sharing transactions, "Reference Pool" reflects a pool of covered loans.

(5) For CAS transactions, "First Loss" represents all B tranche balances.

(6) For CAS and some lender risk-sharing transactions, represents outstanding reference pools, not the outstanding unpaid principal balance of the underlying loans. The outstanding unpaid principal balance for all loans covered by credit risk transfer programs, including all loans on which risk has been transferred in lender risk-sharing transactions, was approximately $1,112 billion as of September 30, 2022.

The following table displays information about the credit enhancement recovery receivables we have recognized within "Other assets" in our condensed consolidated balance sheets. The increase in our single-family freestanding credit enhancement receivables as of September 30, 2022 compared to December 31, 2021, was primarily a result of an increase in our estimate of credit losses for the nine months ending September 30, 2022. As our estimate for credit losses increase, so does the benefit we expect to receive from our freestanding credit enhancements.

Single-Family Credit Enhancement Receivables

	As Of	
	September 30, 2022	December 31, 2021
	(Dollars in millions)	
Freestanding credit enhancement receivables	**$ 367**	$ 99
Primary mortgage insurance receivables, net of allowance(1)	**54**	54

(1) Amount is net of a valuation allowance of $463 million and $479 million as of September 30, 2022 and December 31, 2021, respectively. The vast majority of this valuation allowance related to deferred payment obligations associated with unpaid claim amounts for which collectability is uncertain.

The following table displays the approximate cash paid or transferred to investors for credit risk transfer transactions outstanding. The cash represents the portion of the guaranty fee paid to investors as compensation for taking on a share of the credit risk.

Credit Risk Transfer Transactions

	For the Nine Months Ended September 30,	
	2022	2021
Cash paid or transferred for:	(Dollars in millions)	
CAS transactions[(1)]	**$ 649**	$ 619
CIRT transactions	**240**	210
Lender risk-sharing transactions	**107**	196

(1) Consists of cash paid for interest expense net of LIBOR or SOFR, as applicable, on outstanding CAS debt and amounts paid for both CAS REMIC® and CAS Credit-linked notes ("CLN") transactions.

Cash paid or transferred to investors for CIRT transactions includes cancellation fees paid on certain CIRT transactions where we determined that the cost of these deals exceeded the expected remaining benefit. The table excludes cash paid upon the repurchase of legacy CAS debt. In July 2022, we paid $2.4 billion to repurchase a portion of our outstanding CAS debt.

The table below displays the primary characteristics of loans in our single-family conventional guaranty book of business without credit enhancement as of the specified dates.

Single-Family Loans without Credit Enhancement

	As of			
	September 30, 2022		December 31, 2021	
	Unpaid Principal Balance	Percentage of Single-Family Conventional Guaranty Book of Business	Unpaid Principal Balance	Percentage of Single-Family Conventional Guaranty Book of Business
	(Dollars in billions)			
Low LTV ratio or short-term[(1)]	**$ 1,185**	**33 %**	$ 1,167	34 %
Pre-credit risk transfer program inception[(2)]	**276**	**7**	324	9
Recently acquired[(3)]	**530**	**15**	983	28
Other[(4)]	**607**	**17**	565	16
Less: Loans in multiple categories	**(472)**	**(13)**	(750)	(21)
Total single-family loans without credit enhancement	**$ 2,126**	**59 %**	$ 2,289	66 %

(1) Represents loans with an LTV ratio less than or equal to 60% or loans with an original maturity of 20 years or less.

(2) Represents loans that were acquired before the inception of our credit risk transfer programs. Also includes Refi Plus™ loans.

(3) Represents loans that were recently acquired and have not been included in a reference pool.

(4) Includes adjustable-rate mortgage loans, loans with a combined LTV ratio greater than 97%, non-Refi Plus loans acquired after the inception of our credit risk transfer programs that became 30 or more days delinquent prior to inclusion in a credit risk transfer transaction and loans that were delinquent as of September 30, 2022 or December 31, 2021.

Single-Family Problem Loan Management

Our problem loan management strategies focus primarily on reducing defaults to avoid losses that would otherwise occur and pursuing foreclosure alternatives to mitigate the severity of the losses we incur. See "MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Problem Loan Management" in our 2021 Form 10-K for a discussion of delinquency statistics on our problem loans, efforts undertaken to manage our problem loans, metrics regarding our loan workout activities, real estate owned ("REO") management and other single-family credit-related information. The discussion below updates some of that information. We also provide ongoing credit performance information on loans underlying single-family Fannie Mae MBS and loans covered by single-family credit risk transfer transactions. For loans backing Fannie Mae MBS, see the "Forbearance and Delinquency Dashboard" available in the MBS section of our Data Dynamics® tool, which is available at www.fanniemae.com/datadynamics. For loans covered by credit risk transfer transactions, see the "Deal Performance Data" report available in the CAS and CIRT sections of the tool. Information on our website is not incorporated into this report. Information in Data Dynamics may differ from similar measures presented in our financial statements and other public disclosures for a variety of reasons, including as a result of variations in the loan population covered, timing differences in reporting and other factors.

Single-Family Serious Delinquency Rates

The tables below display the delinquency status of loans and changes in the volume of seriously delinquent loans in our single-family conventional guaranty book of business based on the number of loans. Single-family seriously delinquent loans are loans that are 90 days or more past due or in the foreclosure process, expressed as a percentage of our single-family conventional guaranty book of business based on loan count. Management monitors the single-family serious delinquency rate as an indicator of potential future credit losses and loss mitigation activities. Serious delinquency rates are reflective of our performance in assessing and managing credit risk associated with single-family loans in our guaranty book of business. Typically, higher serious delinquency rates result in a higher allowance for loan losses.

For purposes of our disclosures regarding delinquency status, we report loans receiving COVID-19-related payment forbearance as delinquent according to the contractual terms of the loan. Pursuant to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), for purposes of reporting to the credit bureaus, servicers must report a borrower receiving a COVID-19-related payment accommodation during the covered period, such as a forbearance plan or loan modification, as current if the borrower was current prior to receiving the accommodation and the borrower makes all required payments in accordance with the accommodation.

Delinquency Status and Activity of Single-Family Conventional Loans

	As of		
	September 30, 2022	**December 31, 2021**	**September 30, 2021**
Delinquency status:			
30 to 59 days delinquent	**0.80 %**	0.86 %	0.78 %
60 to 89 days delinquent	**0.20**	0.20	0.20
Seriously delinquent ("SDQ"):	**0.69**	1.25	1.62
Percentage of SDQ loans that have been delinquent for more than 180 days	**63**	75	79
Percentage of SDQ loans that have been delinquent for more than two years	**19**	9	8

	For the Nine Months Ended September 30,	
	2022	**2021**
Single-family SDQ loans (number of loans):		
Beginning balance	**218,329**	495,806
Additions	**125,519**	184,352
Removals:		
Modifications and other loan workouts	**(137,074)**	(257,632)
Liquidations and sales	**(33,975)**	(61,187)
Cured or less than 90 days delinquent	**(51,158)**	(78,322)
Total removals	**(222,207)**	(397,141)
Ending balance	**121,641**	283,017

Our single-family serious delinquency rate decreased as of September 30, 2022 compared with December 31, 2021 and September 30, 2021 as a result of single-family borrowers exiting forbearance through a loan workout or by otherwise reinstating their loan. As of September 30, 2022, single-family loans in forbearance comprised 26% of our single-family seriously delinquent loans compared with 36% as of December 31, 2021. We expect that some borrowers affected by the hurricanes will become seriously delinquent on their loans.

The table below displays the serious delinquency rates for, and the percentage of our seriously delinquent single-family conventional loans represented by, the specified loan categories. Percentage of book amounts represent the unpaid principal balance of loans for each category divided by the unpaid principal balance of our total single-family conventional guaranty book of business. The reported categories are not mutually exclusive.

Single-Family Conventional Seriously Delinquent Loan Concentration Analysis

	As of								
	September 30, 2022			December 31, 2021			September 30, 2021		
	Percentage of Book Outstanding	Percentage of Seriously Delinquent Loans(1)	Serious Delinquency Rate	Percentage of Book Outstanding	Percentage of Seriously Delinquent Loans(1)	Serious Delinquency Rate	Percentage of Book Outstanding	Percentage of Seriously Delinquent Loans(1)	Serious Delinquency Rate
States:									
California	**19 %**	**9 %**	**0.48 %**	19 %	11 %	1.01 %	20 %	11 %	1.38 %
Florida	**6**	**7**	**0.77**	6	8	1.59	6	8	2.11
Illinois	**3**	**6**	**0.95**	3	5	1.55	3	5	2.00
New Jersey	**3**	**4**	**0.98**	3	5	1.90	3	5	2.58
New York	**5**	**8**	**1.28**	5	7	2.24	5	8	2.92
All other states	**64**	**66**	**0.66**	64	64	1.16	63	63	1.48
Vintages:									
2004 and prior	**1**	**11**	**2.41**	1	10	3.48	1	10	4.25
2005-2008	**1**	**14**	**3.83**	2	14	5.87	2	15	7.21
2009-2022	**98**	**75**	**0.55**	97	76	1.01	97	75	1.31
Estimated mark-to-market LTV ratio:									
<= 60%	**69**	**79**	**0.69**	61	73	1.27	60	71	1.63
60.01% to 70%	**15**	**12**	**0.75**	19	16	1.37	19	16	1.78
70.01% to 80%	**10**	**6**	**0.62**	13	8	1.08	14	9	1.53
80.01% to 90%	**4**	**2**	**0.54**	5	2	0.88	5	3	1.08
90.01% to 100%	**2**	**1**	**0.34**	2	1	0.51	2	1	0.77
Greater than 100%	*****	*****	**7.42**	*	*	12.41	*	*	16.04
Credit enhanced:(2)									
Primary MI & other(3)	**20**	**30**	**1.21**	20	29	2.14	20	28	2.64
Credit risk transfer(4)	**31**	**27**	**0.68**	21	32	1.80	18	33	2.66
Non-credit enhanced	**59**	**55**	**0.60**	66	53	0.98	67	53	1.26

* Represents less than 0.5% of single-family conventional guaranty book of business.

(1) Calculated based on the number of single-family loans that were seriously delinquent for each category divided by the total number of single-family conventional loans that were seriously delinquent.

(2) The credit-enhanced categories are not mutually exclusive. A loan with primary mortgage insurance that is also covered by a credit risk transfer transaction will be included in both the "Primary MI & other" category and the "Credit risk transfer" category. As a result, the "Credit enhanced" and "Non-credit enhanced" categories do not sum to 100%. The total percentage of our single-family conventional guaranty book of business with some form of credit enhancement as of September 30, 2022 was 41%.

(3) Refers to loans included in an agreement used to reduce credit risk by requiring primary mortgage insurance, collateral, letters of credit, corporate guarantees, or other agreements to provide an entity with some assurance that it will be compensated to some degree in the event of a financial loss. Excludes loans covered by credit risk transfer transactions unless such loans are also covered by primary mortgage insurance.

(4) Refers to loans included in reference pools for credit risk transfer transactions, including loans in these transactions that are also covered by primary mortgage insurance. For CAS and some lender risk-sharing transactions, this represents the outstanding unpaid principal balance of the underlying loans on the single-family mortgage credit book, not the outstanding reference pool, as of the specified date. Loans included in our credit risk transfer transactions have all been acquired since 2009.

Single-Family Loans in Forbearance

As a part of our relief programs, we have authorized our servicers to permit payment forbearance to borrowers experiencing a COVID-19-related financial hardship for up to 12 months without regard to the delinquency status of the loan, and for borrowers already in forbearance as of February 28, 2021, for a total of up to 18 months, provided that the forbearance does not result in the loan becoming greater than 18 months delinquent. We believe that the substantial majority of borrowers who will ultimately request COVID-19-related relief have already done so.

As of September 30, 2022, the unpaid principal balance of single-family loans in forbearance was $11.0 billion compared with $23.6 billion as of December 31, 2021. The percentage of loans in our single-family conventional guaranty book of business in forbearance has declined to 0.3% as of September 30, 2022 compared with 0.7% as of December 31, 2021. As of September 30, 2022, 63% of the single-family loans in forbearance were seriously delinquent compared with 66% as of December 31, 2021. The unpaid principal balance of our single-family loans in forbearance may increase as a result of borrowers affected by the hurricanes requesting forbearance.

The table below displays the status as of September 30, 2022 of the single-family loans in our guaranty book of business that received a forbearance in 2020, 2021 or 2022. The vast majority of these forbearance arrangements were offered to borrowers who experienced a COVID-19-related financial hardship. Many of these borrowers have successfully resolved their forbearance arrangement, primarily through payment deferral, reinstatement or modification. In addition, many of the loans that received a forbearance arrangement have subsequently liquidated, primarily as a result of refinancing.

As of September 30, 2022, 91% of single-family loans that received a forbearance and subsequently received a payment deferral were current, and 88% of single-family loans that received a forbearance and subsequently received a completed modification were current. See “Loan Workout Metrics” for additional information about actions we have taken to help reinstate loans to current status.

Status of Single-Family Forbearance Loans

	As of September 30, 2022	
	Number of Loans	Percentage of Loans with Forbearance by Category
Loans that received a forbearance, by status:[1]		
Active forbearance	49,609	3 %
Payment deferral	385,475	26
Modification[2]	91,681	6
Reinstated[3]	269,852	19
Delinquent at time of exit or repayment plan[4]	36,697	3
Total loans that received a forbearance in our single-family guaranty book of business	833,314	57
Loans that have received a forbearance, but paid off	628,329	43
Total loans that have received a forbearance[5]	1,461,643	100 %

(1) Loans are classified based on their status as of period end; therefore, loans may move from one category to another.

(2) Includes 9,977 loans that are in trial modifications.

(3) Represents loans that are no longer in forbearance but are current according to the original terms of the loan. Also includes loans that remained current throughout the forbearance arrangement and continue to perform.

(4) Consists of 35,871 loans that were delinquent upon the expiration of the forbearance arrangement and 826 delinquent loans that exited forbearance through a repayment plan.

(5) Includes 5,415 loans that were in forbearance as of January 1, 2020.

The table below displays the status as of December 31, 2021 for single-family loans in our guaranty book of business that received a forbearance in 2020 or 2021. As of December 31, 2021, 93% of loans that received a forbearance and subsequently received a payment deferral were current, and 86% of loans that received a forbearance and subsequently received a completed modification were current.

Status of Single-Family Forbearance Loans

	As of December 31, 2021	
	Number of Loans	Percentage of Loans with Forbearance by Category
Loans that received a forbearance, by status:[1]		
Active forbearance	117,440	8 %
Payment deferral	380,070	27
Modification[2]	65,383	5
Reinstated[3]	291,039	21
Delinquent at time of exit or repayment plan[4]	63,069	4
Total loans that received a forbearance in our single-family guaranty book of business	917,001	65
Loans that have received a forbearance, but paid off	497,288	35
Total loans that have received a forbearance[5]	1,414,289	100 %

(1) Loans are classified based on their status as of period end; therefore, loans may move from one category to another.

(2) Includes 33,444 loans that are in trial modifications.

(3) Represents loans that are no longer in forbearance but are current according to the original terms of the loan. Also includes loans that remained current throughout the forbearance arrangement and continue to perform.

(4) Consists of 60,638 loans that were delinquent upon the expiration of the forbearance arrangement and 2,431 delinquent loans that exited forbearance through a repayment plan.

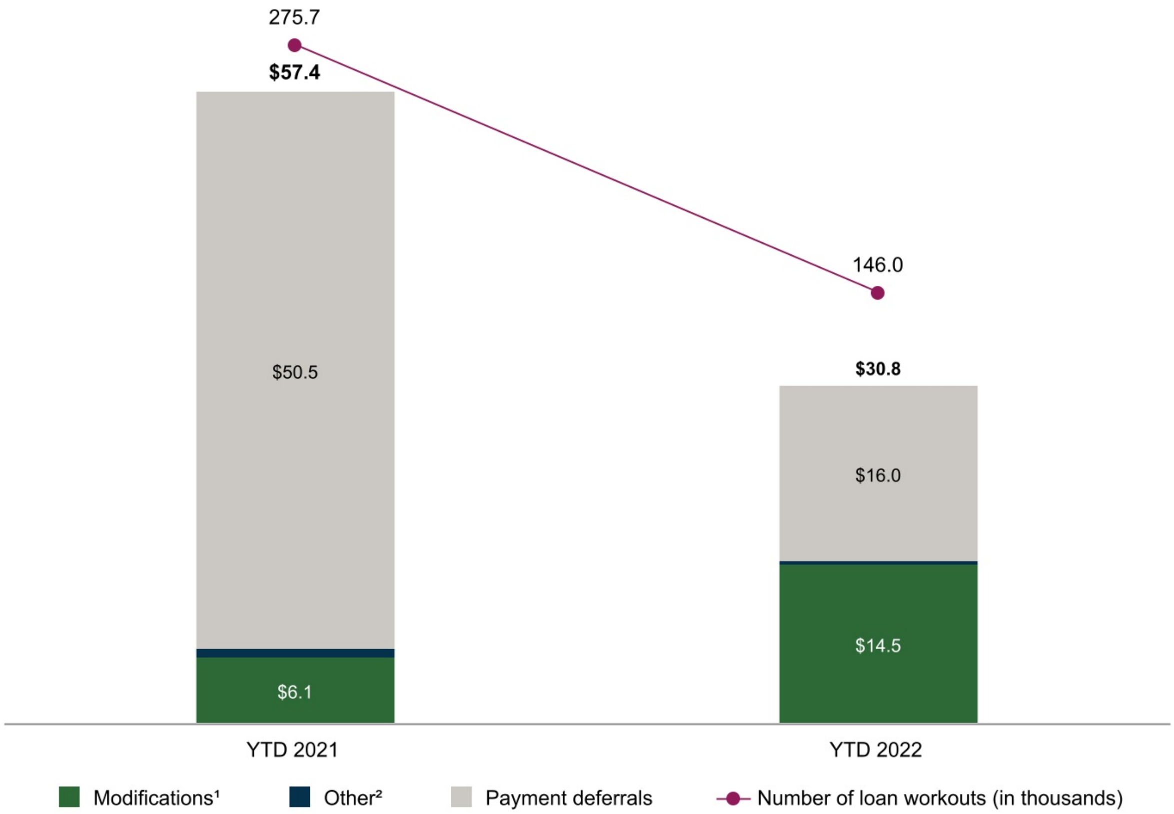
(5) Includes 5,415 loans that were in forbearance as of January 1, 2020.

Loan Workout Metrics

As a part of our credit risk management efforts, loan workouts represent actions we take to help reinstate loans to current status and help homeowners stay in their home or to otherwise avoid foreclosure. Our loan workouts reflect various types of home retention solutions, including repayment plans, payment deferrals, and loan modifications. Our loan workouts also include foreclosure alternatives, such as short sales and deeds-in-lieu of foreclosure.

The chart below displays the unpaid principal balance of our completed single-family loan workouts by type, as well as the number of loan workouts, for the first nine months of 2021 compared with the first nine months of 2022. This table does not include loans in an active forbearance arrangement, trial modifications, loans to certain borrowers who have received bankruptcy relief and repayment plans that have been initiated but not completed.

Completed Loan Workout Activity
(Dollars in billions)



(1) There were approximately 18,200 loans and 19,000 loans in a trial modification period that was not yet complete as of September 30, 2022 and 2021, respectively.

(2) Other was $251 million and $748 million for the first nine months of 2022 and the first nine months of 2021, respectively. Other includes repayment plans and foreclosure alternatives. Repayment plans reflect only those plans associated with loans that were 60 days or more delinquent.

The overall decline in loan workout activity was driven by fewer outstanding COVID-19-related forbearances in the first nine months of 2022 compared with the first nine months of 2021.

As we indicated in "Single-Family Loans in Forbearance," we believe that the substantial majority of borrowers who will ultimately request COVID-19-related relief have already done so. The total amount of principal and interest deferred to the end of the loan term for single-family loans that received a payment deferral in the first nine months of 2022 was $883 million, of which $535 million was deferred interest. For the first nine months of 2021, the total amount of principal and interest deferred was $2.9 billion, of which $1.8 billion was deferred interest.

Single-Family REO Management

If a loan defaults, we may acquire the property through foreclosure or a deed-in-lieu of foreclosure. The table below displays our REO activity by region. Regional REO acquisition trends generally follow a pattern that is similar to, but lags, that of regional delinquency trends.

Single-Family REO Properties

	For the Nine Months Ended September 30, 2022	2021
Single-family REO properties (number of properties):		
Beginning of period inventory of single-family REO properties[1]	**7,166**	7,973
Acquisitions by geographic area:[2]		
Midwest	**1,241**	755
Northeast	**821**	780
Southeast	**842**	743
Southwest	**570**	389
West	**220**	159
Total REO acquisitions[1]	**3,694**	2,826
Dispositions of REO	**(2,507)**	(4,245)
End of period inventory of single-family REO properties[1]	**8,353**	6,554
Carrying value of single-family REO properties (dollars in millions)	**$ 1,222**	$ 956
Single-family foreclosure rate[3]	**0.03 %**	0.02 %
REO net sales price to unpaid principal balance[4]	**112 %**	110 %
Short sales net sales price to unpaid principal balance[5]	**90 %**	83 %

(1) Includes held-for-use properties, which are reported in our condensed consolidated balance sheets as a component of "Other assets."

(2) See footnote 9 to the "Key Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business" table for states included in each geographic region.

(3) Estimated based on the annualized total number of properties acquired through foreclosure or deeds-in-lieu of foreclosure as a percentage of the total number of loans in our single-family conventional guaranty book of business as of the end of each period.

(4) Calculated as the amount of sale proceeds received on disposition of REO properties during the respective periods, excluding those subject to repurchase requests made to our sellers or servicers, divided by the aggregate unpaid principal balance of the related loans at the time of foreclosure. Net sales price represents the contract sales price less selling costs for the property and other charges paid by the seller at closing.

(5) Calculated as the amount of sale proceeds received on properties sold in short sale transactions during the respective periods divided by the aggregate unpaid principal balance of the related loans. Net sales price includes borrower relocation incentive payments and subordinate lien(s) negotiated payoffs.

In response to the pandemic and with instruction from FHFA, we prohibited our servicers from completing foreclosures on our single-family loans through July 31, 2021, except in the case of vacant or abandoned properties. In addition, our servicers were required to comply with a Consumer Financial Protection Bureau (the "CFPB") rule that prohibited certain new single-family foreclosures on mortgage loans secured by the borrower's principal residence until after December 31, 2021. As a result, our foreclosure volumes were higher in the first nine months of 2022 compared with the first nine months of 2021.

In April 2022, FHFA announced a suspension of foreclosure activities for up to 60 days for borrowers who apply for assistance under Treasury's Homeowner Assistance Fund.

Single-Family Credit Loss Metrics and Loan Sale Performance

The single-family credit loss metrics and loan sale performance measures below present information about losses or gains we realized on our single-family loans during the periods presented. The amount of these losses or gains in a given period is driven by foreclosures, pre-foreclosure sales, post-foreclosure REO activity, mortgage loan redesignations, and other events that trigger write-offs and recoveries. The single-family credit loss metrics we present are not defined terms and may not be calculated in the same manner as similarly titled measures reported by other companies. Management uses these measures to evaluate the effectiveness of our single-family credit risk management strategies in conjunction with leading indicators such as serious delinquency and forbearance rates, which are potential indicators of future realized single-family credit losses.

We believe these measures provide useful information about our single-family credit performance and the factors that impact it.

The table below displays the components of our single-family credit loss metrics and loan sale performance.

Single-Family Credit Loss Metrics and Loan Sale Performance

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in millions)			
Write-offs	**$ (95)**	$ (7)	**$ (151)**	$ (30)
Recoveries	**68**	137	**192**	221
Foreclosed property income (expense)	**(6)**	(80)	**3**	(91)
Credit gains (losses)	**(33)**	50	**44**	100
Write-offs on the redesignation of mortgage loans from HFI to HFS[1]	**(196)**	(47)	**(418)**	(247)
Net credit gains (losses) and write-offs on redesignations	**(229)**	3	**(374)**	(147)
Gains (losses) on sales and other valuation adjustments[2]	**(169)**	215	**(260)**	850
Net credit gains (losses), write-offs on redesignations and gains (losses) on sales and other valuation adjustments	**$ (398)**	$ 218	**$ (634)**	$ 703
Credit gain (loss) ratio (in bps)[3]	**(0.4)**	0.6	**0.2**	0.4
Net credit gains (losses), write-offs on redesignations and gains (losses) on sales and other valuation adjustments ratio (in bps)[3]	**(4.4)**	2.6	**(2.4)**	2.8

(1) Consists of the lower of cost or fair value adjustment at time of redesignation.

(2) Consists of gains or losses realized on the sales of nonperforming and reperforming mortgage loans during the period and temporary lower-of-cost-or-market adjustments on HFS loans, which are recognized in "Investment gains (losses), net" in our condensed consolidated statements of operations and comprehensive income.

(3) Calculated based on the annualized amount of "Credit gains (losses)" and "Net credit gains (losses), write-offs on redesignations and gains (losses) on sales and other valuation adjustments" divided by the average single-family conventional guaranty book of business during the period.

The increase in our single-family write-offs in the third quarter and first nine months of 2022 compared with the third quarter and first nine months of 2021 was largely driven by an increase in foreclosure activity, due in part to the expiration of the CFPB rule that prohibited certain new single-family foreclosures on mortgage loans secured by the borrower's principal residence until after December 31, 2021, as well as a decrease in the estimated proceeds from sales of REO as a result of the recent decline in home prices. At the time of foreclosure, we record a write off to the extent that estimated proceeds from the sale of REO, less the estimated cost to sell the property net of any insurance proceeds, exceeds the carrying value of the loan.

The increase in our single-family write-offs on redesignations in the third quarter and first nine months of 2022 compared with the third quarter and first nine months of 2021 was primarily driven by higher lower-of-cost-or-market adjustments at the time of redesignation due to price declines on our HFS loans as interest rates rose.

We had losses on sales and other valuation adjustments in the third quarter and first nine months of 2022 primarily due to losses on subsequent lower-of-cost-or-market valuation adjustments. Recent market conditions, including higher interest rates in the third quarter and first nine months of 2022, have reduced the demand for reperforming loans and resulted in lower sales volumes as well as price declines on our HFS loans. In the third quarter and first nine months of 2021, we had gains on sales and other valuation adjustments due to higher levels of loan sales as well as gains on subsequent lower-of-cost-or-market valuation adjustments driven by price increases on our HFS loans as a result of the market recovery following the onset of the COVID-19 pandemic.

For information on our credit-related income or expense, which includes changes in our allowance, see “Consolidated Results of Operations—Credit-Related Income (Expense)” and “Single-Family Business Financial Results.”

Multifamily Business

This section supplements and updates information regarding our Multifamily business segment in our 2021 Form 10-K. See “MD&A—Multifamily Business” in our 2021 Form 10-K for additional information regarding the primary business activities, lenders, competition and market share of our Multifamily business.

Multifamily Mortgage Market

Multifamily market fundamentals, which include factors such as vacancy rates and rents, began to moderate during the third quarter of 2022, despite positive job growth and favorable demographics.

- *Vacancy rates.* Based on preliminary third-party data, we estimate that the national multifamily vacancy rate for institutional investment-type apartment properties was 5.0% as of September 30, 2022, an increase from an estimated 4.8% as of June 30, 2022, and back to the same level as of September 30, 2021. The national multifamily vacancy rate remained below its average rate of about 5.3% over the last 10 years.
- *Rents.* Based on preliminary third-party data, we estimate that effective rents increased by 1.0% during the third quarter of 2022 compared with an increase of 2.5% during the second quarter of 2022 and an increase of 3.5% during the third quarter of 2021. We expect annualized rent growth for 2022 will be between 5.0% and 6.0%.

Vacancy rates and rents are important to loan performance because multifamily loans are generally repaid from the cash flows generated by the underlying property. Several years of improvement in these fundamentals have helped to increase property values in most metropolitan areas. Based on preliminary multifamily property sales data, transaction volumes for much of 2022 remained elevated but moderated in the third quarter of 2022. Despite this moderation in transaction volumes, capitalization rates remained stable in the third quarter of 2022. As higher interest rates appear to have contributed to softened investment demand in the multifamily sector, we do not expect annual multifamily property sales to reach 2021 levels.

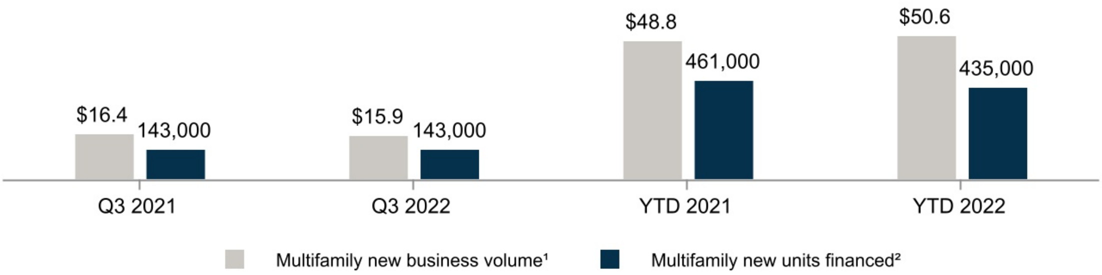
Multifamily construction underway remains elevated. While more than 500,000 multifamily units are scheduled to be delivered in 2022, we expect that ongoing supply chain issues make it more likely that the number of units completed this year will be between 400,000 and 450,000 units.

Based on a drop-off in rental demand observed over the latter half of the third quarter 2022, coupled with persistent inflation and slowing job growth in September, we now believe that the multifamily sector will be impacted by softening demand, leading to higher vacancy levels and stagnant rent growth over the remainder of the year.

Multifamily Business Metrics

Through the secondary mortgage market, we support rental housing for the workforce population, for senior citizens and students, and for those with the greatest economic need. Over 95% of the multifamily units we financed in the third quarter of 2022 that were potentially eligible for housing goals credit were affordable to those earning at or below 120% of the median income in their area, providing support for both workforce housing and affordable housing.

Multifamily New Business Volume
(Dollars in billions)



(1) Reflects unpaid principal balance of multifamily Fannie Mae MBS issued, multifamily loans purchased, and credit enhancements provided on multifamily mortgage assets during the period.

(2) Reflects new units financed by first liens; excludes second liens on units for which we had financed the first lien, as well as manufactured housing rentals. Units financed reported for prior periods have been updated in this report to exclude previously included second liens and manufactured housing rentals. Second liens and manufactured housing rentals are included in unpaid principal balance.

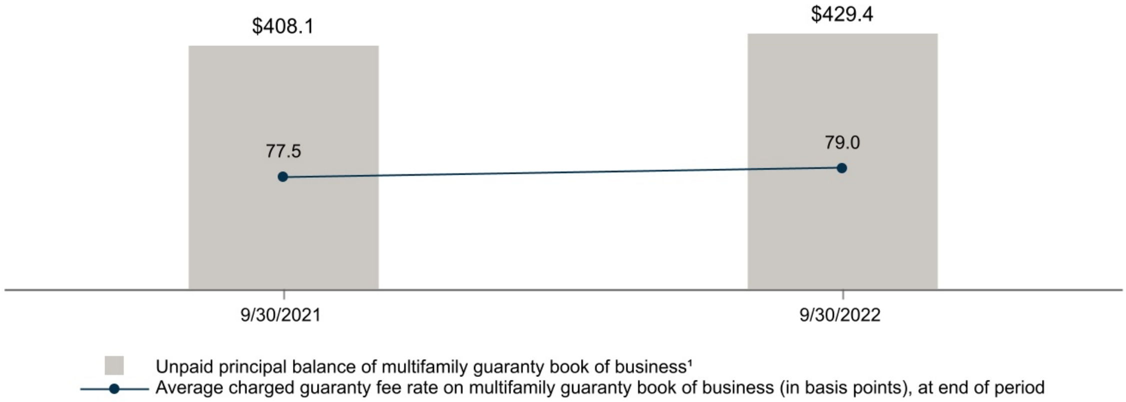
FHFA has capped our multifamily loan purchases for 2022 at $78 billion. FHFA also requires that a minimum of 50% of loan purchases must be mission-driven, focused on specified affordable and underserved market segments. In addition, 25% of loan purchases must be affordable to residents earning 60% or less of area median income, up from the 20% requirement in 2021.

For information on how conservatorship may affect our business activities, see "Risk Factors—GSE and Conservatorship Risk" in our 2021 Form 10-K.

Presentation of Our Multifamily Guaranty Book of Business

For purposes of the information reported in this "Multifamily Business" section, we measure our multifamily guaranty book of business using the unpaid principal balance of mortgage loans underlying Fannie Mae MBS. By contrast, the multifamily guaranty book of business presented in the "Composition of Fannie Mae Guaranty Book of Business" table in the "Guaranty Book of Business" section is based on the unpaid principal balance of Fannie Mae MBS outstanding. These amounts differ primarily as a result of payments we receive on underlying loans that have not yet been remitted to the MBS holders.

Multifamily Guaranty Book of Business
(Dollars in billions)



(1) Our multifamily guaranty book of business primarily consists of multifamily mortgage loans underlying Fannie Mae MBS outstanding, multifamily mortgage loans of Fannie Mae held in our retained mortgage portfolio, and other credit enhancements that we provide on multifamily mortgage assets. It does not include non-Fannie Mae multifamily mortgage-related securities held in our retained mortgage portfolio for which we do not provide a guaranty.

Average charged guaranty fee represents our effective revenue rate relative to the size of our multifamily guaranty book of business. Management uses this metric to assess the return we earn as compensation for the multifamily credit risk we manage. Average charged guaranty fee is impacted by the rate at which loans in our book of business turn over as well as the guaranty fees we charge, which are set at the time we acquire the loans. Our multifamily guaranty fee pricing is primarily based on the individual credit risk characteristics of the loans we acquire and the aggregate credit risk characteristics of our multifamily guaranty book of business. Our multifamily guaranty fee pricing is also influenced by external forces such as the availability of other sources of liquidity, our mission-related goals, the FHFA volume cap, interest rates, MBS spreads, and the management of the overall composition of our multifamily guaranty book of business. While our average charged guaranty fee increased as of September 30, 2022 from September 30, 2021, these internal and external factors may be volatile and therefore lead to variability in our multifamily guaranty fees.

Multifamily Business Financial Results[1]

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2022	2021	Variance	2022	2021	Variance
			(Dollars in millions)			
Net interest income	**$ 1,206**	$ 1,102	$ 104	**$ 3,585**	$ 2,913	$ 672
Fee and other income	**22**	25	(3)	**65**	73	(8)
Net revenues	**1,228**	1,127	101	**3,650**	2,986	664
Fair value gains (losses), net	**(17)**	14	(31)	**(78)**	(2)	(76)
Administrative expenses	**(140)**	(125)	(15)	**(389)**	(377)	(12)
Credit-related income (expense)[2]	**(154)**	61	(215)	**(139)**	174	(313)
Credit enhancement expense[3]	**(66)**	(59)	(7)	**(196)**	(172)	(24)
Change in expected credit enhancement recoveries[4]	**45**	(14)	59	**32**	(16)	48
Other income (expenses), net[5]	**(4)**	14	(18)	**(129)**	(14)	(115)
Income before federal income taxes	**892**	1,018	(126)	**2,751**	2,579	172
Provision for federal income taxes	**(153)**	(201)	48	**(546)**	(518)	(28)
Net income	**$ 739**	$ 817	$ (78)	**$ 2,205**	$ 2,061	$ 144

(1) See “Note 9, Segment Reporting” for information about our segment allocation methodology.

(2) Consists of the benefit or provision for credit losses and foreclosed property income or expense.

(3) Primarily consists of costs associated with our Multifamily CIRT™ (“MCIRT™”) and Multifamily Connecticut Avenue Securities™ (“MCAS™”) programs as well as amortization expense for certain lender risk-sharing programs.

(4) Consists of change in benefits recognized from our freestanding credit enhancements that primarily relate to our Delegated Underwriting and Servicing (“DUS®”) lender risk-sharing.

(5) Consists of investment gains or losses, gains or losses from partnership investments, debt extinguishment gains or losses, and other income or expenses.

Net Interest Income

Multifamily net interest income increased in the third quarter and first nine months of 2022 compared with the third quarter and first nine months of 2021 primarily due to higher guaranty fee income as a result of an increase in the size of our multifamily guaranty book of business combined with an increase in average charged guaranty fees and higher yield maintenance revenue related to the prepayment of multifamily loans.

Credit-Related Income (Expense)

The largest driver of credit-related expense for the third quarter and first nine months of 2022 was a provision for higher actual and projected interest rates.

Credit-related income for the third quarter and first nine months of 2021 was primarily driven by a benefit from actual and projected economic data and lower expected losses resulting from the COVID-19 pandemic.

See “Consolidated Results of Operations—Credit-Related Income (Expense)” for more information on our multifamily benefit or provision for credit losses.

Other Income (Expenses), Net

The increase in other expenses from the first nine months of 2021 to the first nine months of 2022 primarily reflects losses driven by the impact of higher interest rates on our commitments to purchase multifamily Fannie Mae MBS, which resulted in the decline of multifamily MBS prices and the recognition of debt extinguishment losses.

Multifamily Mortgage Credit Risk Management

This section supplements and updates our discussion of multifamily mortgage credit risk management in our 2021 Form 10-K in “MD&A—Multifamily Business—Multifamily Mortgage Credit Risk Management.” For an overview of key elements of our mortgage credit risk management, see “Business—Managing Mortgage Credit Risk” in our 2021 Form 10-K.

Multifamily Acquisition Policy and Underwriting Standards

Our Multifamily business is responsible for pricing and managing the credit risk on our multifamily guaranty book of business, with oversight from our Enterprise Risk Management division. Multifamily loans that we purchase or that back Fannie Mae MBS are underwritten by a Fannie Mae-approved lender and may be subject to our underwriting review prior to closing, depending on the product type, loan size, market and/or other factors. Our underwriting standards generally include, among other things, property cash flow analysis and third-party appraisals.

Additionally, our standards for multifamily loans specify maximum original LTV ratio and minimum original debt service coverage ratio ("DSCR") values that vary based on loan characteristics. Our experience has been that original LTV ratio and DSCR values have been reliable indicators of future credit performance. At underwriting, we evaluate the DSCR based on both actual and underwritten debt service payments. The original DSCR is calculated using the underwritten debt service payments for the loan, which assumes both principal and interest payments, including stressed assumptions in certain cases, rather than the actual debt service payments. Depending on the loan's interest rate and structure, using the underwritten debt service payments will often result in a more conservative estimate of the debt service payments (for example, loans with an interest-only period). This approach is used for all loans, including those with full and partial interest-only terms.

The following table displays certain key risk characteristics of our multifamily guaranty book of business that we use to evaluate the risk profile and credit quality of our multifamily loans.

Key Risk Characteristics of Multifamily Guaranty Book of Business

	As of		
	September 30, 2022	**December 31, 2021**	**September 30, 2021**
Weighted-average original LTV ratio	**65** %	65 %	65 %
Original LTV ratio greater than 80%	**1**	1	1
Original DSCR less than or equal to 1.10	**12**	11	11
Full term interest-only loans	**37**	33	32
Partial term interest-only loans[1]	**49**	51	51

(1) Consists of mortgage loans that were underwritten with an interest-only term, regardless of whether the loan is currently in its interest-only period.

We provide additional information on the credit characteristics of our multifamily loans in quarterly financial supplements, which we furnish to the SEC with current reports on Form 8-K. Information in our quarterly financial supplements is not incorporated by reference into this report.

Transfer of Multifamily Mortgage Credit Risk

We primarily transfer risk through our Delegated Underwriting and Servicing ("DUS®") program, which delegates to DUS lenders the ability to underwrite and service multifamily loans, in accordance with our standards and requirements. See "MD&A—Multifamily Business—Multifamily Mortgage Credit Risk Management—Transfer of Multifamily Mortgage Credit Risk" in our 2021 Form 10-K for a description of our DUS program.

Our DUS model typically results in our lenders sharing approximately one-third of the credit risk on our multifamily loans, either on a pro-rata or tiered basis. Loans serviced by DUS lenders and their affiliates represented substantially all of our multifamily guaranty book of business as of September 30, 2022 and December 31, 2021. In certain situations, to effectively manage our counterparty risk, we do not allow the lenders to fully share in one-third of the credit risk, but have them share in a smaller portion.

While not a large portion of our multifamily guaranty book of business, our non-DUS lenders typically also have lender risk-sharing, where the lenders typically share or absorb losses based on a negotiated percentage of the loan or the pool balance.

To complement our front-end lender-risk sharing program, we engage in back-end credit risk transfer transactions through our Multifamily CIRT™ ("MCIRT™") and Multifamily Connecticut Avenue Securities™ ("MCAS™") transactions. Through these transactions, we transfer a portion of the credit risk associated with a reference pool of multifamily mortgage loans to insurers, reinsurers, or investors.

We transfer multifamily credit risk through lender risk-sharing at the time of acquisition, but our multifamily back-end credit risk transfer activity occurs later, typically up to a year or more after acquisition. In September 2022, we entered into a new credit risk transfer transaction, transferring mortgage credit risk through our MCIRT program. The factors that we expect will affect the extent to which we engage in multifamily credit risk transfer transactions in the future and the structure of those transactions include our risk appetite, future market conditions, the cost of the transactions, FHFA guidance or requirements (including FHFA's scorecard), the capital relief provided by the transactions, and our overall business and capital plans.

The table below displays the total unpaid principal balance of multifamily loans and the percentage of our multifamily guaranty book of business, based on unpaid principal balance, that is covered by a back-end credit risk transfer transaction. The table does not reflect front-end lender risk-sharing arrangements, as only a small portion of our multifamily guaranty book of business is not covered by these arrangements.

Multifamily Loans in Back-End Credit Risk Transfer Transactions

	As of			
	September 30, 2022		December 31, 2021	
	Unpaid Principal Balance	Percentage of Multifamily Guaranty Book of Business	Unpaid Principal Balance	Percentage of Multifamily Guaranty Book of Business
	(Dollars in millions)			
MCIRT	**$ 89,509**	**21 %**	$ 84,894	20 %
MCAS	**25,254**	**6**	27,088	7
Total	**$ 114,763**	**27 %**	$ 111,982	27 %

Multifamily Portfolio Monitoring

As part of our ongoing credit risk management process, we and our lenders monitor the performance and risk characteristics of our multifamily loans and the underlying properties on an ongoing basis throughout the loan term at the asset and portfolio level. We closely monitor loans with an estimated current DSCR below 1.0, as that is an indicator of heightened default risk. The percentage of loans in our multifamily guaranty book of business, calculated based on unpaid principal balance, with a current DSCR less than 1.0 was approximately 3% as of September 30, 2022 and 2% as of December 31, 2021.

We also monitor and manage our exposure to interest-rate risk relating to multifamily loans, which can manifest in multiple ways. Interest rates have increased significantly since the beginning of the year and may increase further. Rising interest rates may reduce the ability of multifamily borrowers to refinance their loans, which often have balloon balances at maturity. Additionally, in a rising rate environment, multifamily borrowers with adjustable-rate mortgages will have higher monthly payments, which may lower their debt service coverage ratio if property net operating income is not increasing at a similar rate. We generally require multifamily borrowers with adjustable-rate mortgages to purchase interest rate caps to protect against large movements in rates. Purchasing or replacing required interest rate caps, especially those with longer terms, becomes more expensive as interest rates rise. We generally require our multifamily borrowers to maintain escrows at our servicers to reserve for this cost. We actively monitor these interest-rate related risks as part of our risk management process. We provide additional information on the maturity schedule of our multifamily loans in quarterly financial supplements, which we furnish to the SEC with current reports on Form 8-K and make available on our website. Information in our quarterly financial supplements is not incorporated by reference into this report.

For additional information on credit risk characteristics of our multifamily loans and other factors that we monitor to assess the performance of our Multifamily business, see "MD&A—Multifamily Business—Multifamily Mortgage Credit Risk Management—Multifamily Portfolio Diversification and Monitoring" in our 2021 Form 10-K. See "Note 3, Mortgage Loans" for the internal risk categories we use to determine our loan credit quality. Also see "MD&A—Consolidated Results of Operations—Credit-Related Income (Expense)" for more information on how rising interest rates impact credit-related income (expense).

Multifamily Problem Loan Management and Foreclosure Prevention

In addition to the credit performance information on our multifamily loans provided below, we provide information about multifamily loans in a COVID-19-related forbearance that back MBS and whole loan REMICs in a "Multifamily MBS COVID-19 Forbearance List" in the "Data Collections" section of our DUS Disclose® tool, available at www.fanniemae.com/dusdisclose. Information on our website is not incorporated into this report.

Delinquency Statistics on our Multifamily Problem Loans

The percentage of our multifamily loans classified as substandard in our guaranty book of business increased as of September 30, 2022 compared with December 31, 2021. Substandard loans are loans that have a well-defined weakness that could impact their timely full repayment. While the majority of the substandard loans in our multifamily guaranty book of business are currently making timely payments, we continue to monitor the performance of our substandard loan population. Loans classified as substandard increased as of September 30, 2022 compared to December 31, 2021, primarily as a result of the ongoing impact of the COVID-19 pandemic. While overall DSCR on the book has improved, there were a greater number of properties reporting low DSCRs in their latest annual statements. The increase was largely driven by seniors housing loans, which were disproportionally impacted by the pandemic. For more information on our credit quality indicators, including our population of substandard loans, see “Note 3, Mortgage Loans.”

Our multifamily serious delinquency rate decreased to 0.26% as of September 30, 2022 compared with 0.42% as of December 31, 2021 and September 30, 2021, primarily as a result of loans that received forbearance resolving their delinquency through completion of their repayment plans or otherwise reinstating. Our multifamily serious delinquency rate consists of multifamily loans that were 60 days or more past due based on unpaid principal balance, expressed as a percentage of our multifamily guaranty book of business. The percentage of loans in our multifamily guaranty book of business that were 180 days or more delinquent was 0.17% as of September 30, 2022, compared with 0.23% as of December 31, 2021.

Management monitors the multifamily serious delinquency rate as an indicator of potential future credit losses and loss mitigation activities. Serious delinquency rates are reflective of our performance in assessing and managing credit risk associated with multifamily loans in our guaranty book of business. Typically, higher serious delinquency rates result in a higher allowance for loan losses.

Our multifamily serious delinquency rate, excluding loans that have received a forbearance since the start of the pandemic, was 0.04% as of September 30, 2022, the same as of December 31, 2021. We monitor the multifamily serious delinquency rate excluding loans that received a forbearance to better understand the impact that forbearance activity has had on the rate and to monitor loans that are seriously delinquent not as a result of COVID-19 or natural disasters.

Multifamily Loan Forbearance

As of September 30, 2022, the vast majority of our multifamily loans that have received forbearance were associated with a COVID-19-related financial hardship, but only a small portion of these loans remained in forbearance. As of September 30, 2022, there were 8 multifamily loans with an unpaid principal balance of $18 million in active forbearance, compared with 22 loans with an unpaid principal balance of $363 million as of December 31, 2021.

For additional information on our response to the COVID-19 pandemic, see “MD&A—Multifamily Business—Multifamily Mortgage Credit Risk Management—Multifamily Problem Loan Management and Foreclosure Prevention” in our 2021 Form 10-K. We also provide additional information on multifamily forbearances in our quarterly financial supplements, which we furnish to the SEC with current reports on Form 8-K and make available on our website. Information in our quarterly financial supplements is not incorporated by reference into this report.

Multifamily REO Management

The number of multifamily foreclosed properties held for sale was 27 properties with a carrying value of $318 million as of September 30, 2022, compared with 31 properties with a carrying value of $302 million as of December 31, 2021. We expect additional foreclosures on loans that received a COVID-19 forbearance that are unable to successfully cure their delinquency through a repayment plan or other modification.

Multifamily Credit Loss Performance Metrics

The amount of multifamily credit loss or income we realize in a given period is driven by foreclosures, pre-foreclosure sales, REO activity and write-offs, net of recoveries. Our multifamily credit loss performance metrics are not defined terms and may not be calculated in the same manner as similarly titled measures reported by other companies. We believe our multifamily credit losses, and our multifamily credit losses net of freestanding loss-sharing benefit, may be useful to stakeholders because they display our credit losses in the context of our multifamily guaranty book of business, including the benefit we receive from loss-sharing arrangements. Management views multifamily credit losses, net of freestanding loss-sharing benefit, as a key metric related to our multifamily business model and our strategy to share multifamily credit risk.

The table below displays the components of our multifamily credit loss performance metrics, as well as our multifamily initial write-off severity rate and write-off loan count.

Multifamily Credit Loss Performance Metrics

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in millions)			
Write-offs[1]	**$ (40)**	$ (7)	**$ (40)**	$ (54)
Recoveries	**4**	21	**21**	40
Foreclosed property income (expense)	**21**	11	**18**	(14)
Credit gains (losses)	**(15)**	25	**(1)**	(28)
Freestanding loss-sharing benefit[2]	**10**	1	**—**	22
Credit gains (losses), net of freestanding loss-sharing benefit	**$ (5)**	$ 26	**$ (1)**	$ (6)
Credit gain (loss) ratio (in bps)[3]	**(1.4)**	2.5	**—**	(0.9)
Credit gain (loss) ratio, net of freestanding loss-sharing benefit (in bps)[2][3]	**(0.5)**	2.6	**—**	(0.2)
Multifamily initial write-off severity rate[4]	**— %**	6.6 %	**5.4 %**	11.9 %
Multifamily write-off loan count	**1**	8	**6**	23

(1) Write-offs associated with non-REO sales are net of loss sharing.

(2) Represents expected benefits that we receive from write-offs as a result of certain freestanding credit enhancements, primarily multifamily DUS lender risk-sharing transactions. These benefits are recorded in "Change in expected credit enhancement recoveries" in our condensed consolidated statements of operations and comprehensive income.

(3) Calculated based on the annualized amount of "Credit gains (losses)" and "Credit gains (losses), net of freestanding loss-sharing benefit," divided by the average multifamily guaranty book of business during the period.

(4) Rate is calculated as the initial write-off amount divided by the average defaulted unpaid principal balance. The rate excludes write-offs not associated with foreclosures or other liquidation events (such as a deed-in-lieu of foreclosure or a short-sale) and any costs, gains or losses associated with REO after initial acquisition through final disposition. Write-offs are net of lender loss-sharing agreements.

Consolidated Credit Ratios and Select Credit Information

The table below displays select credit ratios on our single-family conventional guaranty book of business and our multifamily guaranty book of business, as well as the inputs used in calculating these ratios.

Consolidated Credit Ratios and Select Credit Information

	As of					
	September 30, 2022			December 31, 2021		
	Single-family	Multifamily	Total	Single-family	Multifamily	Total
	(Dollars in millions)					
Credit loss reserves as a percentage of:						
Guaranty book of business	**0.21 %**	**0.19 %**	**0.21 %**	0.15 %	0.17 %	0.15 %
Nonaccrual loans at amortized cost	**62.27**	**66.69**	**62.68**	25.63	54.49	27.35
Nonaccrual loans as a percentage of:						
Guaranty book of business	**0.34 %**	**0.29 %**	**0.33 %**	0.57 %	0.30 %	0.54 %
Select financial information used in calculating credit ratios:						
Credit loss reserves[1]	**$ (7,600)**	**$ (821)**	**$ (8,421)**	$ (5,088)	$ (686)	$ (5,774)
Guaranty book of business[2]	**3,629,035**	**429,421**	**4,058,456**	3,483,054	413,090	3,896,144
Nonaccrual loans at amortized cost	**12,204**	**1,231**	**13,435**	19,851	1,259	21,110
Components of credit loss reserves:						
Allowance for loan losses	**$ (7,488)**	**$ (814)**	**$ (8,302)**	$ (4,950)	$ (679)	$ (5,629)
Allowance for accrued interest receivable	**(112)**	**—**	**(112)**	(138)	(2)	(140)
Reserve for guaranty losses[3]	**—**	**(7)**	**(7)**	—	(5)	(5)
Total credit loss reserves[1]	**$ (7,600)**	**$ (821)**	**$ (8,421)**	$ (5,088)	$ (686)	$ (5,774)

(1) Our multifamily credit loss reserves exclude the expected benefit of freestanding credit enhancements on multifamily loans of $267 million as of September 30, 2022 and $235 million as of December 31, 2021, which are recorded in “Other assets” in our condensed consolidated balance sheets.

(2) Represents conventional guaranty book of business for single-family.

(3) Reserve for guaranty losses is recorded in “Other liabilities” in our condensed consolidated balance sheets.

Our nonaccrual loans decreased as of September 30, 2022 compared with December 31, 2021 primarily as a result of loan modifications, as borrowers continue to exit forbearance. Modifications bring a loan current and generally require completion of a trial period of three to four months.

Our credit loss reserves increased as of September 30, 2022 compared with December 31, 2021 primarily as a result of a provision for credit losses, which we describe in "Consolidated Results of Operations—Credit-Related Income (Expense).”

Consolidated Write-off Ratio and Select Credit Information

	For the Three Months Ended September 30,					
	2022			2021		
	Single-family	Multifamily	Total	Single-family	Multifamily	Total
	(Dollars in millions)					
Select credit ratio:						
Write-offs, net of recoveries annualized, as a percentage of the average guaranty book of business (in bps)	**2.5**	**3.4**	**2.6**	(1.0)	(1.4)	(1.0)
Select financial information used in calculating credit ratio:						
Write-offs	**$ 291**	**$ 40**	**$ 331**	$ 54	$ 7	$ 61
Recoveries	**(68)**	**(4)**	**(72)**	(137)	(21)	(158)
Write-offs, net of recoveries	**223**	**36**	**259**	(83)	(14)	(97)
Average guaranty book of business[(1)]	**3,621,447**	**427,586**	**4,049,033**	3,399,589	405,030	3,804,619

	For the Nine Months Ended September 30,					
	2022			2021		
	Single-family	Multifamily	Total	Single-family	Multifamily	Total
	(Dollars in millions)					
Select credit ratio:						
Write-offs, net of recoveries annualized, as a percentage of the average guaranty book of business (in bps)	**1.4**	**0.6**	**1.3**	0.2	0.5	0.3
Select financial information used in calculating credit ratio:						
Write-offs	**$ 569**	**$ 40**	**$ 609**	$ 277	$ 54	$ 331
Recoveries	**(192)**	**(21)**	**(213)**	(221)	(40)	(261)
Write-offs, net of recoveries	**377**	**19**	**396**	56	14	70
Average guaranty book of business[(1)]	**3,573,333**	**422,013**	**3,995,346**	3,318,031	398,425	3,716,456

(1) Average guaranty book of business is based on quarter-end balances.

For discussion on the drivers of single-family write-offs for the third quarter and first nine months of 2022, see "Single-Family Business—Single-Family Problem Loan Management—Single-Family Credit Loss Metrics and Loan Sale Performance."

Liquidity and Capital Management

Liquidity Management

This section supplements and updates information regarding liquidity management in our 2021 Form 10-K. See "MD&A—Liquidity and Capital Management—Liquidity Management" in our 2021 Form 10-K for additional information, including discussions of our primary sources and uses of funds, our liquidity and funding risk management practices and contingency planning, factors that influence our debt funding activity, factors that may impact our access to or the cost of our debt funding and factors that could adversely affect our liquidity and funding. Also see "Risk Factors—Liquidity and Funding Risk" in our 2021 Form 10-K for a discussion of liquidity and funding risks.

Debt Funding

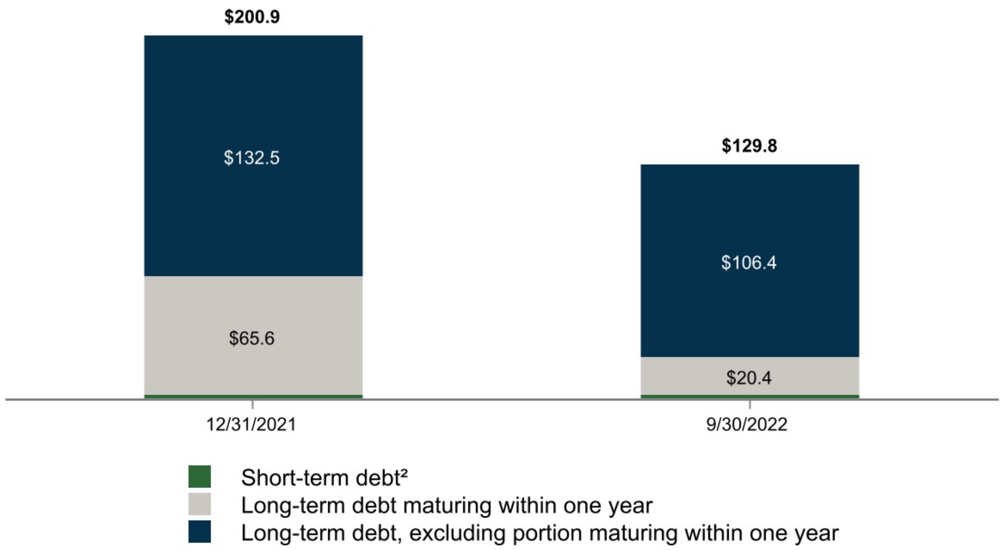
We are currently subject to a $300 billion debt limit under our senior preferred stock purchase agreement with Treasury, which will decrease to $270 billion as of December 31, 2022. The unpaid principal balance of our aggregate indebtedness was $134.9 billion as of September 30, 2022. Pursuant to the terms of the senior preferred stock purchase agreement, we are prohibited from issuing debt without the prior consent of Treasury if it would result in our aggregate indebtedness exceeding our outstanding debt limit. The calculation of our indebtedness for purposes of complying with our debt limit reflects the unpaid principal balance and excludes debt basis adjustments and debt of consolidated trusts.

Outstanding Debt

Total outstanding debt of Fannie Mae includes short-term and long-term debt and excludes debt of consolidated trusts. Short-term debt of Fannie Mae consists of borrowings with an original contractual maturity of one year or less and, therefore, does not include the current portion of long-term debt. Long-term debt of Fannie Mae consists of borrowings with an original contractual maturity of greater than one year.

The following chart and table display information on our outstanding short-term and long-term debt based on original contractual maturity. Our long-term debt continued to decrease in the first nine months of 2022 as our funding needs remained low and were primarily satisfied through cash and other liquid assets that accumulated in prior periods, as well as earnings retained from our operations.

Debt of Fannie Mae(1)
(Dollars in billions)



(1) Outstanding debt balance consists of the unpaid principal balance, premiums and discounts, fair value adjustments, hedge-related basis adjustments and other cost basis adjustments. Reported amounts include net discount unamortized cost basis adjustments and fair value adjustments of $5.1 billion and $1.6 billion as of September 30, 2022 and December 31, 2021, respectively.

(2) Short-term debt was $3.0 billion and $2.8 billion as of September 30, 2022 and December 31, 2021, respectively.

Selected Debt Information

	As of	
	September 30, 2022	December 31, 2021
	(Dollars in billions)	
Selected Weighted-Average Interest Rates[1]		
Interest rate on short-term debt	**2.63 %**	0.03 %
Interest rate on long-term debt, including portion maturing within one year	**2.25**	1.55
Interest rate on callable long-term debt	**1.68**	1.44
Selected Maturity Data		
Weighted-average maturity of debt maturing within one year (in days)	**211**	109
Weighted-average maturity of debt maturing in more than one year (in months)	**54**	57
Other Data		
Outstanding callable long-term debt	**$ 43.4**	$ 47.0
Connecticut Avenue Securities debt[2]	**7.0**	11.2

(1) Excludes the effects of fair value adjustments and hedge-related basis adjustments.

(2) Represents CAS debt issued prior to November 2018. See “MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Credit Enhancement and Transfer of Mortgage Credit Risk—Credit Risk Transfer Transactions” in our 2021 Form 10-K for information regarding our Connecticut Avenue Securities.

We intend to repay our short-term and long-term debt obligations as they become due primarily through cash from business operations, the sale of other liquid assets and the issuance of additional debt securities.

For information on the maturity profile of our outstanding long-term debt, see “Note 7, Short-Term and Long-Term Debt.”

Debt Funding Activity

The table below displays activity in debt of Fannie Mae. This activity excludes the debt of consolidated trusts and intraday borrowing. The reported amounts of debt issued and paid off during each period represent the face amount of the debt at issuance and redemption.

Although we had a substantial increase in short-term debt issued during the first nine months of 2022 compared with the first nine months of 2021, most of the short-term debt issued was paid off during the period, and we ended the third quarter with $3.0 billion in outstanding short-term debt.

The increase in long-term debt paid off during the first nine months of 2022 compared with the first nine months of 2021 was primarily due to a higher amount of maturing shorter duration long-term debt in the first nine months of 2022, particularly in the first half of the year.

Activity in Debt of Fannie Mae

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
	(Dollars in millions)			
Issued during the period:				
Short-term:				
Amount	**$ 29,779**	$ 39,022	**$ 97,724**	$ 52,448
Weighted-average interest rate[1]	**2.11 %**	0.01 %	**0.83 %**	0.01 %
Long-term:[2]				
Amount	**$ 1,000**	$ —	**$ 1,000**	$ 2,815
Weighted-average interest rate	**2.01 %**	— %	**2.01 %**	0.59 %
Total issued:				
Amount	**$ 30,779**	$ 39,022	**$ 98,724**	$ 55,263
Weighted-average interest rate	**2.10 %**	0.01 %	**0.84 %**	0.04 %
Paid off during the period:[3]				
Short-term:				
Amount	**$ 35,845**	$ 32,894	**$ 97,524**	$ 56,214
Weighted-average interest rate[1]	**1.69 %**	0.01 %	**0.71 %**	0.03 %
Long-term:[2]				
Amount	**$ 9,777**	$ 22,330	**$ 68,691**	$ 52,557
Weighted-average interest rate	**2.57 %**	0.58 %	**1.22 %**	0.84 %
Total paid off:				
Amount	**$ 45,622**	$ 55,224	**$ 166,215**	$ 108,771
Weighted-average interest rate	**1.88 %**	0.24 %	**0.92 %**	0.42 %

(1) Includes interest generated from negative interest rates on certain repurchase agreements, which offset our short-term funding costs.

(2) Includes credit risk-sharing securities issued as CAS debt prior to November 2018. For information on our credit risk transfer transactions, see “MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Credit Enhancement and Transfer of Mortgage Credit Risk—Credit Risk Transfer Transactions” in our 2021 Form 10-K.

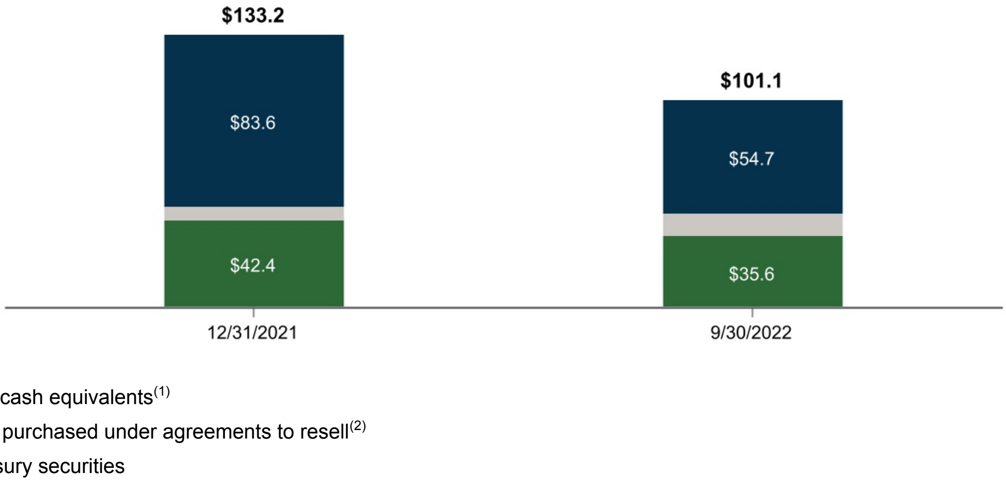
(3) Consists of all payments on debt, including regularly scheduled principal payments, payments at maturity, payments resulting from calls and payments for any other repurchases. Repurchases of debt and early retirements of zero-coupon debt are reported at original face value, which does not equal the amount of actual cash payment.

Other Investments Portfolio

The chart below displays information on the composition of our other investments portfolio. The balance of our other investments portfolio fluctuates as a result of changes in our cash flows, liquidity in the fixed-income markets, and our liquidity risk management framework and practices.

Our other investments portfolio decreased during the first nine months of 2022 as we primarily used accumulated cash and other liquid assets to fund our operations and to pay off maturing debt.

Other Investments Portfolio
(Dollars in billions)



(1) Cash equivalents are composed of overnight repurchase agreements and U.S. Treasuries that have a maturity at the date of acquisition of three months or less.

(2) We held $10.8 billion and $7.2 billion in securities purchased under agreements to resell as of September 30, 2022 and December 31, 2021, respectively.

Off-Balance Sheet Arrangements

We enter into certain business arrangements to facilitate our statutory purpose of providing liquidity to the secondary mortgage market and to reduce our exposure to interest rate fluctuations. Some of these arrangements are not recorded in our condensed consolidated balance sheets or may be recorded in amounts different from the full contract or notional amount of the transaction, depending on the nature or structure of, and the accounting required to be applied to, the arrangement. These arrangements are commonly referred to as “off-balance sheet arrangements” and expose us to potential losses in excess of the amounts recorded in our condensed consolidated balance sheets.

Our off-balance sheet arrangements result primarily from the following:

- our guaranty of mortgage loan securitization and resecuritization transactions over which we have no control, which are reflected in our unconsolidated Fannie Mae MBS net of any beneficial ownership interest we retain, and other financial guarantees that we do not control;
- liquidity support transactions; and
- partnership interests.

The total amount of our off-balance sheet exposure related to unconsolidated Fannie Mae MBS net of any beneficial interest that we retain, and other financial guarantees was $252.9 billion as of September 30, 2022 and $226.4 billion as of December 31, 2021. The majority of the other financial guarantees consists of Freddie Mac securities backing Fannie Mae structured securities. See “Guaranty Book of Business” and “Note 6, Financial Guarantees” for more information regarding our maximum exposure to loss on unconsolidated Fannie Mae MBS and Freddie Mac securities.

Our total outstanding liquidity commitments to advance funds for securities backed by multifamily housing revenue bonds totaled $4.9 billion as of September 30, 2022 and $5.4 billion as of December 31, 2021. These commitments require us to advance funds to third parties that enable them to repurchase tendered bonds or securities that are unable to be remarketed. We hold cash and cash equivalents in our other investments portfolio in excess of these commitments to advance funds.

We make investments in various limited partnerships and similar legal entities, which consist of low-income housing tax credit investments, community investments and other entities. When we do not have a controlling financial interest in those entities, our condensed consolidated balance sheets reflect only our investment rather than the full amount of the partnership's assets and liabilities. See "Note 2, Consolidations and Transfers of Financial Assets—Unconsolidated VIEs" for information regarding our limited partnerships and similar legal entities.

Cash Flows

Nine Months Ended September 30, 2022. Cash, cash equivalents and restricted cash and cash equivalents decreased from $108.6 billion as of December 31, 2021 to $63.6 billion as of September 30, 2022. The decrease was primarily driven by cash outflows from (1) payments on outstanding debt of consolidated trusts, (2) the redemption of funding debt, which outpaced issuances, and (3) purchases of loans held for investment.

Partially offsetting these cash outflows were cash inflows from (1) proceeds from repayments of loans and (2) the sale of Fannie Mae MBS to third parties.

Nine Months Ended September 30, 2021. Cash, cash equivalents and restricted cash and cash equivalents increased from $115.6 billion as of December 31, 2020 to $133.5 billion as of September 30, 2021. The increase was primarily driven by cash inflows from (1) the sale of Fannie Mae MBS to third parties and (2) proceeds from repayments and sales of loans.

Partially offsetting these cash inflows were cash outflows primarily from (1) payments on outstanding debt of consolidated trusts, (2) purchases of loans held for investment, and (3) the redemption of funding debt, which outpaced issuances.

Credit Ratings

In July 2022, Fitch Ratings Limited ("Fitch") affirmed our "AAA" long-term issuer default rating and revised our rating outlook to stable from negative, following its affirmation of the United States' "AAA" issuer default rating with a stable outlook. Fitch noted that Fannie Mae's long-term issuer default rating is directly linked to the United States' long-term issuer default rating, based on Fitch's view of the U.S. government's direct financial support of Fannie Mae. There have been no other changes in our credit ratings since we filed our 2021 Form 10-K. For more information on our credit ratings, see "MD&A—Liquidity and Capital Management—Liquidity Management—Credit Ratings" in our 2021 Form 10-K.

Capital Management

Capital Requirements

FHFA published a final rule establishing a new enterprise regulatory capital framework for the GSEs in December 2020. FHFA published a final rule amending the enterprise regulatory capital framework in March 2022. We refer to the rule's requirements, as amended, as the "enterprise regulatory capital framework." The enterprise regulatory capital framework establishes new supplemental leverage and risk-based capital requirements for the GSEs. Under the leverage capital requirements, we must maintain a tier 1 capital ratio of 2.5% of adjusted total assets. Under the risk-based capital requirements, we must maintain minimum common equity tier 1 capital, tier 1 capital, and adjusted total capital ratios of 4.5%, 6%, and 8%, respectively, of risk-weighted assets. For more information on the enterprise regulatory capital framework, see "Business—Legislation and Regulation—GSE-Focused Matters—Capital" in our 2021 Form 10-K and "MD&A—Legislation and Regulation" in our First Quarter 2022 Form 10-Q and our Second Quarter 2022 Form 10-Q. The enterprise regulatory capital framework requires substantially higher levels of capital than the previously applicable statutory minimum capital requirement.

Although the enterprise regulatory capital framework went into effect in February 2021, we are not required to hold capital according to the framework's requirements until the date of termination of our conservatorship, or such later date as may be ordered by FHFA.

Beginning in 2022, on a quarterly basis, we are required to report to FHFA and disclose in an appropriate publicly available filing or other document our regulatory capital levels, buffers, adjusted total assets, and total risk-weighted assets under the standardized approach of the enterprise regulatory capital framework.

The enterprise regulatory capital framework provides a granular assessment of credit risk specific to different mortgage loan categories, as well as components for market risk and operational risk. The enterprise regulatory capital framework includes the following requirements:

- Supplemental capital requirements relating to the amount and form of the capital we hold, based largely on definitions of capital used in U.S. banking regulators' regulatory capital framework. The enterprise regulatory capital framework specifies complementary leverage and risk-based requirements, which together determine the requirements for each tier of capital;

- A requirement that we hold prescribed capital buffers that can be drawn down in periods of financial stress and then rebuilt over time as economic conditions improve. If we fall below the prescribed buffer amounts, we must restrict capital distributions such as stock repurchases and dividends, as well as discretionary bonus payments to executives, until the buffer amounts are restored. The prescribed capital buffers represent the amount of capital we are required to hold above the minimum leverage and risk-based capital requirements.
  - The prescribed leverage buffer amount (“PLBA”) represents the amount of tier 1 capital we are required to hold above the minimum tier 1 leverage capital requirement;
  - The risk-based capital buffers consist of three separate components: a stability capital buffer, a stress capital buffer, and a countercyclical capital buffer. Taken together, these risk-based buffers comprise the prescribed capital conservation buffer amount (“PCCBA”). The PCCBA must be comprised entirely of common equity tier 1 capital; and
- Specific minimum percentages, or “floors,” on the risk-weights applicable to single-family and multifamily exposures, as well as retained portions of credit risk transfer transactions.

The table below sets forth information about our capital requirements under the standardized approach of the enterprise regulatory capital framework. Available capital for purposes of the enterprise regulatory capital framework excludes the stated value of the senior preferred stock ($120.8 billion) and other amounts specified in footnote 3 to the table below. Because of these exclusions, we had a deficit in available capital as of September 30, 2022, even though we had positive net worth under GAAP of $58.8 billion as of September 30, 2022.

We had a $258 billion shortfall of our available capital (deficit) to the adjusted total capital requirement (including buffers) of $183 billion under the standardized approach of the rule as of September 30, 2022. Our capital shortfall decreased $4 billion from $262 billion as of June 30, 2022, primarily as a result of an increase in our retained earnings and lower capital requirements. The lower capital requirements were due to single-family CRT issuances and the impact of home price changes in the second quarter of 2022, as our capital calculations incorporate home price changes on a one-quarter lagged basis.

Capital Metrics under the Enterprise Regulatory Capital Framework as of September 30, 2022[1]

(Dollars in billions)

Adjusted total assets	$ 4,540
Risk-weighted assets	1,298

Stress capital buffer	$ 34
Stability capital buffer	45
Countercyclical capital buffer	—
Prescribed capital conservation buffer amount	$ 79

	Minimum Capital Ratio Requirement	Minimum Capital Requirement	Applicable Buffers[2]	Total Capital Requirement (including Buffers)	Available Capital (Deficit)[3]	Capital Shortfall[4]
Risk-based capital:						
Total capital[5]	8.0 %	$ 104	N/A	$ 104	$ (53)	$ (157)
Common equity tier 1 capital	4.5	58	$ 79	137	(94)	(231)
Tier 1 capital	6.0	78	79	157	(75)	(232)
Adjusted total capital	8.0	104	79	183	(75)	(258)
Leverage capital:						
Core capital[6]	2.5	113	N/A	113	(62)	(175)
Tier 1 capital	2.5	113	23	136	(75)	(211)

(1) Ratios are calculated as a percentage of risk-weighted assets for risk-based capital metrics and as a percentage of adjusted total assets for leverage capital metrics.

(2) The applicable buffer for common equity tier 1 capital, tier 1 capital, and adjusted total capital is the PCCBA, which is composed of a stress capital buffer, a stability capital buffer, and a countercyclical capital buffer. The applicable buffer for tier 1 capital (leverage based) is the PLBA. The stress capital buffer and countercyclical capital buffer are each calculated by multiplying prescribed factors by adjusted total assets as of the last day of the previous calendar quarter. The 2022 stability capital buffer is calculated by multiplying a factor determined based on our share of mortgage debt outstanding by adjusted total assets as of December 31, 2020. The prescribed leverage buffer for

2022 is set at 50% of the 2022 stability buffer. Going forward the stability buffer and the prescribed leverage buffer will be updated with an effective date that depends on whether the stability capital buffer increases or decreases relative to the previously calculated value.

(3) Available capital (deficit) for all line items excludes the stated value of the senior preferred stock ($120.8 billion). Available capital (deficit) for all line items except total capital and core capital also deducts a portion of deferred tax assets. Deferred tax assets arising from temporary differences between GAAP and tax requirements are deducted from capital to the extent they exceed 10% of common equity. As of September 30, 2022, this resulted in the full deduction of deferred tax assets ($12.7 billion) from our available capital (deficit). Available capital (deficit) for common equity tier 1 capital also excludes the value of the non-cumulative perpetual preferred stock ($19.1 billion).

(4) Our capital shortfall consists of the difference between the applicable capital requirement (including buffers) and the applicable available capital (deficit).

(5) The sum of (a) core capital (see definition in footnote 6 below); and (b) a general allowance for foreclosure losses, which (i) shall include an allowance for portfolio mortgage losses, an allowance for non-reimbursable foreclosure costs on government claims, and an allowance for liabilities reflected on the balance sheet for estimated foreclosure losses on mortgage-backed securities; and (ii) shall not include any reserves made or held against specific assets; and (c) any other amounts from sources of funds available to absorb losses that the Director of FHFA by regulation determines are appropriate to include in determining total capital.

(6) The sum of (a) the stated value of our outstanding common stock (common stock less treasury stock); (b) the stated value of our outstanding non-cumulative perpetual preferred stock; (c) our paid-in capital; and (d) our retained earnings (accumulated deficit). Core capital does not include: (a) accumulated other comprehensive income or (b) senior preferred stock.

As a result of our capital shortfall, our maximum payout ratio under the enterprise regulatory capital framework as of September 30, 2022 was 0%. While it is not applicable until the date of termination of our conservatorship, our maximum payout ratio represents the percentage of eligible retained income that we are permitted to pay out in the form of distributions or discretionary bonus payments under the enterprise regulatory capital framework. The maximum payout ratio for a given quarter is the lowest of the payout ratios determined by our capital conservation buffer and our leverage buffer. See “Note 14—Regulatory Capital Requirements” in this report for information on our capital ratios as of September 30, 2022 under the enterprise regulatory capital framework.

Capital Activity

Under the terms governing the senior preferred stock, no dividends were payable to Treasury for the third quarter of 2022 and none are payable for the fourth quarter of 2022.

Under the terms governing the senior preferred stock, through and including the capital reserve end date, any increase in our net worth during a fiscal quarter results in an increase in the same amount of the aggregate liquidation preference of the senior preferred stock in the following quarter. The capital reserve end date is defined as the last day of the second consecutive fiscal quarter during which we have had and maintained capital equal to, or in excess of, all of the capital requirements and buffers under the enterprise regulatory capital framework.

As a result of these terms governing the senior preferred stock, the aggregate liquidation preference of the senior preferred stock increased to $177.9 billion as of September 30, 2022, due to the $4.6 billion increase in our net worth in the second quarter of 2022. The aggregate liquidation preference of the senior preferred stock will further increase to $180.3 billion as of December 31, 2022, due to the $2.4 billion increase in our net worth in the third quarter of 2022. See “Business—Conservatorship, Treasury Agreements and Housing Finance Reform—Treasury Agreements” in our 2021 Form 10-K for more information on the terms of our senior preferred stock, including how the aggregate liquidation preference is determined.

Increases in our net worth improve our capital position and our ability to absorb losses; however, increases in our net worth also increase the aggregate liquidation preference of the senior preferred stock by the same amount until the capital reserve end date as discussed above.

Treasury Funding Commitment

Treasury made a commitment under the senior preferred stock purchase agreement to provide funding to us under certain circumstances if we have a net worth deficit. As of September 30, 2022, the remaining amount of Treasury’s funding commitment to us was $113.9 billion. See “Note 11, Equity” in our 2021 Form 10-K for more information on the funding commitment provided by Treasury under the senior preferred stock purchase agreement.

Risk Management

Our business activities expose us to the following major categories of risk: credit risk (including mortgage credit risk and institutional counterparty credit risk), market risk (including interest-rate risk), liquidity and funding risk, and operational risk (including cyber/information security risk, third-party risk and model risk), as well as strategic risk, compliance risk and reputational risk. See “MD&A—Risk Management” in our 2021 Form 10-K for a discussion of our management of these risks. This section supplements and updates that discussion but does not address all of the risk management categories described in our 2021 Form 10-K.

Institutional Counterparty Credit Risk Management

This section supplements and updates our discussion of institutional counterparty credit risk management in our 2021 Form 10-K. See “MD&A—Risk Management—Institutional Counterparty Credit Risk Management” and “Risk Factors—Credit Risk” in our 2021 Form 10-K for a discussion of our exposure to institutional counterparty credit risk and our strategy for managing this risk. Also see “Note 10, Concentrations of Credit Risk” in this report for an update on our counterparty credit risk exposure.

Seller and Servicer Minimum Financial Eligibility Requirements

In August 2022, FHFA announced updated minimum financial eligibility requirements for Fannie Mae and Freddie Mac sellers and servicers. We use these financial eligibility requirements to monitor and manage risk exposures to non-depository sellers and servicers while largely relying on banking regulators’ prudential capital and liquidity standards as financial requirements for depository sellers and servicers. Under the financial eligibility requirements, both depository and non-depository sellers and servicers are subject to the same tangible net worth requirements. These new requirements will increase capital and liquidity requirements for our single-family non-depository sellers and servicers, including some requirements that apply only to large non-depository sellers and servicers. The majority of the new financial eligibility requirements are effective on September 30, 2023, with the remaining requirements going into effect on December 31, 2023 or March 31, 2024.

CIRT Counterparties

We use CIRT deals to transfer credit risk on a pool of loans to an insurance provider that retains the risk, or to an insurance provider that simultaneously cedes all of its risk to one or more reinsurers. In CIRT transactions, we select the insurance and reinsurance providers and approve the allocation of coverage that may be simultaneously transferred to reinsurers by a direct provider of our CIRT insurance coverage. As of September 30, 2022, our CIRT counterparties had a maximum liability to us of $15.2 billion, of which $4.5 billion was secured with liquid assets held in trust accounts. As of December 31, 2021, our CIRT counterparties had a maximum liability to us of $12.6 billion, of which $3.6 billion was secured with liquid assets held in trust accounts.

Market Risk Management, including Interest-Rate Risk Management

We are subject to market risk, which includes interest-rate risk and spread risk. These risks arise from our mortgage asset investments. Interest-rate risk is the risk that movements in benchmark interest rates could adversely affect the fair value of our assets or liabilities or our future earnings. Spread risk represents the change in an instrument’s fair value that relates to factors other than changes in the benchmark interest rate.

We are exposed to interest-rate risk through our “net portfolio,” which we define as our retained mortgage portfolio assets; other investments portfolio; outstanding debt of Fannie Mae used to fund the retained mortgage portfolio assets and other investments portfolio; and mortgage commitments and risk management derivatives. Our goal is to manage interest-rate risk from our net portfolio to be neutral to movements in interest rates and volatility on an economic basis, subject to model constraints and prevailing market conditions. We actively manage the interest-rate risk of our net portfolio through the use of interest-rate derivatives and by issuing a broad range of both callable and non-callable debt instruments.

We are also exposed to interest-rate risk in connection with mortgage assets held by our consolidated MBS trusts. One exposure is cost basis adjustments that often result from upfront cash fees exchanged at the time of loan acquisition, which include buy-ups, buy-downs, and loan-level risk-based price adjustments. Another exposure is the float income earned by MBS trusts on the short-term reinvestment of loan payments received from borrowers in highly liquid investments with short maturities, such as U.S. Treasury securities. This float income is paid to us as trust management income and recorded within “Net interest income” in our condensed consolidated financial statements.

Changes in interest rates can influence mortgage prepayment rates and float reinvestment yields. Therefore, they impact the timing of when we recognize amortization income related to cost basis amounts as well as the amount of float income generated by MBS trusts, thereby impacting our earnings. Typically, interest-rate driven changes in the timing of income recognition related to cost basis amortization are partially offset by interest-rate driven changes in the amount of float income earned. See “Consolidated Results of Operations—Net Interest Income—Analysis of Deferred Amortization Income” for more information on our outstanding net cost basis adjustments related to consolidated MBS trusts.

We do not currently actively manage or hedge, on an economic basis, our spread risk or the interest-rate risk arising from cost basis adjustments and float income associated with mortgage assets held by our consolidated MBS trusts.

For additional information on the impact of interest-rate risk on our earnings, see "Earnings Exposure to Interest-Rate Risk" below.

This section supplements and updates information regarding market risk management in our 2021 Form 10-K. See "MD&A—Risk Management—Market Risk Management, including Interest-Rate Risk Management" and "Risk Factors—Market and Industry Risk" in our 2021 Form 10-K for additional information, including our sources of interest-rate risk exposure, business risks posed by changes in interest rates, and our strategy for managing interest-rate risk.

Measurement of Interest-Rate Risk

The table below displays the pre-tax market value sensitivity of our net portfolio to changes in the level of interest rates and the slope of the yield curve as measured on the last day of each period presented.

The table below also provides the daily average, minimum, maximum and standard deviation values for duration gap and for the most adverse market value impact on the net portfolio to changes in the level of interest rates and the slope of the yield curve for the three months ended September 30, 2022 and 2021. Our practice is to allow interest rates to go below zero in the downward shock models unless otherwise prevented through contractual floors.

For information on how we measure our interest-rate risk, see our 2021 Form 10-K in "MD&A—Risk Management—Market Risk Management, including Interest-Rate Risk Management."

Interest-Rate Sensitivity of Net Portfolio to Changes in Interest-Rate Level and Slope of Yield Curve

	As of [1][2]	
	September 30, 2022	**December 31, 2021**
	(Dollars in millions)	
Rate level shock:		
-100 basis points	**$ (85)**	$ (184)
-50 basis points	**(33)**	(69)
+50 basis points	**26**	54
+100 basis points	**48**	75
Rate slope shock:		
-25 basis points (flattening)	**(7)**	(8)
+25 basis points (steepening)	**7**	8

	For the Three Months Ended September 30, [1][3]					
	2022			2021		
	Duration Gap	**Rate Slope Shock 25 bps**	**Rate Level Shock 50 bps**	**Duration Gap**	**Rate Slope Shock 25 bps**	**Rate Level Shock 50 bps**
		Market Value Sensitivity			Market Value Sensitivity	
	(In years)	(Dollars in millions)		(In years)	(Dollars in millions)	
Average	**(0.03)**	**$ (7)**	**$ (32)**	(0.03)	$ (1)	$ (83)
Minimum	**(0.07)**	**(11)**	**(64)**	(0.06)	(9)	(117)
Maximum	**—**	**(3)**	**(7)**	—	3	(47)
Standard deviation	**0.01**	**2**	**12**	0.01	3	16

(1) Computed based on changes in U.S. LIBOR interest-rates swap curve. Changes in the level of interest rates assume a parallel shift in all maturities of the U.S. LIBOR interest-rate swap curve. Changes in the slope of the yield curve assume a constant 7-year rate, a shift of 16.7 basis points for the 1-year rate (and shorter tenors) and an opposite shift of 8.3 basis points for the 30-year rate. Rate shocks for remaining maturity points are interpolated.

(2) Measured on the last business day of each period presented.

(3) Computed based on daily values during the period presented.

The market value sensitivity of our net portfolio varies across a range of interest-rate shocks depending upon the duration and convexity profile of our net portfolio. The market value sensitivity of the net portfolio is measured by quantifying the change in the present value of the cash flows of our financial assets and liabilities that would result from an instantaneous shock to interest rates, assuming spreads are held constant. For the subset of floating-rate liabilities and assets that are indexed to LIBOR or SOFR, the interest component of their future cash flows is calculated using the projection of the corresponding index rate. For all assets and liabilities, the discount factor used to calculate the present value of the future cash flows is constructed using the LIBOR yield curve.

LIBOR rate quotes will cease on June 30, 2023, and after that date the interest accrued on floating-rate instruments that are contractually indexed to LIBOR will reset based on SOFR. Before that LIBOR cessation date, the portfolio interest-rate risk measurement process will transition from using LIBOR to using SOFR as the benchmark interest rate. This change is not expected to have a significant impact on the measurement of our interest-rate risk or our financial results.

We use derivatives to help manage the residual interest-rate risk exposure between the assets and liabilities in our net portfolio. Derivatives have enabled us to keep our economic interest-rate risk exposure at consistently low levels in a wide range of interest-rate environments. The table below displays an example of how derivatives impacted the net market value exposure for a 50 basis point parallel interest-rate shock. For additional information on our derivative positions, see "Note 8, Derivative Instruments" in our 2021 Form 10-K and in this report.

Derivative Impact on Interest-Rate Risk (50 Basis Points)

	As of [1]	
	September 30, 2022	**December 31, 2021**
	(Dollars in millions)	
Before derivatives	**$ 2**	$ (539)
After derivatives	**(33)**	(69)
Effect of derivatives	**(35)**	470

(1) Measured on the last business day of each period presented.

Earnings Exposure to Interest-Rate Risk

While we manage the interest-rate risk of our net portfolio with the objective of remaining neutral to movements in interest rates and volatility on an economic basis, our earnings can experience volatility due to interest-rate changes and differing accounting treatments that apply to certain financial instruments on our balance sheet. Specifically, we have exposure to earnings volatility that is driven by changes in interest rates in two primary areas: our net portfolio and our consolidated MBS trusts. The exposure in the net portfolio is primarily driven by changes in the fair value of risk management derivatives, mortgage commitments, and certain assets, primarily securities, that are carried at fair value. The exposure related to our consolidated MBS trusts relates to changes in our credit loss reserves and to the amortization of cost basis adjustments resulting from changes in interest rates.

We apply fair value hedge accounting to address some of the exposure to interest rates, particularly the earnings volatility related to changes in benchmark interest rates, including LIBOR and SOFR. Although our hedge accounting program is designed to address the volatility of our financial results associated with changes in fair value related to changes in the benchmark interest rates, earnings variability driven by other factors, such as spreads or changes in cost basis amortization recognized in net interest income, remains. In addition, our ability to effectively reduce earnings volatility is dependent upon the volume and type of interest-rate swaps available, which is driven by our interest-rate risk management strategy discussed above. As our range of available interest-rate swaps varies over time, our ability to reduce earnings volatility through hedge accounting may vary as well. When the shape of the yield curve shifts significantly from period to period, hedge accounting may be less effective. In our current program, we establish new hedging relationships daily to provide flexibility in our overall risk management strategy.

See "MD&A—Consolidated Results of Operations—Hedge Accounting Impact" and "Note 1, Summary of Significant Accounting Policies" in our 2021 Form 10-K and "Note 8, Derivative Instruments" in this report for additional information on our fair value hedge accounting policy and related disclosures.

Critical Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America ("GAAP") requires management to make a number of judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in our condensed consolidated financial statements. Understanding our accounting policies and the extent to which we use management judgment and estimates in applying these policies is integral to understanding our financial statements. We describe our most significant accounting policies in "Note 1, Summary of Significant Accounting Policies" in this report and in our 2021 Form 10-K.

We evaluate our critical accounting estimates and judgments required by our policies on an ongoing basis and update them as necessary based on changing conditions. Management has discussed any significant changes in judgments and assumptions in applying our critical accounting estimates with the Audit Committee of our Board of Directors. See “Risk Factors” in our 2021 Form 10-K for a discussion of the risks associated with the need for management to make judgments and estimates in applying our accounting policies and methods. We have identified one of our accounting estimates, allowance for loan losses, as critical because it involves significant judgments and assumptions about highly complex and inherently uncertain matters, and the use of reasonably different judgments and assumptions could have a material impact on our reported results of operations or financial condition.

Allowance for Loan Losses

The allowance for loan losses is an estimate of single-family and multifamily HFI loan receivables that we expect will not be collected related to loans held by Fannie Mae or by consolidated Fannie Mae MBS trusts. The expected credit losses are deducted from the amortized cost basis of HFI loans to present the net amount expected to be received.

The allowance for loan losses involves substantial judgment on a number of matters including the development and weighting of macroeconomic forecasts, the reversion period applied, the assessment of similar risk characteristics, which determines the historic loss experience used to derive probability of loan default, the valuation of collateral, and the determination of a loan’s remaining expected life. Our most significant judgments involved in estimating our allowance for loan losses relate to the macroeconomic data used to develop reasonable and supportable forecasts for key economic drivers, which are subject to significant inherent uncertainty. Most notably, for single-family, the model uses forecasted single-family home prices as well as a range of possible future interest rate environments, which drive prepayment speeds and impact the measurement of the economic concession provided on loans modified in a restructuring which are accounted for as a TDR. For multifamily, the model uses forecasted rental income and property valuations. For purposes of the macroeconomic sensitivities disclosed below, we have determined that our single-family home price forecast and interest rate forecast are the most significant judgments used in our estimation of credit losses for the periods presented below.

In future periods, changes in projected interest rates may not be as significant to our measurement of expected credit losses. Pursuant to our adoption of ASU 2022-02 on January 1, 2022, we prospectively discontinued TDR accounting and no longer measure the economic concession for loan modifications occurring on or after the adoption date. In addition, modifications to loans previously designated as TDRs that occur on or after January 1, 2022, are accounted for under the newly adopted ASU and result in the elimination of any prior economic concession recorded in the allowance related to such loans. Although increases in interest rates were a meaningful driver of our credit-related expense in the first nine months of 2022, we expect the decrease in the balance of loans that were previously designated as TDRs will reduce the sensitivity of our credit-related income (expense) to interest rate volatility over time. See “Note 1, Summary of Significant Accounting Policies—New Accounting Guidance” for more information about our adoption of ASU 2022-02.

Quantitative Component

We use a discounted cash flow method to measure expected credit losses on our single-family mortgage loans and an undiscounted loss method to measure expected credit losses on our multifamily mortgage loans. The models use reasonable and supportable forecasts for key macroeconomic drivers.

Our modeled loan performance is based on our historical experience of loans with similar risk characteristics adjusted to reflect current conditions and reasonable and supportable forecasts. Our historical loss experience and our loan loss estimates capture the possibility of a multitude of events, including remote events that could result in credit losses on loans that are considered low risk. Our credit loss models, including the macroeconomic forecast data used as key inputs, are subject to our model oversight and review processes as well as other established governance and controls.

Qualitative Component, including Management Adjustments

Our process for measuring expected credit losses is complex and involves significant management judgment, including a reliance on historical loss information and current economic forecasts that may not be representative of credit losses we ultimately realize. Management adjustments may be necessary to take into consideration external factors and current macroeconomic events that have occurred but are not yet reflected in the data used to derive the model outputs. Qualitative factors and events not previously observed by the models through historical loss experience may also be considered, as well as the uncertainty of their impact on credit loss estimates.

Impact of the Hurricanes

Management evaluated the impact of the recent hurricanes on our estimate of credit losses as of September 30, 2022 and concluded that our modeled results appropriately considered the impact of the hurricanes. In making this determination, management evaluated recent trends, available data relating to the hurricanes, and our historical loss experience for natural disasters. Our credit loss model incorporates historical loss experience for loans impacted by natural disasters, including hurricanes. That loss experience considers the typical borrower performance following a natural disaster based on the amount of equity in their homes, as well as factors that mitigate the impact of natural disasters on our credit losses, including insurance coverage for sustained damages, the availability of federal and state disaster relief to borrowers in impacted areas, and our forbearance and other loss mitigation programs. Management will continue to monitor the hurricanes' impact on loan performance, changes to expectations surrounding insurance coverage, and the amount and availability of federal and state assistance to affected borrowers, which may change our estimate of credit losses relating to the hurricanes in future periods.

Macroeconomic Variables and Sensitivities

Our credit-related income or expense can vary substantially from period to period based on forecasted macroeconomic drivers; primarily home prices and interest rates related to our single-family book of business. We develop regional forecasts for single-family home prices using a multi-path simulation that captures home price projections over a five-year period, which is the period for which we can develop reasonable and supportable forecasts. After the five-year period, the home price forecast reverts to a historical long-term growth rate. Additionally, our model projects the range of possible interest rate scenarios over the life of the loan. This process captures multiple possible outcomes of what could be more or less favorable economic environments for the borrower, and therefore will increase or decrease the likelihood of default or prepayment depending on the environment in each path of the simulation.

The table below provides information about our most significant key macroeconomic inputs used in determining our single-family allowance for loan losses: forecasted home price growth rates and interest rates. Although the model consumes a wide range of possible regional home price forecasts and interest rate scenarios that take into account inherent uncertainty, the forecasts below represent the mean path of those simulations used in determining the allowance for each quarter through the nine months ended September 30, 2022, and for each quarter during the year ended December 31, 2021, and how those forecasts have changed between periods of estimate. Below we present the two succeeding periods used in our estimate of expected credit losses. The forecasts consider periods beyond those presented below.

Select Single-Family Macroeconomic Model Inputs[(1)]

Forecasted home price growth (decline) rate by period of estimate:[(2)]

	For the Full Year ending December 31,		
	2022	**2023**	**2024**
Third Quarter 2022	9.0 %	(1.5)%	(1.4)%
Second Quarter 2022	16.0	4.4	0.5
First Quarter 2022	10.8	3.2	1.3

	For the Full Year ending December 31,		
	2021	**2022**	**2023**
Fourth Quarter 2021	18.8 %	8.2 %	2.9 %
Third Quarter 2021	18.4	7.9	2.4
Second Quarter 2021	14.8	5.4	2.5
First Quarter 2021	8.8	2.5	1.7

Forecasted 30-year interest rates by period of estimate:[(3)]

	Through the end of December 31,	For the Full Year ending December 31,	
	2022	**2023**	**2024**
Third Quarter 2022	6.8 %	6.7 %	6.2 %
Second Quarter 2022	5.7	5.4	5.2
First Quarter 2022	4.7	4.8	4.7

	Through the end of December 31,	For the Full Year ending December 31,	
	2021	**2022**	**2023**
Fourth Quarter 2021	3.2 %	3.5 %	3.7 %
Third Quarter 2021	3.1	3.4	3.7
Second Quarter 2021	3.1	3.4	3.6
First Quarter 2021	3.1	3.3	3.6

(1) These forecasts are provided here solely for the purpose of providing insight into our credit loss model. Forecasts for future periods are subject to significant uncertainty, which increases for periods that are further in the future. We provide our most recent forecasts for certain macroeconomic and housing market conditions in "Key Market Economic Indicators." In addition, each month our Economic & Strategic Research group provides its forecast of economic and housing market conditions, which are available in the "Research and Insights" section of our website, www.fanniemae.com. Information on our website is not incorporated into this report.

(2) These estimates are based on our national home price index, which is calculated differently from the S&P/Case-Shiller U.S. National Home Price Index and therefore results in different percentages for comparable growth. We periodically update our home price growth estimates and forecasts as new data become available. As a result, the forecast data in this table may also differ from the forecasted home price growth rate presented in "Key Market Economic Indicators," because that section reflects our most recent forecast as of the filing date of this report, while this table reflects the quantitative forecast data we used in our model to estimate credit losses for the periods shown. Management continues to monitor macroeconomic updates to our inputs in our credit loss model from the time they are approved as part

of our established governance process to ensure the reasonableness of the inputs used to calculate estimated credit losses. The forecast data excludes the impact of any qualitative adjustments.

(3) Forecasted 30-year interest rates represent the mean of possible future interest rate environments that are simulated by our interest rate model and used in the estimation of credit losses. Forecasts through the end of December 31, 2022 and 2021 represent the average forecasted rate from the quarter-end through the calendar year end of December 31st. The fourth quarter of 2021 interest rate represents the 30-year interest rate as of December 31, 2021. This table reflects the forecasted interest rate data we used in estimating credit losses for the periods shown and does not reflect changes in interest rates that occurred after the forecast date.

It is difficult to estimate how potential changes in any one factor or input might affect the overall credit loss estimates, because management considers a wide variety of factors and inputs in estimating the allowance for loan losses. Changes in the factors and inputs considered may not occur at the same rate and may not be consistent across all geographies or loan types, and changes in factors and inputs may be directionally inconsistent, such that improvement in one factor or input may offset deterioration in others. Changes in our assumptions and forecasts of economic conditions could significantly affect our estimate of expected credit losses and lead to significant changes in the estimate from one reporting period to the next.

As noted above, our allowance for loan losses is sensitive to changes in home prices and interest rate changes. To consider the impact of a hypothetical change in home prices, assuming a positive one-percentage point change in the home price growth rate for the first twelve months of the forecast, on a normalized basis, with all other factors held constant, the single-family allowance for loan losses as of September 30, 2022 would decrease by approximately 4%. Conversely, assuming a negative one-percentage point change in the home price growth rate for the first twelve months of the forecast, on a normalized basis, the single-family allowance for loan losses would increase by approximately 3%.

To consider the impact of a hypothetical change in 30-year interest rates, assuming a 50-basis point increase in estimated 30-year interest rates, with all other factors held constant, the single-family allowance for loan losses as of September 30, 2022 would increase by approximately 2%. Conversely, assuming a 50-basis point decrease in 30-year interest rates, the single-family allowance for loan losses would decrease by approximately 2%.

These sensitivity analyses are hypothetical and are provided solely for the purpose of providing insight into our credit loss model inputs. In addition, sensitivities for home price and interest rate changes are non-linear. As a result, changes in these estimates are not incrementally proportional. The purpose of this analysis is to provide an indication of the impact of home price appreciation and 30-year interest rates on the estimate of the allowance for credit losses. For example, it is not intended to imply management's expectation of future changes in our forecasts or any other variables that may change as a result.

We provide more detailed information on our accounting for the allowance for loan losses in "Note 1, Summary of Significant Accounting Policies" in our 2021 Form 10-K. See "Note 4, Allowance for Loan Losses" for additional information about our current period benefit (provision) for loan losses.

See "Key Market Economic Indicators" for additional information about how home prices can affect our credit loss estimates, including a discussion of home price growth/decline rates and our home price forecast. Also see "Consolidated Results of Operations—Credit-Related Income (Expense)" for information on how our home price forecast impacted our single-family benefit (provision) for credit losses.

Impact of Future Adoption of New Accounting Guidance

We identify and discuss the expected impact on our condensed consolidated financial statements of recently issued accounting guidance in "Note 1, Summary of Significant Accounting Policies."

Forward-Looking Statements

This report includes statements that constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). In addition, we and our senior management may from time to time make forward-looking statements in our other filings with the SEC, our other publicly available written statements, and orally to analysts, investors, the news media and others. Forward-looking statements often include words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "forecast," "project," "would," "should," "could," "likely," "may," "will" or similar words. Examples of forward-looking statements in this report include, among others, statements relating to our expectations regarding the following matters:

- our future financial performance and the factors that will affect such performance;

- economic, mortgage market and housing market conditions (including expectations regarding economic growth and declines, home price growth and declines, refinance volumes and interest rates), the factors that will affect those conditions, and the impact of those conditions on our business and financial results;
- our business plans and their impact;
- the impact of future changes in our guaranty fee pricing;
- the impact of future changes to our credit score model requirements and our credit report requirements;
- the effects of our credit risk transfer transactions, as well as the factors that will affect our engagement in future credit risk transfer transactions;
- volatility in our financial results and the impact of our adoption of hedge accounting on such volatility;
- the size and composition of our retained mortgage portfolio, and the factors that will affect them;
- the impact of the adoption of new accounting guidance;
- the impact of the transition from LIBOR to SOFR on our measurement of interest-rate risk and financial results;
- our payments to HUD and Treasury funds under the GSE Act;
- the risks to our business;
- future loan delinquencies, forbearances and foreclosures relating to the loans in our guaranty book of business and the factors that will affect them;
- how we intend to meet our debt obligations;
- future restrictions on our ability to pay dividends or make other distributions under the enterprise regulatory capital framework; and
- the impact of legal and regulatory proceedings on our business or financial condition.

Forward-looking statements reflect our management's current expectations, forecasts or predictions of future conditions, events or results based on various assumptions and management's estimates of trends and economic factors in the markets in which we are active and that otherwise impact our business plans. Forward-looking statements are not guarantees of future performance. By their nature, forward-looking statements are subject to significant risks and uncertainties and changes in circumstances. Our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements.

There are a number of factors that could cause actual conditions, events or results to differ materially from those described in our forward-looking statements, including, among others, the following:

- uncertainty regarding our future, our exit from conservatorship and our ability to raise or earn the capital needed to meet our capital requirements;
- significant challenges we face in retaining and hiring qualified executives and other employees;
- the duration, spread and severity of the COVID-19 pandemic; the actions taken to contain the virus or treat its impact, including government actions to mitigate the economic impact of the pandemic and COVID-19 vaccination rates; the effectiveness of available COVID-19 vaccines over time and against variants of the coronavirus; the nature, extent and success of the forbearance, payment deferrals, modifications and other loss mitigation options we provide to borrowers affected by the pandemic; accounting elections and estimates relating to the impact of the COVID-19 pandemic; borrower and renter behavior in response to the pandemic and its economic impact; the extent to which any future outbreaks or increases in new COVID-19 cases affect economic growth; and the pace and extent to which borrowers, renters and counterparties who continue to be negatively impacted by the pandemic recover;
- the impact of the senior preferred stock purchase agreement and the enterprise regulatory capital framework, as well as future legislative and regulatory requirements or changes, governmental initiatives, or executive orders affecting us, such as the enactment of housing finance reform legislation, including changes that limit our business activities or our footprint or impose new mandates on us;
- actions by FHFA, Treasury, HUD, the CFPB, the SEC or other regulators, Congress, the Executive Branch, or state or local governments that affect our business;
- changes in the structure and regulation of the financial services industry;
- the potential impact of a change in the corporate income tax rate, which we expect would affect our net income in the quarter of enactment as a result of a change in our measurement of our deferred tax assets and our net income in subsequent quarters as a result of the change in our effective federal income tax rate;

- the timing and level of, as well as regional variation in, home price changes;
- future interest rates and credit spreads;
- developments that may be difficult to predict, including: market conditions that result in changes in our net amortization income from our guaranty book of business or changes in net interest income from our portfolios, fluctuations in the estimated fair value of our derivatives and other financial instruments that we mark to market through our earnings; and developments that affect our loss reserves, such as changes in interest rates, home prices or accounting standards, or events such as natural or other disasters, the emergence of widespread health emergencies or pandemics, or other disruptive or catastrophic events;
- uncertainties relating to the discontinuance of LIBOR, or other market changes that could impact the loans we own or guarantee or our MBS;
- disruptions or instability in the housing and credit markets;
- the size and our share of the U.S. mortgage market and the factors that affect them, including population growth and household formation;
- growth, deterioration and the overall health and stability of the U.S. economy, including U.S. GDP, unemployment rates, personal income, inflation and other indicators thereof;
- changes in fiscal or monetary policy of the U.S. or other countries, and the impact of such changes on domestic and international financial markets;
- our and our competitors' future guaranty fee pricing and the impact of that pricing on our competitive environment and guaranty fee revenues;
- the volume of mortgage originations;
- the size, composition, quality and performance of our guaranty book of business and retained mortgage portfolio;
- the competitive environment in which we operate, including the impact of legislative, regulatory or other developments on levels of competition in our industry and other factors affecting our market share;
- how long loans in our guaranty book of business remain outstanding;
- the effectiveness of our business resiliency plans and systems;
- changes in the demand for Fannie Mae MBS, in general or from one or more major groups of investors;
- our conservatorship, including any changes to or termination (by receivership or otherwise) of the conservatorship and its effect on our business;
- the investment by Treasury, including the impact of past or potential future changes to the terms of the senior preferred stock purchase agreement, and their effect on our business, including restrictions imposed on us by the terms of the senior preferred stock purchase agreement, the senior preferred stock, and the warrant, as well as the extent that these or other restrictions on our business and activities are applied to us through other mechanisms even if we cease to be subject to these agreements and instruments;
- adverse effects from activities we undertake to support the mortgage market and help borrowers, renters, lenders and servicers;
- actions we may be required to take by FHFA, in its role as our conservator or as our regulator, such as actions in response to the COVID-19 pandemic, changes in the type of business we do, or actions relating to UMBS or our resecuritization of Freddie Mac-issued securities;
- limitations on our business imposed by FHFA, in its role as our conservator or as our regulator;
- our current and future objectives and activities in support of those objectives, including actions we may take to reach additional underserved borrowers or address barriers to sustainable housing opportunities and advance equity in housing finance;
- the possibility that changes in leadership at FHFA or the Administration may result in changes that affect our company or our business;
- our reliance on Common Securitization Solutions, LLC ("CSS"), a limited liability company we own jointly with Freddie Mac, and the common securitization platform CSS operates for a majority of our single-family securitization activities; provisions in the CSS limited liability company agreement that permit FHFA to add members to the CSS Board of Managers, which may limit the ability of Fannie Mae and Freddie Mac to control decisions of the Board; and changes FHFA may require in our relationship with or in our support of CSS;

- a decrease in our credit ratings;
- limitations on our ability to access the debt capital markets;
- constraints on our entry into new credit risk transfer transactions;
- significant changes in forbearance, modification and foreclosure activity;
- the volume and pace of future nonperforming and reperforming loan sales and their impact on our results and serious delinquency rates;
- changes in borrower behavior;
- actions we may take to mitigate losses, and the effectiveness of our loss mitigation strategies, management of our REO inventory and pursuit of contractual remedies;
- defaults by one or more institutional counterparties;
- resolution or settlement agreements we may enter into with our counterparties;
- our need to rely on third parties to fully achieve some of our corporate objectives;
- our reliance on mortgage servicers;
- changes in GAAP, guidance by the Financial Accounting Standards Board and changes to our accounting policies;
- changes in the fair value of our assets and liabilities;
- the stability and adequacy of the systems and infrastructure that impact our operations, including ours and those of CSS, our other counterparties and other third parties;
- the impact of interdependence between the single-family mortgage securitization programs of Fannie Mae and Freddie Mac in connection with UMBS;
- operational control weaknesses;
- our reliance on models and future updates we make to our models, including the assumptions used by these models;
- domestic and global political risks and uncertainties, including the impact of the Russian war in Ukraine and escalating tensions between China and Taiwan;
- natural disasters, environmental disasters, terrorist attacks, widespread health emergencies or pandemics, infrastructure failures, or other disruptive or catastrophic events;
- severe weather events, fires, floods or other climate change events or impacts, including those for which we may be uninsured or under-insured or that may affect our counterparties, and other risks resulting from climate change and efforts to address climate change and related risks;
- cyber attacks or other information security breaches or threats; and
- the other factors described in “Risk Factors” in this report and in our 2021 Form 10-K.

Readers are cautioned not to unduly rely on the forward-looking statements we make and to place these forward-looking statements into proper context by carefully considering the factors discussed in “Risk Factors” in our 2021 Form 10-K and in this report. These forward-looking statements are representative only as of the date they are made, and we undertake no obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under the federal securities laws.

Item 1. Financial Statements

FANNIE MAE

(In conservatorship)

Condensed Consolidated Balance Sheets — (Unaudited)

(Dollars in millions)

	As of	
	September 30, 2022	**December 31, 2021**
ASSETS		
Cash and cash equivalents	**$ 35,640**	$ 42,448
Restricted cash and cash equivalents (includes $21,863 and $59,203, respectively, related to consolidated trusts)	**27,921**	66,183
Securities purchased under agreements to resell (includes $13,150 and $13,533, respectively, related to consolidated trusts)	**23,950**	20,743
Investments in securities:		
Trading, at fair value (includes $3,275 and $4,224, respectively, pledged as collateral)	**58,253**	88,206
Available-for-sale, at fair value (with an amortized cost of $744 and $827, respectively)	**741**	837
Total investments in securities	**58,994**	89,043
Mortgage loans:		
Loans held for sale, at lower of cost or fair value	**4,177**	5,134
Loans held for investment, at amortized cost:		
Of Fannie Mae	**49,952**	61,025
Of consolidated trusts	**4,058,901**	3,907,712
Total loans held for investment (includes $3,691 and $4,964, respectively, at fair value)	**4,108,853**	3,968,737
Allowance for loan losses	**(8,302)**	(5,629)
Total loans held for investment, net of allowance	**4,100,551**	3,963,108
Total mortgage loans	**4,104,728**	3,968,242
Advances to lenders	**3,443**	8,414
Deferred tax assets, net	**12,729**	12,715
Accrued interest receivable, net (includes $8,902 and $8,878 related to consolidated trusts and net of allowance of $112 and $140, respectively)	**9,478**	9,264
Acquired property, net	**1,539**	1,259
Other assets	**11,031**	10,855
Total assets	**$ 4,289,453**	$ 4,229,166
LIABILITIES AND EQUITY		
Liabilities:		
Accrued interest payable (includes $9,040 and $8,517, respectively, related to consolidated trusts)	**$ 9,650**	$ 9,186
Debt:		
Of Fannie Mae (includes $1,766 and $2,381, respectively, at fair value)	**129,776**	200,892
Of consolidated trusts (includes $16,758 and $21,735, respectively, at fair value)	**4,078,038**	3,957,299
Other liabilities (includes $1,812 and $1,245, respectively, related to consolidated trusts)	**13,149**	14,432
Total liabilities	**4,230,613**	4,181,809
Commitments and contingencies (Note 13)	**—**	—
Fannie Mae stockholders' equity:		
Senior preferred stock (liquidation preference of $177,906 and $163,672, respectively)	**120,836**	120,836
Preferred stock, 700,000,000 shares are authorized—555,374,922 shares issued and outstanding	**19,130**	19,130
Common stock, no par value, no maximum authorization—1,308,762,703 shares issued and 1,158,087,567 shares outstanding	**687**	687
Accumulated deficit	**(74,437)**	(85,934)
Accumulated other comprehensive income	**24**	38
Treasury stock, at cost, 150,675,136 shares	**(7,400)**	(7,400)
Total stockholders' equity (See Note 1: Senior Preferred Stock Purchase Agreement and Senior Preferred Stock for information on the related dividend obligation and liquidation preference)	**58,840**	47,357
Total liabilities and equity	**$ 4,289,453**	$ 4,229,166

See Notes to Condensed Consolidated Financial Statements

FANNIE MAE

(In conservatorship)

Condensed Consolidated Statements of Operations and Comprehensive Income — (Unaudited)

(Dollars and shares in millions, except per share amounts)

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Interest income:				
Trading securities	**$ 515**	$ 134	**$ 980**	$ 396
Available-for-sale securities	**10**	11	**29**	48
Mortgage loans	**30,114**	24,798	**86,338**	73,083
Securities purchased under agreements to resell	**171**	5	**205**	17
Other	**40**	33	**93**	106
Total interest income	**30,850**	24,981	**87,645**	73,650
Interest expense:				
Short-term debt	**(17)**	—	**(23)**	(4)
Long-term debt	**(23,709)**	(18,009)	**(65,291)**	(51,646)
Total interest expense	**(23,726)**	(18,009)	**(65,314)**	(51,650)
Net interest income	**7,124**	6,972	**22,331**	22,000
Benefit (provision) for credit losses	**(2,536)**	937	**(2,994)**	4,290
Net interest income after benefit (provision) for credit losses	**4,588**	7,909	**19,337**	26,290
Investment gains (losses), net	**(172)**	243	**(323)**	934
Fair value gains (losses), net	**292**	(17)	**1,301**	321
Fee and other income	**105**	111	**269**	301
Non-interest income	**225**	337	**1,247**	1,556
Administrative expenses:				
Salaries and employee benefits	**(439)**	(376)	**(1,244)**	(1,128)
Professional services	**(229)**	(184)	**(636)**	(582)
Other administrative expenses	**(202)**	(185)	**(593)**	(529)
Total administrative expenses	**(870)**	(745)	**(2,473)**	(2,239)
Foreclosed property income (expense)	**15**	(69)	**21**	(105)
TCCA fees	**(850)**	(781)	**(2,515)**	(2,270)
Credit enhancement expense	**(364)**	(233)	**(974)**	(791)
Change in expected credit enhancement recoveries	**290**	(42)	**303**	(117)
Other expenses, net	**(169)**	(268)	**(633)**	(867)
Total expenses	**(1,948)**	(2,138)	**(6,271)**	(6,389)
Income before federal income taxes	**2,865**	6,108	**14,313**	21,457
Provision for federal income taxes	**(429)**	(1,266)	**(2,816)**	(4,470)
Net income	**2,436**	4,842	**11,497**	16,987
Other comprehensive loss:				
Changes in unrealized losses on available-for-sale securities, net of reclassification adjustments and taxes	**(1)**	(10)	**(8)**	(64)
Other, net of taxes	**(2)**	(4)	**(6)**	(9)
Total other comprehensive loss	**(3)**	(14)	**(14)**	(73)
Total comprehensive income	**$ 2,433**	$ 4,828	**$ 11,483**	$ 16,914
Net income	**$ 2,436**	$ 4,842	**$ 11,497**	$ 16,987
Dividends distributed or amounts attributable to senior preferred stock	**(2,433)**	(4,828)	**(11,483)**	(16,914)
Net income attributable to common stockholders	**$ 3**	$ 14	**$ 14**	$ 73
Earnings per share:				
Basic	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.01
Diluted	**0.00**	0.00	**0.00**	0.01
Weighted-average common shares outstanding:				
Basic	**5,867**	5,867	**5,867**	5,867
Diluted	**5,893**	5,893	**5,893**	5,893

See Notes to Condensed Consolidated Financial Statements

FANNIE MAE

(In conservatorship)

Condensed Consolidated Statements of Cash Flows — (Unaudited)

(Dollars in millions)

	For the Nine Months Ended September 30, 2022	2021
Net cash provided by operating activities	**$ 33,411**	$ 37,055
Cash flows provided by (used in) investing activities:		
Purchases of loans held for investment	**(213,203)**	(528,555)
Proceeds from repayments of loans acquired as held-for-investment of Fannie Mae	**6,234**	8,595
Proceeds from sales of loans acquired held-for-investment of Fannie Mae	**5,860**	10,475
Proceeds from repayments and sales of loans acquired as held for investment of consolidated trusts	**408,896**	861,516
Advances to lenders	**(152,947)**	(306,079)
Proceeds from disposition of acquired property and preforeclosure sales	**2,097**	2,816
Net change in federal funds sold and securities purchased under agreements to resell	**(3,207)**	590
Other, net	**(1,267)**	933
Net cash provided by investing activities	**52,463**	50,291
Cash flows provided by (used in) financing activities:		
Proceeds from issuance of debt of Fannie Mae	**260,669**	199,222
Payments to redeem debt of Fannie Mae	**(328,132)**	(253,093)
Proceeds from issuance of debt of consolidated trusts	**402,949**	887,383
Payments to redeem debt of consolidated trusts	**(466,430)**	(903,450)
Other, net	**—**	433
Net cash used in financing activities	**(130,944)**	(69,505)
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	**(45,070)**	17,841
Cash, cash equivalents and restricted cash and cash equivalents at beginning of period	**108,631**	115,623
Cash, cash equivalents and restricted cash and cash equivalents at end of period	**$ 63,561**	$ 133,464
Cash paid during the period for:		
Interest	**$ 74,956**	$ 80,048
Income taxes	**2,700**	4,650

See Notes to Condensed Consolidated Financial Statements

FANNIE MAE

(In conservatorship)

Condensed Consolidated Statements of Changes in Equity — (Unaudited)

(Dollars and shares in millions)

	Fannie Mae Stockholders' Equity									
	Shares Outstanding									
	Senior Preferred	Preferred	Common	Senior Preferred Stock	Preferred Stock	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
Balance as of June 30, 2022	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (76,873)	$ 27	$ (7,400)	$ 56,407
Comprehensive income:										
Net income	—	—	—	—	—	—	2,436	—	—	2,436
Other comprehensive income, net of tax effect:										
Changes in net unrealized gains on available-for-sale securities (net of taxes of $1)	—	—	—	—	—	—	—	(4)	—	(4)
Reclassification adjustment for gains included in net income (net of taxes of $1)	—	—	—	—	—	—	—	3	—	3
Other (net of taxes of $1)	—	—	—	—	—	—	—	(2)	—	(2)
Total comprehensive income										2,433
Balance as of September 30, 2022	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (74,437)	$ 24	$ (7,400)	$ 58,840

	Fannie Mae Stockholders' Equity									
	Shares Outstanding									
	Senior Preferred	Preferred	Common	Senior Preferred Stock	Preferred Stock	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
Balance as of December 31, 2021	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (85,934)	$ 38	$ (7,400)	$ 47,357
Comprehensive income:										
Net income	—	—	—	—	—	—	11,497	—	—	11,497
Other comprehensive income, net of tax effect:										
Changes in net unrealized gains on available- for-sale securities (net of taxes of $5)	—	—	—	—	—	—	—	(19)	—	(19)
Reclassification adjustment for gains included in net income (net of taxes of $3)	—	—	—	—	—	—	—	11	—	11
Other (net of taxes of $2)	—	—	—	—	—	—	—	(6)	—	(6)
Total comprehensive income										11,483
Balance as of September 30, 2022	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (74,437)	$ 24	$ (7,400)	$ 58,840

See Notes to Condensed Consolidated Financial Statements

FANNIE MAE

(In conservatorship)

Condensed Consolidated Statements of Changes in Equity — (Unaudited)

(Dollars and shares in millions)

	Fannie Mae Stockholders' Equity									
	Shares Outstanding									
	Senior Preferred	Preferred	Common	Senior Preferred Stock	Preferred Stock	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
Balance as of June 30, 2021	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (95,965)	$ 57	$ (7,400)	$ 37,345
Comprehensive income:										
Net income	—	—	—	—	—	—	4,842	—	—	4,842
Other comprehensive income, net of tax effect:										
Changes in net unrealized gains on available-for-sale securities (net of taxes of $3)	—	—	—	—	—	—	—	(10)	—	(10)
Reclassification adjustment for gains included in net income (net of taxes of $0)	—	—	—	—	—	—	—	—	—	—
Other (net of taxes of $1)	—	—	—	—	—	—	—	(4)	—	(4)
Total comprehensive income										4,828
Balance as of September 30, 2021	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (91,123)	$ 43	$ (7,400)	$ 42,173

	Fannie Mae Stockholders' Equity									
	Shares Outstanding									
	Senior Preferred	Preferred	Common	Senior Preferred Stock	Preferred Stock	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
Balance as of December 31, 2020	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (108,110)	$ 116	$ (7,400)	$ 25,259
Comprehensive income:										
Net income	—	—	—	—	—	—	16,987	—	—	16,987
Other comprehensive income, net of tax effect:										
Changes in net unrealized gains on available- for-sale securities (net of taxes of $4)	—	—	—	—	—	—	—	(14)	—	(14)
Reclassification adjustment for gains included in net income (net of taxes of $13)	—	—	—	—	—	—	—	(50)	—	(50)
Other (net of taxes of $2)	—	—	—	—	—	—	—	(9)	—	(9)
Total comprehensive income										16,914
Balance as of September 30, 2021	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (91,123)	$ 43	$ (7,400)	$ 42,173

See Notes to Condensed Consolidated Financial Statements

FANNIE MAE

(In conservatorship)

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Summary of Significant Accounting Policies

Fannie Mae is a leading source of financing for mortgages in the United States. We are a shareholder-owned corporation organized as a government-sponsored entity ("GSE") and existing under the Federal National Mortgage Association Charter Act (the "Charter Act" or our "charter"). Our charter is an act of Congress, and we have a purpose under that charter to provide liquidity and stability to the residential mortgage market and to promote access to mortgage credit. Our regulators include the Federal Housing Finance Agency ("FHFA"), the U.S. Department of Housing and Urban Development ("HUD"), the U.S. Securities and Exchange Commission ("SEC") and the U.S. Department of the Treasury ("Treasury"). The U.S. government does not guarantee our securities or other obligations.

We have been under conservatorship, with FHFA acting as conservator, since September 6, 2008. See below and "Note 1, Summary of Significant Accounting Policies" in our annual report on Form 10-K for the year ended December 31, 2021 ("2021 Form 10-K") for additional information on our conservatorship and the impact of U.S. government support of our business.

The unaudited interim condensed consolidated financial statements as of and for the three and nine months ended September 30, 2022 and related notes should be read in conjunction with our audited consolidated financial statements and related notes included in our 2021 Form 10-K.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and with the SEC's instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and note disclosures required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments of a normal recurring nature considered necessary for a fair presentation have been included. The accompanying condensed consolidated financial statements include our accounts as well as the accounts of other entities in which we have a controlling financial interest. All intercompany accounts and transactions have been eliminated. Results for the three and nine months ended September 30, 2022 may not necessarily be indicative of the results for the year ending December 31, 2022.

Use of Estimates

Preparing condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect our reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of our condensed consolidated financial statements, as well as our reported amounts of revenues and expenses during the reporting periods. Management has made significant estimates in a variety of areas including, but not limited to, the allowance for loan losses. Actual results could be different from these estimates.

Conservatorship

On September 7, 2008, the Secretary of the Treasury and the Director of FHFA announced several actions taken by Treasury and FHFA regarding Fannie Mae, which included: (1) placing us in conservatorship, with FHFA acting as our conservator, and (2) the execution of a senior preferred stock purchase agreement by our conservator, on our behalf, and Treasury, pursuant to which we issued to Treasury both senior preferred stock and a warrant to purchase common stock.

Under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, including by the Housing and Economic Recovery Act of 2008 (together, the "GSE Act"), the conservator immediately succeeded to (1) all rights, titles, powers and privileges of Fannie Mae, and of any stockholder, officer or director of Fannie Mae with respect to Fannie Mae and its assets, and (2) title to the books, records and assets of any other legal custodian of Fannie Mae. The conservator subsequently issued an order that provided for our Board of Directors to exercise specified functions and authorities. The conservator also provided instructions regarding matters for which conservator decision or notification is required. The conservator retains the authority to amend or withdraw its order and instructions at any time.

The conservatorship has no specified termination date and there continues to be significant uncertainty regarding our future, including how long we will continue to exist in our current form, the extent of our role in the market, the level of government support of our business, how long we will be in conservatorship, what form we will have and what ownership interest, if any, our current common and preferred stockholders will hold in us after the conservatorship is terminated and whether we will continue to exist following conservatorship. Under the GSE Act, the Director of FHFA must place us into receivership if they make a written determination that our assets are less than our obligations or if we have not been paying our debts, in either case, for a period of 60 days. In addition, the Director of FHFA may place us into receivership at the Director's discretion at any time for other reasons set forth in the GSE Act, including if we are critically undercapitalized or if we are undercapitalized and have no reasonable prospect of becoming adequately capitalized. Should we be placed into receivership, different assumptions would be required to determine the carrying value of our assets, which would lead to substantially different financial results. Treasury has made a commitment under the senior preferred stock purchase agreement to provide funding to us under certain circumstances if we have a net worth deficit. We are not aware of any plans of FHFA (1) to fundamentally change our business model, or (2) to reduce the aggregate amount available to or held by the company under our equity structure, which includes the senior preferred stock purchase agreement.

Senior Preferred Stock Purchase Agreement and Senior Preferred Stock

We discuss more fully our senior preferred stock and the terms of the senior preferred stock purchase agreement, as amended, including Treasury's funding commitment, in "Note 11, Equity" in our 2021 Form 10-K.

Treasury has made a commitment under the senior preferred stock purchase agreement to provide funding to us under certain circumstances if we have a net worth deficit. Pursuant to the senior preferred stock purchase agreement, we have received a total of $119.8 billion from Treasury as of September 30, 2022, and the amount of remaining funding available to us under the agreement is $113.9 billion. We have not received any funding from Treasury under this commitment since the first quarter of 2018. We had positive net worth of $58.8 billion as of September 30, 2022.

The dividend provisions of the senior preferred stock permit us to retain increases in our net worth until our net worth exceeds the amount of adjusted total capital necessary for us to meet the capital requirements and buffers under the enterprise regulatory capital framework established by FHFA.

The aggregate liquidation preference of the senior preferred stock increased to $177.9 billion as of September 30, 2022 due to the $4.6 billion increase in our net worth in the second quarter of 2022. The aggregate liquidation preference of the senior preferred stock will further increase to $180.3 billion as of December 31, 2022, due to the $2.4 billion increase in our net worth in the third quarter of 2022.

Related Parties

Because Treasury holds a warrant to purchase shares of Fannie Mae common stock equal to 79.9% of the total number of shares of Fannie Mae common stock, we and Treasury are deemed related parties.

FHFA's control of both Fannie Mae and Freddie Mac has caused Fannie Mae, FHFA and Freddie Mac to be deemed related parties. Additionally, Fannie Mae and Freddie Mac jointly own Common Securitization Solutions, LLC ("CSS"), a limited liability company created to operate a common securitization platform; as a result, CSS is deemed a related party. As a part of our joint ownership, Fannie Mae, Freddie Mac and CSS are parties to a limited liability company agreement that sets forth the overall framework for the joint venture, including Fannie Mae's and Freddie Mac's rights and responsibilities as members of CSS. Fannie Mae, Freddie Mac and CSS are also parties to a customer services agreement that sets forth the terms under which CSS provides mortgage securitization services to us and Freddie Mac, including the operation of the common securitization platform, as well as an administrative services agreement. CSS operates as a separate company from us and Freddie Mac, with all funding and limited administrative support services and other resources provided to it by us and Freddie Mac.

In the ordinary course of business, Fannie Mae may purchase and sell securities issued by Treasury and Freddie Mac. These transactions occur on the same terms as those prevailing at the time for comparable transactions with unrelated parties. Some of the structured securities we issue are backed in whole or in part by Freddie Mac securities. Fannie Mae and Freddie Mac each have agreed to indemnify the other party for losses caused by: its failure to meet its payment or other specified obligations under the trust agreements pursuant to which the underlying resecuritized securities were issued; its failure to meet its obligations under the customer services agreement; its violations of laws; or with respect to material misstatements or omissions in offering documents, ongoing disclosures and related materials relating to the underlying resecuritized securities. Additionally, we make regular income tax payments to and receive tax refunds from the Internal Revenue Service ("IRS"), a bureau of Treasury.

Transactions with Treasury

Our administrative expenses were reduced by $4 million for the three months ended September 30, 2022 and 2021, and $11 million and $13 million for the nine months ended September 30, 2022 and 2021, respectively, due to reimbursements from Treasury and Freddie Mac for expenses incurred as program administrator for Treasury's Home Affordable Modification Program and other initiatives under Treasury's Making Home Affordable Program.

In December 2011, Congress enacted the Temporary Payroll Cut Continuation Act of 2011 ("TCCA") which, among other provisions, required that we increase our single-family guaranty fees by at least 10 basis points and remit this increase to Treasury. To meet our obligations under the TCCA and at the direction of FHFA, we increased the guaranty fee on all single-family residential mortgages delivered to us by 10 basis points effective April 1, 2012. The resulting fee revenue and expense are recorded in "Interest income: Mortgage loans" and "TCCA fees," respectively, in our condensed consolidated statements of operations and comprehensive income.

In November 2021, the Infrastructure Investment and Jobs Act was enacted, which extended to October 1, 2032 our obligation under the TCCA to collect 10 basis points in guaranty fees on single-family residential mortgages delivered to us and pay the associated revenue to Treasury. In January 2022, FHFA advised us to continue to pay these TCCA fees to Treasury with respect to all single-family loans acquired by us before October 1, 2032, and to continue to remit these amounts to Treasury on and after October 1, 2032 with respect to loans we acquired before this date until those loans are paid off or otherwise liquidated.

We recognized TCCA fees of $850 million and $781 million for the three months ended September 30, 2022 and 2021, respectively, and $2.5 billion and $2.3 billion during the nine months ended September 30, 2022 and 2021, respectively, of which $850 million had not been remitted to Treasury as of September 30, 2022.

The GSE Act requires us to set aside certain funding obligations, a portion of which is attributable to Treasury's Capital Magnet Fund. These funding obligations are measured as the product of 4.2 basis points and the unpaid principal balance of our total new business purchases for the respective period, with 35% of this amount payable to Treasury's Capital Magnet Fund. We recognized a total of $19 million and $46 million in "Other expenses, net" for the three months ended September 30, 2022 and 2021, respectively, and $85 million and $165 million for the nine months ended September 30, 2022 and 2021, respectively, in connection with Treasury's Capital Magnet Fund, of which $85 million has not been remitted as of September 30, 2022.

Transactions with FHFA

The GSE Act authorizes FHFA to establish an annual assessment for regulated entities, including Fannie Mae, which is payable on a semi-annual basis (April and October), for FHFA's costs and expenses, as well as to maintain FHFA's working capital. We recognized FHFA assessment fees, which are recorded in "Administrative expenses" in our condensed consolidated statements of operations and comprehensive income, of $30 million and $35 million for the three months ended September 30, 2022 and 2021, respectively, and $93 million and $107 million for the nine months ended September 30, 2022 and 2021, respectively.

Transactions with CSS and Freddie Mac

We contributed capital to CSS, the company we jointly own with Freddie Mac, of $13 million and $15 million for the three months ended September 30, 2022 and 2021, respectively, and $51 million and $60 million for the nine months ended September 30, 2022 and 2021, respectively.

Earnings per Share

Earnings per share ("EPS") is presented for basic and diluted EPS. We compute basic EPS by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. However, as a result of our conservatorship status and the terms of the senior preferred stock, no amounts would be available to distribute as dividends to common or preferred stockholders (other than to Treasury as the holder of the senior preferred stock). Net income attributable to common stockholders excludes amounts attributable to the senior preferred stock. Weighted average common shares include 4.7 billion shares for the periods ended September 30, 2022 and 2021 that would have been issued upon the full exercise of the warrant issued to Treasury from the date the warrant was issued through September 30, 2022 and 2021.

The calculation of diluted EPS includes all the components of basic earnings per share, plus the dilutive effect of common stock equivalents such as convertible securities and stock options. Weighted average shares outstanding is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. For the three and nine months ended September 30, 2022 and 2021, our diluted EPS weighted-average shares outstanding includes 26 million shares issuable upon the conversion of convertible preferred stock.

New Accounting Guidance

Adoption of ASU 2022-02

The Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2022-02, Financial Instruments – Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02") in March 2022. The amendments in ASU 2022-02 eliminate the accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements for certain loan restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity would apply the loan refinancing and restructuring guidance to determine whether a modification or other form of restructuring results in a new loan or a continuation of an existing loan.

Additionally, the amendments in this ASU require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases in the existing vintage disclosures.

The ASU is effective for fiscal years beginning after December 15, 2022, for creditors that have adopted the amendments in Accounting Standards Update 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Early adoption is permitted in any interim period and such election may be made individually to adopt the guidance related to TDRs, including related disclosures, and the presentation of gross write-offs in the vintage disclosures. ASU 2022-02 requires prospective transition for the disclosures related to loan restructurings for borrowers experiencing financial difficulty and the presentation of gross write-offs in the vintage disclosures. The guidance related to the recognition and measurement of TDRs may be adopted on a prospective or modified retrospective transition method.

We elected to early adopt the guidance related to the elimination of the recognition and measurement of TDRs and the enhancement of disclosures for loan restructurings for borrowers experiencing financial difficulty as of January 1, 2022, using the prospective transition method. As of our adoption date, all restructurings, including restructurings for borrowers experiencing financial difficulty, are evaluated to determine whether they result in a new loan or a continuation of an existing loan. Loan restructurings for borrowers experiencing financial difficulty are generally accounted for as a continuation of the existing loan as the terms of the restructured loans are typically not at market rates. At adoption of this guidance on January 1, 2022, there was no material impact on our financial statements.

When a single-family loan is restructured under ASU 2022-02, we continue to measure impairment on the loan using a discounted cash flow approach that utilizes a prepayment-adjusted discount rate that is based on the loan's restructured terms. Under the TDR accounting model, we used the discount rate that was in effect prior to the restructuring to measure impairment. Using the interest rate that was in effect prior to the restructuring resulted in the recognition, in the allowance for loan losses, of the economic concession that we granted to borrowers as part of the loan restructuring. Using a post-restructuring interest rate does not result in the recognition of an economic concession in the allowance for loan losses.

As we have elected a prospective transition, the economic concession on a loan that was previously restructured and accounted for as a TDR will continue to be measured in our allowance for loan losses using the discount rate that was in effect prior to the restructuring and the economic concession may increase or decrease as we update our cash flow assumptions related to the loan's expected life. Further, the component of the allowance for loan losses representing economic concessions will decrease as the borrower makes payments in accordance with the restructured terms of the mortgage loan and as the loan is sold, liquidated, or subsequently restructured.

In general, the accounting for restructurings made to borrowers experiencing financial difficulty upon adoption of the ASU is consistent with the accounting that we applied to troubled debt restructurings under section 4013 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), and the Consolidated Appropriations Act of 2021, which provided temporary relief from the accounting and reporting requirements for certain troubled debt restructurings related to COVID-19 beginning March 2020 through January 1, 2022.

We plan to adopt the disclosure guidance related to the presentation of gross write-offs by year of origination in our vintage disclosures upon the effective date of ASU 2022-02, January 1, 2023. We do not expect the adoption of the guidance requiring gross write-offs by year of origination in our vintage disclosures to have a material impact on our financial statements.

Fair Value Hedging - Portfolio Layer Method

On March 28, 2022, the FASB issued ASU 2022-01, Fair Value Hedging - Portfolio Layer Method, which clarifies the guidance on fair value hedge accounting of interest rate risk portfolios of financial assets. The ASU expands the scope of the current last-of-layer method to allow entities to apply this method, renamed the portfolio layer method, to non-prepayable financial assets and to designate multiple hedge relationships within a single closed portfolio of financial assets. Additionally, the ASU clarifies that basis adjustments related to existing portfolio layer hedge relationships should not be considered when measuring credit losses on the financial assets included in the closed portfolio. Further, the ASU clarifies that any reversal of fair value hedge basis adjustments associated with an actual breach should be recognized in interest income immediately.

The ASU is effective for public business entities for fiscal years beginning after December 15, 2022, and interim periods within those years. We plan to adopt this guidance effective January 1, 2023. The adoption of this guidance is not expected to have a material impact on our financial statements.

2. Consolidations and Transfers of Financial Assets

We have interests in various entities that are considered to be variable interest entities ("VIEs"). The primary types of entities are securitization and resecuritization trusts, limited partnerships and special purpose vehicles ("SPVs"). These interests include investments in securities issued by VIEs, such as Fannie Mae MBS created pursuant to our securitization transactions and our guaranty to the entity. We consolidate the substantial majority of our single-class securitization trusts because our role as guarantor and master servicer provides us with the power to direct matters (primarily the servicing of mortgage loans) that impact the credit risk to which we are exposed. In contrast, we do not consolidate single-class securitization trusts when other organizations have the power to direct these activities unless we have the unilateral ability to dissolve the trust. We also do not consolidate our resecuritization trusts unless we have the unilateral ability to dissolve the trust. The underlying assets of our resecuritization trusts include both Fannie Mae securities collateralized solely by mortgage loans held in consolidated trusts as well as uniform mortgage-backed securities ("UMBS®") collateralized with securities issued by Fannie Mae or Freddie Mac. The mortgage loans that serve as collateral for Freddie Mac-issued securities are not held in trusts that are consolidated by Fannie Mae.

Unconsolidated VIEs

We do not consolidate VIEs when we are not deemed to be the primary beneficiary. Our unconsolidated VIEs include securitization and resecuritization trusts, limited partnerships, and certain SPVs designed to transfer credit risk. The following table displays the carrying amount and classification of our assets and liabilities that relate to our involvement with unconsolidated securitization and resecuritization trusts.

	As of	
	September 30, 2022	**December 31, 2021**
	(Dollars in millions)	
Assets and liabilities recorded in our condensed consolidated balance sheets related to unconsolidated mortgage-backed trusts:		
Investments in securities	**$ 3,713**	$ 4,709
Other assets	**41**	35
Other liabilities	**(48)**	(41)
Net carrying amount	**$ 3,706**	$ 4,703

Our maximum exposure to loss generally represents the greater of our carrying value in the entity or the unpaid principal balance of the assets covered by our guaranty. Our involvement in unconsolidated resecuritization trusts may give rise to additional exposure to loss depending on the type of resecuritization trust. Fannie Mae non-commingled resecuritization trusts are backed entirely by Fannie Mae MBS. These non-commingled single-class and multi-class resecuritization trusts are not consolidated and do not give rise to any additional exposure to loss as we already consolidate the underlying collateral.

Fannie Mae commingled resecuritization trusts are backed in whole or in part by Freddie Mac securities. The guaranty that we provide to these commingled resecuritization trusts may increase our exposure to loss to the extent that we are providing a guaranty for the timely payment and interest on the underlying Freddie Mac securities that we have not previously guaranteed. Our maximum exposure to loss for these unconsolidated trusts is measured by the amount of Freddie Mac securities that are held in these resecuritization trusts.

Our maximum exposure to loss related to unconsolidated securitization and resecuritization trusts, which includes but is not limited to our exposure to these Freddie Mac securities, was approximately $246 billion and $220 billion as of September 30, 2022 and December 31, 2021, respectively. The total assets of our unconsolidated securitization and resecuritization trusts were approximately $250 billion as of September 30, 2022 and December 31, 2021.

The maximum exposure to loss for our unconsolidated limited partnerships and similar legal entities, which consist of low-income housing tax credit (“LIHTC”) investments, community investments and other entities, was $399 million and the related net carrying value was $395 million as of September 30, 2022. As of December 31, 2021, the maximum exposure to loss was $292 million and the related net carrying value was $288 million. The total assets of these limited partnership investments were $4.1 billion and $3.7 billion as of September 30, 2022 and December 31, 2021, respectively.

The maximum exposure to loss related to our involvement with unconsolidated SPVs that transfer credit risk represents the unpaid principal balance and accrued interest payable of obligations issued by the Connecticut Avenue Securities® (“CAS”) and Multifamily Connecticut Avenue Securities™ (“MCAS™”) SPVs. The maximum exposure to loss related to these unconsolidated SPVs was $17.4 billion and $10.4 billion as of September 30, 2022 and December 31, 2021, respectively. The total assets related to these unconsolidated SPVs were $17.5 billion and $10.4 billion as of September 30, 2022 and December 31, 2021, respectively.

The unpaid principal balance of our multifamily loan portfolio was $420.3 billion as of September 30, 2022. As our lending relationship does not provide us with a controlling financial interest in the borrower entity, we do not consolidate these borrowers regardless of their status as either a VIE or a voting interest entity. We have excluded these entities from our VIE disclosures. However, the disclosures we have provided in “Note 3, Mortgage Loans,” “Note 4, Allowance for Loan Losses” and “Note 6, Financial Guarantees” with respect to this population are consistent with the FASB’s stated objectives for the disclosures related to unconsolidated VIEs.

Transfers of Financial Assets

We issue Fannie Mae MBS through portfolio securitization transactions by transferring pools of mortgage loans or mortgage-related securities to one or more trusts or special purpose entities. We are considered to be the transferor when we transfer assets from our own retained mortgage portfolio in a portfolio securitization transaction. For the three months ended September 30, 2022 and 2021, the unpaid principal balance of portfolio securitizations was $56.1 billion and $140.1 billion, respectively. For the nine months ended September 30, 2022 and 2021, the unpaid principal balance of portfolio securitizations was $235.9 billion and $554.0 billion, respectively. The substantial majority of these portfolio securitization transactions generally do not qualify for sale treatment. Portfolio securitization trusts that do qualify for sale treatment primarily consist of loans that are guaranteed or insured, in whole or in part, by the U.S. government.

We retain interests from the transfer and sale of mortgage-related securities to unconsolidated single-class and multi-class portfolio securitization trusts. As of September 30, 2022, the unpaid principal balance of retained interests was $1.0 billion and its related fair value was $1.5 billion. As of December 31, 2021, the unpaid principal balance of retained interests was $1.1 billion and its related fair value was $2.0 billion. For the three months ended September 30, 2022 and 2021, the principal, interest and other fees received on retained interests was $86 million and $139 million, respectively. For the nine months ended September 30, 2022 and 2021, the principal, interest and other fees received on retained interests was $308 million and $426 million, respectively.

3. Mortgage Loans

We own single-family mortgage loans, which are secured by four or fewer residential dwelling units, and multifamily mortgage loans, which are secured by five or more residential dwelling units. We classify these loans as either held for investment ("HFI") or held for sale ("HFS"). For purposes of our notes to the condensed consolidated financial statements, we report the amortized cost of HFI loans for which we have not elected the fair value option at the unpaid principal balance, net of unamortized premiums and discounts, hedge-related basis adjustments, other cost basis adjustments, and accrued interest receivable in these "Note 3, Mortgage Loans" disclosures. For purposes of our condensed consolidated balance sheets, we present accrued interest receivable, net separately from the amortized cost of our loans held for investment. We report the carrying value of HFS loans at the lower of cost or fair value and record valuation changes in "Investment gains (losses), net" in our condensed consolidated statements of operations and comprehensive income.

For purposes of the single-family mortgage loan disclosures below, we display loans by class of financing receivable type. Financing receivable classes used for disclosure consist of: "20- and 30-year or more, amortizing fixed-rate," "15-year or less, amortizing fixed-rate," "Adjustable-rate," and "Other." The "Other" class primarily consists of reverse mortgage loans, interest-only loans, negative-amortizing loans and second liens.

The following table displays the carrying value of our mortgage loans and allowance for loan losses.

	As of	
	September 30, 2022	**December 31, 2021**
	(Dollars in millions)	
Single-family	**$ 3,638,342**	$ 3,495,573
Multifamily	**420,312**	403,452
Total unpaid principal balance of mortgage loans	**4,058,654**	3,899,025
Cost basis and fair value adjustments, net	**54,376**	74,846
Allowance for loan losses for HFI loans	**(8,302)**	(5,629)
Total mortgage loans[1]	**$ 4,104,728**	$ 3,968,242

(1) Excludes $9.2 billion and $9.1 billion of accrued interest receivable, net of allowance as of September 30, 2022 and December 31, 2021.

The following table displays information about our purchase of HFI loans, redesignation of loans from HFI to HFS and the sales of mortgage loans during the period.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
	(Dollars in millions)			
Purchase of HFI loans:				
Single-family unpaid principal balance	**$ 117,686**	$ 296,410	**$ 529,453**	$ 1,070,136
Multifamily unpaid principal balance	**15,943**	16,282	**50,627**	48,580
Single-family loans redesignated from HFI to HFS:				
Amortized cost	**$ 1,726**	$ 3,427	**$ 6,099**	$ 12,844
Lower of cost or fair value adjustment at time of redesignation[1]	**(196)**	(47)	**(418)**	(247)
Allowance reversed at time of redesignation	**80**	165	**298**	1,350
Single-family loans sold:				
Unpaid principal balance	**$ 1,919**	$ 3,063	**$ 6,229**	$ 10,588
Realized gains, net	**20**	300	**91**	955

(1) Consists of the write-off against the allowance at the time of redesignation.

The amortized cost of single-family mortgage loans for which formal foreclosure proceedings were in process was $4.6 billion as of September 30, 2022 and $4.4 billion as of December 31, 2021. As a result of our various loss mitigation and foreclosure prevention efforts, we expect that a portion of the loans in the process of formal foreclosure proceedings will not ultimately foreclose.

Aging Analysis

The following tables display an aging analysis of the total amortized cost of our HFI mortgage loans by portfolio segment and class of financing receivable, excluding loans for which we have elected the fair value option.

	As of September 30, 2022							
	30 - 59 Days Delinquent	60 - 89 Days Delinquent	Seriously Delinquent[1]	Total Delinquent	Current	Total	Loans 90 Days or More Delinquent and Accruing Interest	Nonaccrual Loans with No Allowance
	(Dollars in millions)							
Single-family:								
20- and 30-year or more, amortizing fixed-rate	$ 22,792	$ 5,603	$ 19,511	$ 47,906	$ 3,079,227	$ 3,127,133	$ 12,525	$ 3,563
15-year or less, amortizing fixed-rate	1,530	264	808	2,602	504,620	507,222	654	95
Adjustable-rate	147	29	135	311	26,161	26,472	99	28
Other[2]	604	165	876	1,645	30,412	32,057	444	282
Total single-family	25,073	6,061	21,330	52,464	3,640,420	3,692,884	13,722	3,968
Multifamily[3]	282	N/A	1,046	1,328	420,253	421,581	6	14
Total	$ 25,355	$ 6,061	$ 22,376	$ 53,792	$ 4,060,673	$ 4,114,465	$ 13,728	$ 3,982

	As of December 31, 2021							
	30 - 59 Days Delinquent	60 - 89 Days Delinquent	Seriously Delinquent[1]	Total Delinquent	Current	Total	Loans 90 Days or More Delinquent and Accruing Interest	Nonaccrual Loans with No Allowance
	(Dollars in millions)							
Single-family:								
20- and 30-year or more, amortizing fixed-rate	$ 22,862	$ 5,192	$ 38,288	$ 66,342	$ 2,902,763	$ 2,969,105	$ 24,236	$ 6,271
15-year or less, amortizing fixed-rate	2,024	326	1,799	4,149	529,278	533,427	1,454	193
Adjustable-rate	161	36	374	571	25,771	26,342	287	63
Other[2]	786	204	1,942	2,932	35,013	37,945	1,008	545
Total single-family	25,833	5,758	42,403	73,994	3,492,825	3,566,819	26,985	7,072
Multifamily[3]	114	N/A	1,693	1,807	404,398	406,205	317	107
Total	$ 25,947	$ 5,758	$ 44,096	$ 75,801	$ 3,897,223	$ 3,973,024	$ 27,302	$ 7,179

(1) Single-family seriously delinquent loans are loans that are 90 days or more past due or in the foreclosure process. Multifamily seriously delinquent loans are loans that are 60 days or more past due.

(2) Reverse mortgage loans included in “Other” are not aged due to their nature and are included in the current column.

(3) Multifamily loans 60-89 days delinquent are included in the seriously delinquent column.

Credit Quality Indicators

The following tables display the total amortized cost of our single-family HFI loans by class of financing receivable, year of origination and credit quality indicator, excluding loans for which we have elected the fair value option. The estimated mark-to-market loan-to-value ("LTV") ratio is a primary factor we consider when estimating our allowance for loan losses for single-family loans. As LTV ratios increase, the borrower's equity in the home decreases, which may negatively affect the borrower's ability to refinance or to sell the property for an amount at or above the outstanding balance of the loan.

	As of September 30, 2022, by Year of Origination[1]						
	2022	2021	2020	2019	2018	Prior	Total
	(Dollars in millions)						
Estimated mark-to-market LTV ratio:[2]							
20- and 30-year or more, amortizing fixed-rate:							
Less than or equal to 80%	$ 253,757	$ 926,196	$ 836,382	$ 152,731	$ 72,366	$ 669,943	$ 2,911,375
Greater than 80% and less than or equal to 90%	68,200	75,617	4,698	991	583	1,100	151,189
Greater than 90% and less than or equal to 100%	56,826	5,369	1,351	280	79	227	64,132
Greater than 100%	41	94	28	13	13	248	437
Total 20- and 30-year or more, amortizing fixed-rate	378,824	1,007,276	842,459	154,015	73,041	671,518	3,127,133
15-year or less, amortizing fixed-rate:							
Less than or equal to 80%	36,062	190,699	138,640	21,091	7,698	111,042	505,232
Greater than 80% and less than or equal to 90%	1,054	436	34	3	1	2	1,530
Greater than 90% and less than or equal to 100%	440	14	1	—	—	2	457
Greater than 100%	—	—	—	—	—	3	3
Total 15-year or less, amortizing fixed-rate	37,556	191,149	138,675	21,094	7,699	111,049	507,222
Adjustable-rate:							
Less than or equal to 80%	3,151	6,565	1,925	848	944	11,830	25,263
Greater than 80% and less than or equal to 90%	644	196	9	2	1	2	854
Greater than 90% and less than or equal to 100%	338	15	1	—	1	—	355
Greater than 100%	—	—	—	—	—	—	—
Total adjustable-rate	4,133	6,776	1,935	850	946	11,832	26,472
Other:							
Less than or equal to 80%	—	—	—	30	229	23,078	23,337
Greater than 80% and less than or equal to 90%	—	—	—	—	1	127	128
Greater than 90% and less than or equal to 100%	—	—	—	—	1	60	61
Greater than 100%	—	—	—	—	—	55	55
Total other	—	—	—	30	231	23,320	23,581
Total	$ 420,513	$ 1,205,201	$ 983,069	$ 175,989	$ 81,917	$ 817,719	$ 3,684,408
Total for all classes by LTV ratio:[2]							
Less than or equal to 80%	$ 292,970	$ 1,123,460	$ 976,947	$ 174,700	$ 81,237	$ 815,893	$ 3,465,207
Greater than 80% and less than or equal to 90%	69,898	76,249	4,741	996	586	1,231	153,701
Greater than 90% and less than or equal to 100%	57,604	5,398	1,353	280	81	289	65,005
Greater than 100%	41	94	28	13	13	306	495
Total	$ 420,513	$ 1,205,201	$ 983,069	$ 175,989	$ 81,917	$ 817,719	$ 3,684,408

	As of December 31, 2021, by Year of Origination[1]						
	2021	2020	2019	2018	2017	Prior	Total
	(Dollars in millions)						
Estimated mark-to-market LTV ratio:[2]							
20- and 30-year or more, amortizing fixed-rate:							
Less than or equal to 80%	$ 798,830	$ 881,290	$ 177,909	$ 87,825	$ 111,059	$ 666,327	$ 2,723,240
Greater than 80% and less than or equal to 90%	129,340	39,689	2,689	1,056	622	1,687	175,083
Greater than 90% and less than or equal to 100%	66,667	2,278	544	229	57	460	70,235
Greater than 100%	21	12	9	16	22	467	547
Total 20- and 30-year or more, amortizing fixed-rate	994,858	923,269	181,151	89,126	111,760	668,941	2,969,105
15-year or less, amortizing fixed-rate:							
Less than or equal to 80%	196,163	157,076	25,390	9,595	20,715	121,027	529,966
Greater than 80% and less than or equal to 90%	2,576	259	16	4	2	7	2,864
Greater than 90% and less than or equal to 100%	579	5	—	1	1	4	590
Greater than 100%	—	—	—	—	2	5	7
Total 15-year or less, amortizing fixed-rate	199,318	157,340	25,406	9,600	20,720	121,043	533,427
Adjustable-rate:							
Less than or equal to 80%	6,166	2,235	1,065	1,236	2,524	12,501	25,727
Greater than 80% and less than or equal to 90%	438	25	7	4	2	3	479
Greater than 90% and less than or equal to 100%	135	1	—	—	—	—	136
Greater than 100%	—	—	—	—	—	—	—
Total adjustable-rate	6,739	2,261	1,072	1,240	2,526	12,504	26,342
Other:							
Less than or equal to 80%	—	—	34	268	655	26,930	27,887
Greater than 80% and less than or equal to 90%	—	—	—	3	6	275	284
Greater than 90% and less than or equal to 100%	—	—	—	1	2	133	136
Greater than 100%	—	—	—	1	1	141	143
Total other	—	—	34	273	664	27,479	28,450
Total	$ 1,200,915	$ 1,082,870	$ 207,663	$ 100,239	$ 135,670	$ 829,967	$ 3,557,324
Total for all classes by LTV ratio:[2]							
Less than or equal to 80%	$ 1,001,159	$ 1,040,601	$ 204,398	$ 98,924	$ 134,953	$ 826,785	$ 3,306,820
Greater than 80% and less than or equal to 90%	132,354	39,973	2,712	1,067	632	1,972	178,710
Greater than 90% and less than or equal to 100%	67,381	2,284	544	231	60	597	71,097
Greater than 100%	21	12	9	17	25	613	697
Total	$ 1,200,915	$ 1,082,870	$ 207,663	$ 100,239	$ 135,670	$ 829,967	$ 3,557,324

(1) Excludes $8.5 billion and $9.5 billion as of September 30, 2022 and December 31, 2021, respectively, of mortgage loans guaranteed or insured, in whole or in part, by the U.S. government or one of its agencies, which represents primarily reverse mortgages for which we do not calculate an estimated mark-to-market LTV ratio.

(2) The aggregate estimated mark-to-market LTV ratio is based on the unpaid principal balance of the loan divided by the estimated current value of the property as of the end of each reported period, which we calculate using an internal valuation model that estimates periodic changes in home value.

The following tables display the total amortized cost of our multifamily HFI loans by year of origination and credit-risk rating, excluding loans for which we have elected the fair value option. Property rental income and property valuations are key inputs to our internally assigned credit risk ratings.

	As of September 30, 2022, by Year of Origination						
	2022	2021	2020	2019	2018	Prior	Total
	(Dollars in millions)						
Internally assigned credit risk rating:							
Non-classified[(1)]	$ 41,215	$ 65,917	$ 76,340	$ 60,824	$ 50,069	$ 109,463	$ 403,828
Classified[(2)]	66	172	1,061	2,383	2,181	11,890	17,753
Total	$ 41,281	$ 66,089	$ 77,401	$ 63,207	$ 52,250	$ 121,353	$ 421,581

	As of December 31, 2021, by Year of Origination						
	2021	2020	2019	2018	2017	Prior	Total
	(Dollars in millions)						
Internally assigned credit risk rating:							
Non-classified[(1)]	$ 58,986	$ 79,602	$ 64,278	$ 55,552	$ 44,037	$ 87,549	$ 390,004
Classified[(2)]	21	595	2,288	2,114	4,091	7,092	16,201
Total	$ 59,007	$ 80,197	$ 66,566	$ 57,666	$ 48,128	$ 94,641	$ 406,205

(1) A loan categorized as "Non-classified" is current or adequately protected by the current financial strength and debt service capability of the borrower.

(2) Represents loans classified as "Substandard" or "Doubtful." Loans classified as "Substandard" have a well-defined weakness that jeopardizes the timely full repayment. "Doubtful" refers to a loan with a weakness that makes collection or liquidation in full highly questionable and improbable based on existing conditions and values. We had loans with an amortized cost of $15 million classified as doubtful as of September 30, 2022 and loans with an amortized cost of less than $1 million classified as doubtful as of December 31, 2021.

Loss Mitigation Options for Borrowers Experiencing Financial Difficulty

As part of our loss mitigation activities, we may agree to modify the contractual terms of a loan to a borrower experiencing financial difficulty. In addition to loan modifications, we also provide other loss mitigation options to assist borrowers who experience financial difficulties.

Below we provide disclosures relating to loan restructurings where borrowers were experiencing financial difficulty, including restructurings that resulted in an insignificant payment delay. The disclosures exclude loans classified as held for sale and those for which we have elected the fair value option.

Single-Family Loan Restructurings

We offer several types of restructurings to single-family borrowers that may result in a payment delay, interest rate reduction, term extension, or combination thereof. We do not typically offer principal forgiveness.

We offer the following types of restructurings to single-family borrowers that only result in a payment delay:

- a forbearance plan is a short-term loss mitigation option which grants a period of time (typically 3-month increments) during which the borrower's monthly payment obligations are reduced or suspended. A forbearance plan does not impact our reporting of when a loan is considered past due, which remains based on the contractual terms of the loan. Borrowers may exit a forbearance plan by repaying all past due amounts to fully reinstate the loan, paying off the loan in full, or entering into another loss mitigation option, such as a repayment plan, a payment deferral, or a loan modification. The vast majority of forbearance plans offered since 2020 relate to a COVID-19-related financial hardship where we have authorized our servicers to offer a forbearance plan for up to 18 months for eligible borrowers;
- a repayment plan is a short-term loss mitigation option that allows borrowers a specific period of time to return the loan to current status by paying the regular monthly payment plus additional agreed-upon delinquent amounts (generally for a period up to 12 months and the monthly repayment plan amount must not exceed 150% of the contractual mortgage payment). A repayment plan does not impact our reporting of when a loan is considered past due, which remains based on the contractual terms of the loan. At the end of the repayment plan, the borrower resumes making the regular monthly payment; and

- a payment deferral is a loss mitigation option which defers the repayment of the delinquent principal and interest payments and other eligible default-related amounts that were advanced on behalf of the borrower by converting them into a non-interest-bearing balance due at the earlier of the payoff date, the maturity date, or sale or transfer of the property. The remaining mortgage terms, interest rate, payment schedule, and maturity date remain unchanged, and no trial period is required. The number of months of payments deferred varies based on the types of hardships the borrower is facing.

We also offer single-family borrowers loan modifications, which contractually change the terms of the loan. Our loan modification programs generally require completion of a trial period of three to four months where the borrower makes reduced monthly payments prior to receiving the modification. During the trial period, the mortgage loan is not contractually modified and continues to be reported as past due according to its contractual terms. The reduced payments that are made by the borrower during the trial period will result in a payment delay with respect to the original contractual terms of the loan. After successful completion of the trial period, and the borrower’s execution of a modification agreement, the mortgage loan is contractually modified.

Our loan modifications include the following concessions:

- capitalization of past due amounts, a form of payment delay, which capitalizes interest and other eligible default related amounts that were advanced on behalf of the borrower that are past due into the unpaid principal balance; and
- a term extension, which typically extends the contractual maturity date of the loan to 40 years from the effective date of the modification.

In addition to these concessions, loan modifications may also include an interest rate reduction, which reduces the contractual interest rate of the loan, or a principal forbearance, which is another form of payment delay that includes forbearing repayment of a portion of the principal balance as a non-interest bearing amount that is due at the earlier of the payoff date, the maturity date, or sale or transfer of the property.

Multifamily Loan Restructurings

For multifamily borrowers, loan restructurings include short-term forbearance plans and loan modification programs, which primarily result in term extensions of up to one year with no change to the loan’s interest rate. In certain cases, we may make more significant modifications of terms for borrowers experiencing financial difficulty, such as reducing the interest rate, converting to interest-only payments, extending the maturity for longer than one year, providing principal forbearance, or some combination of these terms.

Restructurings for Borrowers Experiencing Financial Difficulty

The following table displays the amortized cost of HFI mortgage loans that were restructured during the three and nine months ended September 30, 2022, presented by portfolio segment and class of financing receivable.

	For the Three Months Ended September 30, 2022						
	Payment Delay (Only)						
	Forbearance Plan	Payment Deferral	Trial Modification and Repayment Plans	Payment Delay and Term Extension[1]	Payment Delay, Term Extension and Interest Rate Reduction[1]	Total	Percentage of Total by Financing Class[2]
	(Dollars in millions)						
Single-family:							
20- and 30-year or more, amortizing fixed-rate	$ 9,811	$ 3,827	$ 2,869	$ 1,144	$ 2,321	$ 19,972	1 %
15-year or less, amortizing fixed-rate	478	196	129	1	1	805	*
Adjustable-rate	49	22	15	—	3	89	*
Other	173	77	86	25	91	452	1
Total single-family	10,511	4,122	3,099	1,170	2,416	21,318	1
Multifamily	6	—	—	—	18	24	*
Total[3]	$ 10,517	$ 4,122	$ 3,099	$ 1,170	$ 2,434	$ 21,342	1

	For the Nine Months Ended September 30, 2022						
	Payment Delay (Only)						
	Forbearance Plan	Payment Deferral	Trial Modification and Repayment Plans	Payment Delay and Term Extension[1]	Payment Delay, Term Extension and Interest Rate Reduction[1]	Total	Percentage of Total by Financing Class[2]
	(Dollars in millions)						
Single-family:							
20- and 30-year or more, amortizing fixed-rate	$ 13,905	$ 14,705	$ 5,417	$ 2,832	$ 11,247	$ 48,106	2 %
15-year or less, amortizing fixed-rate	697	794	245	2	1	1,739	*
Adjustable-rate	76	83	39	—	26	224	1
Other	289	353	182	109	497	1,430	4
Total single-family	14,967	15,935	5,883	2,943	11,771	51,499	1
Multifamily	187	—	—	—	18	205	*
Total[3]	$ 15,154	$ 15,935	$ 5,883	$ 2,943	$ 11,789	$ 51,704	1

* Represents less than 0.5% of total by financing class.

(1) Represents loans that received a contractual modification.

(2) Based on the amortized cost basis as of period end, divided by the period end amortized cost basis of the corresponding class of financing receivable.

(3) Excludes $205 million and $3.0 billion for the three and nine months ended September 30, 2022, respectively, for loans that received a loss mitigation activity during the period that paid off, repurchased or sold prior to period end. Also excludes loans that liquidated either through foreclosure, deed-in-lieu of foreclosure, or a short sale. Loans may move from one category to another, as a result of the restructuring(s) they received during the period.

Our estimate of future credit losses uses a lifetime methodology, derived from modeled loan performance based on the historical experience of loans with similar risk characteristics, adjusted to reflect current conditions, our current loss mitigation activities and reasonable and supportable forecasts. The credit loss model considers extensive historical loss experience, which would include the impact of the loss mitigation programs that we offer to borrowers experiencing financial difficulty, and also includes the impact of projected loss severities as a result of a loan default. The manner in which these loss mitigation programs are factored into our loss estimates do not vary by portfolio segment.

The following tables summarize the financial impacts of loan modifications and payment deferrals made to single-family HFI loans during the three and nine months ended September 30, 2022, presented by class of financing receivable. We discuss the qualitative impacts of forbearance plans, repayment plans, and trial modifications earlier in this footnote. As a result, those loss mitigation options are excluded from the table below.

	For the Three Months Ended September 30, 2022		
	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in Months)	Average Amount Capitalized as a Result of a Payment Delay[1]
Loan by class of financing receivable[2]:			
20- and 30-year or more, amortizing fixed-rate	1.18 %	179	$ 20,896
15-year or less, amortizing fixed-rate	1.88	45	16,950
Adjustable-rate	1.47	—	22,079
Other	1.66	192	21,042

	For the Nine Months Ended September 30, 2022		
	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in Months)	Average Amount Capitalized as a Result of a Payment Delay[1]
Loan by class of financing receivable[2]:			
20- and 30-year or more, amortizing fixed-rate	1.45 %	179	$ 22,862
15-year or less, amortizing fixed-rate	2.31	52	19,872
Adjustable-rate	0.82	—	23,065
Other	1.82	184	23,776

(1) Represents the average amount of delinquency-related amounts that were capitalized as part of the loan balance. Amounts are in whole dollars.

(2) Excludes the financial effects of modifications for loans that were paid off or otherwise liquidated as of period end.

The following tables display the amortized cost of HFI loans that received a completed modification or payment deferral on or after January 1, 2022, the date we adopted ASU 2022-02, through September 30, 2022 and that defaulted in the period presented. The substantial majority of loans that received a completed modification or a payment deferral during the third quarter of 2022 did not default during the period. For purposes of this disclosure, we define loans that had a payment default as single-family loans with completed modifications that are two or more months delinquent during the period; or multifamily loans with completed modifications that are one or more months delinquent during the period. For loans that receive a forbearance plan, repayment plan or trial modification, these loss mitigation options generally remain in default until the loan is no longer delinquent as a result of the payment of all past-due amounts or as a result of a loan modification or payment deferral. Therefore, forbearance plans, repayment plans and trial modifications are not included in default tables below.

	For the Three Months Ended September 30, 2022			
	Payment Delay as a Result of a Payment Deferral (Only)	Payment Delay and Term Extension	Payment Delay, Term Extension and Interest Rate Reduction	Total
	(Dollars in Millions)			
Single-family:				
20- and 30-year or more, amortizing fixed-rate	$ 766	$ 97	$ 276	$ 1,139
15-year or less, amortizing fixed-rate	26	—	—	26
Adjustable-rate	4	—	2	6
Other	19	4	18	41
Total single-family	815	101	296	1,212
Multifamily	—	—	—	—
Total loans that subsequently defaulted(1)	$ 815	$ 101	$ 296	$ 1,212

	For the Nine Months Ended September 30, 2022			
	Payment Delay as a Result of a Payment Deferral (Only)	Payment Delay and Term Extension	Payment Delay, Term Extension and Interest Rate Reduction	Total
	(Dollars in Millions)			
Single-family:				
20- and 30-year or more, amortizing fixed-rate	$ 1,083	$ 136	$ 343	$ 1,562
15-year or less, amortizing fixed-rate	39	—	—	39
Adjustable-rate	5	—	3	8
Other	29	7	26	62
Total single-family	1,156	143	372	1,671
Multifamily	—	—	—	—
Total loans that subsequently defaulted(1)	$ 1,156	$ 143	$ 372	$ 1,671

(1) Represents amortized cost as of period end. Excludes loans that liquidated either through foreclosure, deed-in-lieu of foreclosure, or a short sale.

The following table displays an aging analysis of HFI mortgage loans that were restructured on or after January 1, 2022, the date we adopted ASU 2022-02, through September 30, 2022, presented by portfolio segment and class of financing receivable. The substantial majority of loans that received a completed modification or a payment deferral during the third quarter of 2022 were not delinquent.

	As of September 30, 2022					
	30-59 Days Delinquent	60-89 Days Delinquent[1]	Seriously Delinquent	Total Delinquent	Current	Total
	(Dollars in millions)					
Single-family:						
20- and 30-year or more, amortizing fixed-rate	$ 3,051	$ 2,202	$ 13,299	$ 18,552	$ 22,262	$ 40,814
15-year or less, amortizing fixed-rate	132	90	553	775	766	1,541
Adjustable-rate	11	9	80	100	99	199
Other	92	51	361	504	732	1,236
Total single-family loans modified	3,286	2,352	14,293	19,931	23,859	43,790
Multifamily	—	—	187	187	18	205
Total loans restructured[2]	$ 3,286	$ 2,352	$ 14,480	$ 20,118	$ 23,877	$ 43,995

(1) Multifamily loans 60-89 days delinquent are included in the seriously delinquent column.

(2) Represents the amortized cost basis as of period end.

Troubled Debt Restructuring Disclosures Prior to Our Adoption of ASU 2022-02

Prior to our adoption of ASU 2022-02, we accounted for a modification to the contractual terms of a loan that resulted in granting a concession to a borrower experiencing financial difficulties as a TDR. In addition to formal loan modifications, we accounted for informal restructurings as a TDR if we deferred more than three missed payments to a borrower experiencing financial difficulty. We also classified bankruptcy relief provided to certain borrowers as TDRs. However, our TDR accounting described herein was suspended for most of our loss mitigation activities through our election to account for certain eligible loss mitigation activities occurring between March 2020 and January 1, 2022 under the COVID-19 relief granted pursuant to the CARES Act and the Consolidated Appropriations Act of 2021. On January 1, 2022, we adopted ASU 2022-02, which eliminated TDR accounting prospectively for all restructurings occurring on or after January 1, 2022. Loans that were restructured in a TDR prior to the adoption of ASU 2022-02 will continue to be accounted for under the historical TDR accounting until the loan is paid off, liquidated or subsequently modified. See “Note 1, Summary of Significant Accounting Policies” in our 2021 Form 10-K for more information on the COVID-19 relief from TDR accounting and disclosure requirements, and “Note 1, Summary of Significant Accounting Policies” in this report for more information on our adoption of ASU 2022-02.

The substantial majority of the loan modifications accounted for as TDRs resulted from a payment delay, term extension, interest rate reduction or a combination thereof. The average term extension of a single-family modified loan was 151 months and the average interest rate reduction was 0.56 percentage points for the three months ended September 30, 2021. During the nine months ended September 30, 2021, the average term extension of a single-family modified loan was 146 months and the average interest rate reduction was 0.57 percentage points.

The following table displays the number of loans and amortized cost of loans classified as a TDR during the period.

	For the Three Months Ended September 30, 2021	
	Number of Loans	Amortized Cost
	(Dollars in millions)	
Single-family:		
20- and 30-year or more, amortizing fixed-rate	2,126	$ 345
15-year or less, amortizing fixed-rate	209	16
Adjustable-rate	18	2
Other	88	8
Total single-family	2,441	371
Multifamily	—	—
Total TDRs	2,441	$ 371

	For the Nine Months Ended September 30, 2021	
	Number of Loans	Amortized Cost
	(Dollars in millions)	
Single-family:		
20- and 30-year or more, amortizing fixed-rate	8,022	$ 1,274
15-year or less, amortizing fixed-rate	886	70
Adjustable-rate	96	14
Other	416	43
Total single-family	9,420	1,401
Multifamily	—	—
Total TDRs	9,420	$ 1,401

For loans that defaulted in the periods presented and that were classified as a TDR in the twelve months prior to the default, the following table displays the number of loans and the amortized cost of these loans at the time of payment default. For purposes of this disclosure, we defined loans that had a payment default as: single-family and multifamily loans with completed modifications that liquidated during the period, either through foreclosure, deed-in-lieu of foreclosure, or a short sale; single-family loans with completed modifications that are two or more months delinquent during the period; or multifamily loans with completed modifications that are one or more months delinquent during the period.

	For the Three Months Ended September 30, 2021	
	Number of Loans	Amortized Cost
	(Dollars in millions)	
Single-family:		
20- and 30-year or more, amortizing fixed-rate	1,782	$ 294
15-year or less, amortizing fixed-rate	133	10
Adjustable-rate	11	1
Other	200	37
Total single-family	2,126	342
Multifamily	—	—
Total TDRs that subsequently defaulted	2,126	$ 342

	For the Nine Months Ended September 30, 2021	
	Number of Loans	Amortized Cost
	(Dollars in millions)	
Single-family:		
20- and 30-year or more, amortizing fixed-rate	5,754	$ 969
15-year or less, amortizing fixed-rate	330	24
Adjustable-rate	26	4
Other	693	128
Total single-family	6,803	1,125
Multifamily	—	—
Total TDRs that subsequently defaulted	6,803	$ 1,125

Nonaccrual Loans

For loans negatively impacted by the COVID-19 pandemic, we continue to recognize interest income for up to six months of delinquency provided that the loan was either current as of March 1, 2020 or originated after March 1, 2020. For single-family loans, we continue to accrue interest income beyond six months of delinquency provided that the collection of principal and interest continues to be reasonably assured. Multifamily loans that are in a forbearance arrangement are placed on nonaccrual status when the borrower is six months past due unless the loan is both well secured and in the process of collection. For single-family and multifamily loans in a forbearance arrangement that are placed on nonaccrual status, cash payments for interest are applied as a reduction of accrued interest receivable until the receivable has been reduced to zero, and then recognized as interest income. For loans that have been negatively impacted by COVID-19, we establish a valuation allowance for expected credit losses on the accrued interest receivable balance applying the process that we have established for both single-family and multifamily loans. The credit expense related to this valuation allowance is classified as a component of the provision for credit losses. Accrued interest receivable is written off when the amount is deemed to be uncollectible. Loans that are in active forbearance plans are not evaluated for write-off. For loans not subject to the COVID-19-related guidance, we have elected not to measure an allowance for credit losses on accrued interest receivable balances as we have a nonaccrual policy to ensure the timely reversal of unpaid accrued interest. See "Note 4, Allowance for Loan Losses" for additional information about our current-period provision for loan losses.

For loans not subject to the COVID-19-related nonaccrual policy we discontinue accruing interest when we believe collectability of principal and interest is not reasonably assured, which for a single-family loan we have determined, based on our historical experience, to be when the loan becomes two months or more past due according to its contractual terms. Single-family and multifamily loans are reported past due if a full payment of principal and interest is not received within one month of its due date.

Interest income previously accrued but not collected is reversed through interest income at the date the loan is placed on nonaccrual status. For single-family loans on nonaccrual status, we recognize income when cash payments are received. We return a non-modified single-family loan to accrual status at the point when the borrower brings the loan current.

As a part of our single-family loss mitigation activities, we restructure loans where the borrower is experiencing financial difficulty. For the purpose of income recognition, we require the borrower to complete a performance period for those loss mitigation arrangements that bring the loan current via the capitalization of the past due principal and interest (i.e., contractual modifications and payment deferrals). In that regard, our contractual modifications generally include a trial period (a performance period of generally 3 to 4 months) that the borrower has to complete before the loan is permanently modified. The loans that receive these contractual modifications are not returned to accrual status until the borrower has successfully made all required payments during the trial period and the modification is made permanent. As payment deferrals do not include a trial period, these restructurings are not returned to accrual status until the borrower has made three consecutive contractual payments. If interest is capitalized pursuant to either a loan modification or a payment deferral, any capitalized interest that had not been previously recognized as interest income is recorded as a discount to the loan and amortized over the life of the loan.

For loans that have not been negatively impacted by COVID-19, we place a multifamily loan on nonaccrual status when the loan becomes two months or more past due according to its contractual terms unless the loan is well secured such that collectability of principal and accrued interest is reasonably assured. For multifamily loans on nonaccrual status, we apply any payment received on a cost recovery basis to reduce principal on the mortgage loan. We return a multifamily loan to accrual status when the borrower cures the delinquency of the loan.

The table below displays the accrued interest receivable written off through the reversal of interest income for nonaccrual loans.

	For the Three Months Ended September 30,	
	2022	**2021**
	(Dollars in millions)	
Accrued interest receivable written off through the reversal of interest income:		
Single-family	**$ 14**	$ 15
Multifamily	**1**	—

	For the Nine Months Ended September 30,	
	2022	**2021**
	(Dollars in millions)	
Accrued interest receivable written off through the reversal of interest income:		
Single-family	**$ 46**	$ 144
Multifamily	**1**	1

The tables below include the amortized cost of and interest income recognized on our HFI single-family and multifamily loans on nonaccrual status by class, excluding loans for which we have elected the fair value option.

	As of			For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2022
	September 30, 2022	June 30, 2022	December 31, 2021		
	Amortized Cost			Total Interest Income Recognized[1]	
	(Dollars in millions)				
Single-family:					
20- and 30-year or more, amortizing fixed-rate	$ 10,121	$ 10,241	$ 17,599	$ 48	$ 175
15-year or less, amortizing fixed-rate	235	245	430	1	3
Adjustable-rate	55	59	107	—	1
Other	591	698	1,101	3	9
Total single-family	11,002	11,243	19,237	52	188
Multifamily	1,231	1,317	1,259	12	25
Total nonaccrual loans	$ 12,233	$ 12,560	$ 20,496	$ 64	$ 213

	As of			For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2021
	September 30, 2021	June 30, 2021	December 31, 2020		
	Amortized Cost			Total Interest Income Recognized[1]	
	(Dollars in millions)				
Single-family:					
20- and 30-year or more, amortizing fixed-rate	$ 20,083	$ 24,728	$ 22,907	$ 67	$ 241
15-year or less, amortizing fixed-rate	491	596	853	1	4
Adjustable-rate	126	179	270	—	1
Other	1,277	1,761	2,475	3	14
Total single-family	21,977	27,264	26,505	71	260
Multifamily	2,253	2,220	2,069	9	24
Total nonaccrual loans	$ 24,230	$ 29,484	$ 28,574	$ 80	$ 284

(1) Interest income recognized includes amortization of any deferred cost basis adjustments while the loan is performing and that is not reversed when the loan is placed on nonaccrual status. For loans negatively impacted by the COVID-19 pandemic, also includes amounts accrued but not collected prior to the loan being placed on nonaccrual status. For single-family, interest income recognized includes payments received on nonaccrual loans held as of period end.

4. Allowance for Loan Losses

We maintain an allowance for loan losses for HFI loans held by Fannie Mae and by consolidated Fannie Mae MBS trusts, excluding loans for which we have elected the fair value option. When calculating our allowance for loan losses, we consider the unpaid principal balance, net of unamortized premiums and discounts, and other cost basis adjustments of HFI loans at the balance sheet date. We record write-offs as a reduction to our allowance for loan losses at the point of foreclosure, completion of a short sale, upon the redesignation of nonperforming and reperforming loans from HFI to HFS or when a loan is determined to be uncollectible.

The following table displays changes in our allowance for single-family loans, multifamily loans and total allowance for loan losses. The benefit or provision for loan losses excludes provision for accrued interest receivable losses, guaranty loss reserves and credit losses on available-for-sale ("AFS") debt securities. Cumulatively, these amounts are recognized as "Benefit (provision) for credit losses" in our condensed consolidated statements of operations and comprehensive income.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
	(Dollars in millions)			
Single-family allowance for loan losses:				
Beginning balance	**$ (5,389)**	$ (6,064)	**$ (4,950)**	$ (9,344)
Benefit (provision) for loan losses	**(2,339)**	839	**(2,869)**	4,003
Write-offs	**289**	51	**564**	271
Recoveries	**(65)**	(133)	**(182)**	(212)
Other	**16**	(8)	**(51)**	(33)
Ending Balance	**$ (7,488)**	$ (5,315)	**$ (7,488)**	$ (5,315)
Multifamily allowance for loan losses:				
Beginning balance	**$ (680)**	$ (1,050)	**$ (679)**	$ (1,208)
Benefit (provision) for loan losses	**(169)**	45	**(153)**	175
Write-offs	**39**	7	**39**	54
Recoveries	**(4)**	(21)	**(21)**	(40)
Ending Balance	**$ (814)**	$ (1,019)	**$ (814)**	$ (1,019)
Total allowance for loan losses:				
Beginning balance	**$ (6,069)**	$ (7,114)	**$ (5,629)**	$ (10,552)
Benefit (provision) for loan losses	**(2,508)**	884	**(3,022)**	4,178
Write-offs	**328**	58	**603**	325
Recoveries	**(69)**	(154)	**(203)**	(252)
Other	**16**	(8)	**(51)**	(33)
Ending Balance	**$ (8,302)**	$ (6,334)	**$ (8,302)**	$ (6,334)

Our benefit or provision for loan losses can vary substantially from period to period based on a number of factors, such as changes in actual and forecasted home prices or property valuations, fluctuations in actual and forecasted interest rates, borrower payment behavior, events such as natural disasters or pandemics, the type, volume and effectiveness of our loss mitigation activities, including forbearances and loan modifications, the volume of foreclosures completed, and the volume and pricing of loans redesignated from HFI to HFS. Our benefit or provision can also be impacted by updates to the models, assumptions, and data used in determining our allowance for loan losses.

In recent periods, changes in actual and projected interest rates have been a meaningful driver of our benefit or provision for loan losses as these changes drive prepayment speeds and impact the measurement of the economic concessions granted to borrowers on modified loans. Pursuant to our adoption of ASU 2022-02 on January 1, 2022, we prospectively discontinued TDR accounting and no longer measure the economic concession for restructurings occurring on or after the adoption date. This accounting also results in the elimination of any existing economic concession related to a loan that was previously designated as a TDR if such loan is restructured on or after January 1, 2022. See "Note 1, Summary of Significant Accounting Policies—New Accounting Guidance" for more information about our adoption of ASU 2022-02.

Our single-family provision for loan losses for the three months ended September 30, 2022 was primarily driven by a provision from actual and forecasted home prices. Actual home prices declined slightly on a national basis in the third quarter of 2022. In addition, our home price forecast worsened compared with the second quarter of 2022. While our second quarter 2022 home price forecast estimated home price growth in the second half of 2022 and in 2023, our current home price forecast estimates additional home price declines in the fourth quarter of 2022 and throughout 2023. Lower home prices increase the likelihood that loans will default and increase the amount of credit loss on loans that do default, which increases our estimate of losses and ultimately increases our loss reserves and provision for loan losses.

The largest drivers of our single-family provision for loan losses for the nine months ended September 30, 2022 were:

- Provision from actual and forecasted home prices in the third quarter of 2022 discussed above was the largest driver of our single-family provision for loan losses for the first nine months of 2022. The impact of this home-price related provision in the third quarter of 2022 was partially offset by a benefit from actual and expected home price growth in each of the first and second quarters of 2022. During the first half of the year, our forecasted home prices were positive for the second half of 2022 through 2023. In addition, we observed strong actual home price growth through the second quarter of 2022.
- Provision from higher actual and projected interest rates as of September 30, 2022 compared with December 31, 2021. As mortgage rates increase, we expect a decrease in future prepayments on single-family loans, including modified loans accounted for as TDRs. Lower expected prepayments extend the expected lives of these TDR loans, which increases the expected impairment relating to economic concessions provided on them, resulting in a provision for loan losses.
- Provision from changes in loan activity, which includes provision on newly acquired loans. Throughout the first nine months of 2022, refinance loan volumes have continued to decline and purchase loans have increased as a percentage of acquisitions compared to the first nine months of 2021. As we shift to more purchase loans, the credit profile of our acquisitions weakens as purchase loans generally have higher origination LTV ratios than refinance loans. This drove a higher estimated risk of default and loss severity in the allowance and therefore a higher loan loss provision for those loans at the time of acquisition. In addition, for the third quarter of 2022, our loan loss provision also increased as our more negative home price forecast impacted our estimate of losses on newly acquired loans.

The primary factors that contributed to our single-family benefit for loan losses for the three months ended September 30, 2021 were:

- Benefit from actual and forecasted home price growth. For the three months ended September 30, 2021, actual home price growth continued to be strong. We also increased our expectations for home price growth on a national basis for full-year 2021.
- Benefit from changes in assumptions regarding COVID-19 forbearance and loan delinquencies. For the three months ended September 30, 2021, the benefit was driven by the removal of the remaining non-modeled adjustment related to COVID-19 as discussed below.

The primary factors that contributed to our single-family benefit for loan losses for the nine months ended September 30, 2021 were:

- Benefit from actual and forecasted home price growth which was robust throughout 2021.
- Benefit from the redesignation of certain nonperforming and reperforming single-family loans from HFI to HFS. We redesignated certain nonperforming and reperforming single-family loans from HFI to HFS, as we no longer intended to hold them for the foreseeable future or to maturity. Upon redesignation of these loans, we recorded the loans at the lower of cost or fair value with a write-off against the allowance for loan losses. Amounts recorded in the allowance related to these loans exceeded the amounts written off, resulting in a net benefit for loan losses.
- Benefit from changes in assumptions regarding COVID-19 forbearance and loan delinquencies. During the first and second quarters of 2021, management used its judgment to supplement the loss projections developed by our credit loss model to account for uncertainty arising from the COVID-19 pandemic that was not represented in historical data or otherwise captured by our credit model. As of September 30, 2021, management removed the remaining non-modeled adjustment as the effects of the economic stimulus, the vaccine rollout, and the effectiveness of COVID-19-related loss mitigation strategies became much less uncertain. Specifically, the decrease in uncertainty as of September 30, 2021 compared with the end of 2020 was primarily driven by the passage of the American Rescue Plan Act of 2021 and the broad implementation of the COVID-19 vaccination program in the United States, which contributed to a significant increase in business activity and helped support continued economic growth. There was also a steady decline in the number of borrowers in a COVID-19-

related forbearance, lessening expectations of loan losses. Additionally, we believed the array of possible future economic environments included in our credit model, which captured scenarios that may be remote, combined with data consumed over the course of the COVID-19 pandemic removed the need to continue to supplement modeled results.

The impact of these factors was partially offset by a provision for higher actual and projected interest rates, which reduced our single-family benefit for loan losses recognized for the nine months ended September 30, 2021. Actual and projected interest rates were higher as of September 30, 2021 compared with December 31, 2020.

The increase in single-family write-offs for the three and nine months ended September 30, 2022 compared with the three and nine months ended September 30, 2021 was primarily driven by higher lower-of-cost-or-market adjustments at the time of loan redesignation due to price declines on our HFS loans as interest rates rose. In addition, we had higher write-offs on single-family loans that went to foreclosure for the three and nine months ended September 30, 2022 due to increased foreclosure activity as well as a decrease in the estimated proceeds from sales of REO as a result of the recent decline in home prices.

The largest driver of our multifamily provision for loan losses for the three and nine months ended September 30, 2022, was a provision for higher actual and projected interest rates. Rising interest rates may reduce the ability of multifamily borrowers to refinance their loans, which often have balloon balances at maturity, increasing our provision for loan losses. Additionally, rising interest rates also increase the chance that multifamily borrowers with adjustable-rate mortgages may default due to higher payments if the property net operating income is not increasing at a similar rate.

The primary factors that contributed to our multifamily benefit for loan losses for the three and nine months ended September 30, 2021 were:

- Benefit from actual and projected economic data. For the three and nine months ended September 30, 2021, property value forecasts increased due to continued demand for multifamily housing. In addition, improved job growth led to an increase in projected average property net operating income, which reduced the probability of loan defaults resulting in a benefit for loan losses for the quarter and year-to-date.
- Benefit from lower expected loan losses as a result of the COVID-19 pandemic. Similar to our single-family benefit for loan losses described above, for the first and second quarters of 2021 management used its judgment to supplement the loss projections developed by our credit loss model to account for uncertainty arising from the COVID-19 pandemic. As of September 30, 2021, management removed the remaining non-modeled adjustment as the effects of the economic stimulus, the vaccine rollout, and the effectiveness of COVID-19-related loss mitigation strategies were less uncertain.

5. Investments in Securities

Trading Securities

Trading securities are recorded at fair value with subsequent changes in fair value recorded in “Fair value gains (losses), net” in our condensed consolidated statements of operations and comprehensive income. The following table displays our investments in trading securities.

	As of	
	September 30, 2022	**December 31, 2021**
	(Dollars in millions)	
Mortgage-related securities (includes $446 million and $593 million, respectively, related to consolidated trusts)	**$ 3,551**	$ 4,606
Non-mortgage-related securities[1]	**54,702**	83,600
Total trading securities	**$ 58,253**	$ 88,206

[1] Primarily includes U.S. Treasury securities.

The following table displays information about our net trading gains (losses).

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in millions)			
Net trading gains (losses)	**$ (1,319)**	$ (129)	**$ (3,754)**	$ (726)
Net trading gains (losses) recognized in the period related to securities still held at period end	**(1,064)**	(124)	**(3,157)**	(702)

Available-for-Sale Securities

We record AFS securities at fair value with unrealized gains and losses, recorded net of tax, as a component of "Other comprehensive loss" and we recognize realized gains and losses from the sale of AFS securities in "Investment gains (losses), net" in our condensed consolidated statements of operations and comprehensive income. We define the amortized cost basis of our AFS securities as unpaid principal balance, net of unamortized premiums and discounts, and other cost basis adjustments. We record an allowance for credit losses for AFS securities that reflects the impairment for credit losses, which are limited to the amount that fair value is less than the amortized cost. Impairment due to non-credit losses are recorded as unrealized losses within "Other comprehensive loss."

The following tables display the amortized cost, allowance for credit losses, gross unrealized gains and losses in accumulated other comprehensive income (loss) ("AOCI"), and fair value by major security type for AFS securities.

	As of September 30, 2022				
	Total Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains in AOCI	Gross Unrealized Losses in AOCI	Total Fair Value
	(Dollars in millions)				
Agency securities[1]	$ 459	$ —	$ 10	$ (16)	$ 453
Other mortgage-related securities[2]	285	(3)	7	(1)	288
Total	$ 744	$ (3)	$ 17	$ (17)	$ 741

	As of December 31, 2021				
	Total Amortized Cost	Allowance for Credit Losses[3]	Gross Unrealized Gains in AOCI	Gross Unrealized Losses in AOCI	Total Fair Value
	(Dollars in millions)				
Agency securities[1]	$ 504	$ —	$ 14	$ (11)	$ 507
Other mortgage-related securities	323	—	10	(3)	330
Total	$ 827	$ —	$ 24	$ (14)	$ 837

(1) Agency securities consist of securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae.

(2) As of September 30, 2022, substantially all of our non-agency mortgage-related securities were in an unrealized gain position.

(3) Total allowance for credit losses was less than $0.5 million as of December 31, 2021.

Our Fannie Mae and other agency AFS securities consist of securities issued by us, Freddie Mac, or Ginnie Mae. The principal and interest on these securities are guaranteed by the issuing agency. We believe that the guaranty provided by the issuing agency, the support provided to the agencies by the U.S. government, the importance of the agencies to the liquidity and stability in the secondary mortgage market, and the long history of zero credit losses on agency mortgage-related securities are all indicators that there are currently no credit losses on these securities, even if the security is in an unrealized loss position. In addition, we generally hold these securities that are in an unrealized loss position to recovery. As a result, unless we intend to sell the security, we do not recognize an allowance for credit losses on agency mortgage-related securities.

The following table displays additional information regarding gross unrealized losses and fair value by major security type for AFS securities in an unrealized loss position, excluding allowance for credit losses.

	As of							
	September 30, 2022				December 31, 2021			
	Less Than 12 Consecutive Months		12 Consecutive Months or Longer		Less Than 12 Consecutive Months		12 Consecutive Months or Longer	
	Gross Unrealized Losses in AOCI	Fair Value	Gross Unrealized Losses in AOCI	Fair Value	Gross Unrealized Losses in AOCI	Fair Value	Gross Unrealized Losses in AOCI	Fair Value
	(Dollars in millions)							
Agency securities	**$ —**	**$ —**	**$ (16)**	**$ 161**	$ (5)	$ 225	$ (6)	$ 102
Other mortgage-related securities	**(1)**	**11**	**—**	**—**	(3)	3	—	—
Total	**$ (1)**	**$ 11**	**$ (16)**	**$ 161**	$ (8)	$ 228	$ (6)	$ 102

The following table displays the gross realized gains (losses) and proceeds on sales of AFS securities.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in millions)			
Gross realized gains	**$ —**	$ —	**$ —**	$ 59
Total proceeds (excludes initial sale of securities from new portfolio securitizations)	**—**	—	**—**	582

The following table displays net unrealized gains and losses on AFS securities and other amounts recorded within our accumulated other comprehensive income, net of tax.

	As of	
	September 30, 2022	December 31, 2021
	(Dollars in millions)	
Net unrealized gains (losses) on AFS securities for which we have not recorded an allowance for credit losses	**$ (1)**	$ 9
Net unrealized losses on AFS securities for which we have recorded an allowance for credit losses	**—**	(2)
Other	**25**	31
Accumulated other comprehensive income	**$ 24**	$ 38

Maturity Information

The following table displays the amortized cost and fair value of our AFS securities by major security type and remaining contractual maturity, assuming no principal prepayments. The contractual maturity of mortgage-backed securities is not a reliable indicator of their expected life because borrowers generally have the right to prepay their obligations at any time.

	As of September 30, 2022									
			One Year or Less		After One Year Through Five Years		After Five Years Through Ten Years		After Ten Years	
	Total Carrying Amount[(1)]	Total Fair Value	Net Carrying Amount[(1)]	Fair Value	Net Carrying Amount[(1)]	Fair Value	Net Carrying Amount[(1)]	Fair Value	Net Carrying Amount[(1)]	Fair Value
	(Dollars in millions)									
Agency securities	$ 459	$ 453	$ —	$ —	$ 4	$ 4	$ 13	$ 13	$ 442	$ 436
Other mortgage-related securities	282	288	3	3	18	18	14	15	247	252
Total	$ 741	$ 741	$ 3	$ 3	$ 22	$ 22	$ 27	$ 28	$ 689	$ 688

(1) Net carrying amount consists of amortized cost, net of allowance for credit losses on AFS debt securities but does not include any unrealized fair value gains or losses.

6. Financial Guarantees

We recognize a guaranty obligation for our obligation to stand ready to perform on our guarantees to unconsolidated trusts and other guaranty arrangements. These off-balance sheet guarantees expose us to credit losses primarily relating to the unpaid principal balance of our unconsolidated Fannie Mae MBS and other financial guarantees. The maximum remaining contractual term of our guarantees is 30 years; however, the actual term of each guaranty may be significantly less than the contractual term based on the prepayment characteristics of the related mortgage loans. We measure our guaranty reserve for estimated credit losses for off-balance sheet exposures over the contractual period for which they are exposed to the credit risk, unless that obligation is unconditionally cancellable by the issuer.

As the guarantor of structured securities backed in whole or in part by Freddie Mac-issued securities, we extend our guaranty to the underlying Freddie Mac securities in our resecuritization trusts. However, Freddie Mac continues to guarantee the payment of principal and interest on the underlying Freddie Mac securities that we have resecuritized. When we began issuing UMBS, we entered into an indemnification agreement under which Freddie Mac agreed to indemnify us for losses caused by its failure to meet its payment or other specified obligations under the trust agreements pursuant to which the underlying resecuritized securities were issued. As a result, and due to the funding commitment available to Freddie Mac through its senior preferred stock purchase agreement with Treasury, we have concluded that the associated credit risk is negligible. Accordingly, we exclude from the following table Freddie Mac securities backing unconsolidated Fannie Mae-issued structured securities of approximately $239.9 billion and $212.3 billion as of September 30, 2022 and December 31, 2021, respectively.

The following table displays our off-balance sheet maximum exposure, guaranty obligation recognized in our condensed consolidated balance sheets and the potential maximum recovery from third parties through available credit enhancements and recourse related to our financial guarantees.

	As of					
	September 30, 2022			December 31, 2021		
	Maximum Exposure	Guaranty Obligation	Maximum Recovery[(1)]	Maximum Exposure	Guaranty Obligation	Maximum Recovery[(1)]
	(Dollars in millions)					
Unconsolidated Fannie Mae MBS	**$ 3,262**	**$ 16**	**$ 3,176**	$ 3,733	$ 16	$ 3,626
Other guaranty arrangements[(2)]	**9,734**	**85**	**2,051**	10,423	85	2,117
Total	**$ 12,996**	**$ 101**	**$ 5,227**	$ 14,156	$ 101	$ 5,743

(1) Recoverability of such credit enhancements and recourse is subject to, among other factors, the ability of our mortgage insurers and the U.S. government, as a financial guarantor, to meet their obligations to us. For information on our mortgage insurers, “Note 10, Concentrations of Credit Risk.”

(2) Primarily consists of credit enhancements and long-term standby commitments.

7. Short-Term and Long-Term Debt

Short-Term Debt

The following table displays our outstanding short-term debt (debt with an original contractual maturity of one year or less) and weighted-average interest rates of this debt.

	As of			
	September 30, 2022		December 31, 2021	
	Outstanding	Weighted- Average Interest Rate[1]	Outstanding	Weighted- Average Interest Rate[1]
	(Dollars in millions)			
Short-term debt of Fannie Mae	**$ 2,989**	**2.63 %**	$ 2,795	0.03 %

[1] Includes the effects of discounts, premiums and other cost basis adjustments.

Long-Term Debt

Long-term debt represents debt with an original contractual maturity of greater than one year. The following table displays our outstanding long-term debt.

	As of					
	September 30, 2022			December 31, 2021		
	Maturities	Outstanding[1]	Weighted-Average Interest Rate[2]	Maturities	Outstanding[1]	Weighted-Average Interest Rate[2]
	(Dollars in millions)					
Senior fixed:						
Benchmark notes and bonds	2022 - 2030	**$ 74,191**	**2.40 %**	2022 - 2030	$ 89,618	2.13 %
Medium-term notes[3]	2022 - 2031	**38,638**	**0.70**	2022 - 2031	38,312	0.60
Other[4]	2023 - 2038	**6,749**	**4.06**	2023 - 2038	7,045	3.73
Total senior fixed		**119,578**	**1.96**		134,975	1.78
Senior floating:						
Medium-term notes[3]	N/A	**—**	**—**	2022	51,583	0.32
Connecticut Avenue Securities[5]	2023 - 2031	**6,955**	**7.22**	2023 - 2031	11,166	4.30
Other[6]	2037	**254**	**9.26**	2037	373	7.17
Total senior floating		**7,209**	**7.29**		63,122	1.05
Total long-term debt of Fannie Mae[7]		**126,787**	**2.25**		198,097	1.55
Debt of consolidated trusts	2022 - 2061	**4,078,038**	**2.29**	2022 - 2061	3,957,299	1.89
Total long-term debt		**$ 4,204,825**	**2.29 %**		$ 4,155,396	1.88 %

[1] Outstanding debt balance consists of the unpaid principal balance, premiums and discounts, fair value adjustments, hedge-related basis adjustments, and other cost basis adjustments.

[2] Excludes the effects of fair value adjustments and hedge-related basis adjustments.

[3] Includes long-term debt with an original contractual maturity of greater than 1 year and up to 10 years, excluding zero-coupon debt.

[4] Includes other long-term debt with an original contractual maturity of greater than 10 years and foreign exchange bonds.

[5] Consists of CAS debt issued prior to November 2018, a portion of which is reported at fair value. See "Note 2, Consolidations and Transfers of Financial Assets" in our 2021 Form 10-K for more information about our CAS structures issued beginning November 2018.

[6] Consists of structured debt instruments that are reported at fair value.

[7] Includes unamortized discounts and premiums, fair value adjustments, hedge-related cost basis adjustments, and other cost basis adjustments in a net discount position of $5.1 billion and $1.6 billion as of September 30, 2022 and December 31, 2021, respectively.

8. Derivative Instruments

Derivative instruments are an integral part of our strategy in managing interest-rate risk. Derivative instruments may be privately-negotiated, bilateral contracts or they may be listed and traded on an exchange. We refer to our derivative transactions made pursuant to bilateral contracts as our over-the-counter ("OTC") derivative transactions and our derivative transactions accepted for clearing by a derivatives clearing organization as our cleared derivative transactions. We typically do not settle the notional amount of our risk management derivatives; rather, notional amounts provide the basis for calculating actual payments or settlement amounts. The derivative contracts we use for interest-rate risk management purposes consist primarily of interest-rate swaps and interest-rate options. See "Note 8, Derivative Instruments" in our 2021 Form 10-K for additional information on interest-rate risk management.

We account for certain forms of credit risk transfer transactions as derivatives. In our credit risk transfer transactions, a portion of the credit risk associated with losses on a reference pool of mortgage loans is transferred to a third party. We enter into derivative transactions that are associated with some of our credit risk transfer transactions, whereby we manage investment risk to guarantee that certain unconsolidated VIEs have sufficient cash flows to pay their contractual obligations.

We enter into forward purchase and sale commitments that lock in the future delivery of mortgage loans and mortgage-related securities at a fixed price or yield. Certain commitments to purchase mortgage loans and purchase or sell mortgage-related securities meet the criteria of a derivative. We typically settle the notional amount of our mortgage commitments that are accounted for as derivatives.

We recognize all derivatives as either assets or liabilities in our condensed consolidated balance sheets at their fair value on a trade date basis. Fair value amounts, which are (1) netted to the extent a legal right of offset exists and is enforceable by law at the counterparty level and (2) inclusive of the right or obligation associated with the cash collateral posted or received, are recorded in "Other assets" or "Other liabilities" in our condensed consolidated balance sheets. See "Note 12, Fair Value" for additional information on derivatives recorded at fair value. We present cash flows from derivatives as operating activities in our condensed consolidated statements of cash flows.

Fair Value Hedge Accounting

As discussed in "Note 1, Summary of Significant Accounting Policies" in our 2021 Form 10-K, we implemented a fair value hedge accounting program in January 2021. Pursuant to this program, we may designate certain interest-rate swaps as hedging instruments in hedges of the change in fair value attributable to the designated benchmark interest rate for certain closed pools of fixed-rate, single-family mortgage loans or our funding debt. For hedged items in qualifying fair value hedging relationships, changes in fair value attributable to the designated risk are recognized as a basis adjustment to the hedged item. We also report changes in the fair value of the derivative hedging instrument in the same condensed consolidated statements of operations and comprehensive income line item used to recognize the earnings effect of the hedged item's basis adjustment. The objective of our fair value hedges is to reduce GAAP earnings volatility related to changes in benchmark interest rates.

Notional and Fair Value Position of our Derivatives

The following table displays the notional amount and estimated fair value of our asset and liability derivative instruments, including derivative instruments designated as hedges.

	As of September 30, 2022			As of December 31, 2021		
		Estimated Fair Value			Estimated Fair Value	
	Notional Amount	Asset Derivatives	Liability Derivatives	Notional Amount	Asset Derivatives	Liability Derivatives
	(Dollars in millions)					
Risk management derivatives designated as hedging instruments:						
Swaps:(1)						
Pay-fixed	**$ 6,221**	**$ —**	**$ —**	$ 4,347	$ —	$ —
Receive-fixed	**35,926**	**—**	**—**	40,686	—	—
Total risk management derivatives designated as hedging instruments	**42,147**	**—**	**—**	45,033	—	—
Risk management derivatives not designated as hedging instruments:						
Swaps:(1)						
Pay-fixed	**89,832**	**—**	**—**	56,817	—	—
Receive-fixed	**93,469**	**—**	**(4,683)**	56,874	—	(1,131)
Basis	**41,250**	**31**	**—**	250	152	—
Foreign currency	**277**	**—**	**(130)**	336	25	(34)
Swaptions:(1)						
Pay-fixed	**5,286**	**203**	**(20)**	4,341	52	(2)
Receive-fixed	**2,136**	**5**	**(44)**	1,091	10	(21)
Total risk management derivatives not designated as hedging instruments	**232,250**	**239**	**(4,877)**	119,709	239	(1,188)
Netting adjustment(2)	**—**	**(163)**	**4,833**	—	(237)	1,173
Total risk management derivatives portfolio	**274,397**	**76**	**(44)**	164,742	2	(15)
Mortgage commitment derivatives:						
Mortgage commitments to purchase whole loans	**5,774**	**4**	**(78)**	13,192	17	(5)
Forward contracts to purchase mortgage-related securities	**43,304**	**5**	**(732)**	58,021	83	(34)
Forward contracts to sell mortgage-related securities	**61,444**	**411**	**(4)**	111,173	69	(158)
Total mortgage commitment derivatives	**110,522**	**420**	**(814)**	182,386	169	(197)
Credit enhancement derivatives	**24,456**	**2**	**(65)**	19,256	—	(21)
Derivatives at fair value	**$ 409,375**	**$ 498**	**$ (923)**	$ 366,384	$ 171	$ (233)

(1) Centrally cleared derivatives have no ascribable fair value because the positions are settled daily.

(2) The netting adjustment represents the effect of the legal right to offset under legally enforceable master netting arrangements to settle with the same counterparty on a net basis, including cash collateral posted and received. Cash collateral posted was $4.7 billion and $966 million as of September 30, 2022 and December 31, 2021, respectively. Cash collateral received was $8 million and $30 million as of September 30, 2022 and December 31, 2021, respectively.

We record all gains and losses, including accrued interest, on derivatives while they are not in a qualifying designated hedging relationship in “Fair value gains (losses), net” in our condensed consolidated statements of operations and comprehensive income. The following table displays, by type of derivative instrument, the fair value gains and losses, net on our derivatives.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in millions)			
Risk management derivatives:				
Swaps:				
Pay-fixed	**$ 2,510**	$ 343	**$ 5,809**	$ 1,855
Receive-fixed	**(1,903)**	(209)	**(5,269)**	(1,307)
Basis	**5**	(12)	**(126)**	(39)
Foreign currency	**(62)**	(19)	**(122)**	(23)
Swaptions:				
Pay-fixed	**43**	6	**141**	55
Receive-fixed	**(6)**	(14)	**(19)**	(223)
Futures	**—**	—	**(1)**	1
Net contractual interest expense on interest-rate swaps	**(63)**	(2)	**(102)**	(6)
Total risk management derivatives fair value gains, net	**524**	93	**311**	313
Mortgage commitment derivatives fair value gains (losses), net	**517**	(25)	**2,933**	504
Credit enhancement derivatives fair value losses, net	**(32)**	(55)	**(83)**	(163)
Total derivatives fair value gains, net	**$ 1,009**	$ 13	**$ 3,161**	$ 654

Effect of Fair Value Hedge Accounting

The following table displays the effect of fair value hedge accounting on our condensed consolidated statements of operations and comprehensive income, including gains and losses recognized on fair value hedging relationships.

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2022		2021		2022		2021	
	Interest Income: Mortgage Loans	Interest Expense: Long-Term Debt	Interest Income: Mortgage Loans	Interest Expense: Long-Term Debt	Interest Income: Mortgage Loans	Interest Expense: Long-Term Debt	Interest Income: Mortgage Loans	Interest Expense: Long-Term Debt
	(Dollars in millions)							
Total amounts presented in our condensed consolidated statements of operations and comprehensive income	**$ 30,114**	**$ (23,709)**	$ 24,798	$ (18,009)	**$ 86,338**	**$ (65,291)**	$ 73,083	$ (51,646)
Gains (losses) from fair value hedging relationships:								
Mortgage loans HFI and related interest-rate contracts:								
Hedged items	**$ (285)**	**$ —**	$ (1)	$ —	**$ (867)**	**$ —**	$ 69	$ —
Discontinued hedge related basis adjustment amortization	**9**	**—**	(3)	—	**14**	**—**	(3)	—
Derivatives designated as hedging instruments	**269**	**—**	(1)	—	**833**	**—**	(71)	—
Interest accruals on hedging instruments	**7**	**—**	(4)	—	**(10)**	**—**	(9)	—
Debt of Fannie Mae and related interest-rate contracts:								
Hedged items	**—**	**1,477**	—	195	**—**	**3,848**	—	1,000
Discontinued hedge-related basis adjustment amortization	**—**	**(145)**	—	(20)	**—**	**(329)**	—	(54)
Derivatives designated as hedging instruments	**—**	**(1,289)**	—	(191)	**—**	**(3,381)**	—	(982)
Interest accruals on derivative hedging instruments	**—**	**(108)**	—	65	**—**	**(54)**	—	178
Total effect of fair value hedges	**$ —**	**$ (65)**	$ (9)	$ 49	**$ (30)**	**$ 84**	$ (14)	$ 142

Hedged Items in Fair Value Hedging Relationships

The following table displays the carrying amounts of the hedged items that have been in qualifying fair value hedges recorded in our condensed consolidated balance sheets, including the hedged item's cumulative basis adjustments and the closed portfolio balances under the last-of-layer method. The hedged item carrying amounts and total basis adjustments include both open and discontinued hedges. The amortized cost and designated UPB consists only of open hedges as of September 30, 2022 and December 31, 2021.

	As of September 30, 2022				
		Cumulative Amount of Fair Value Hedging Basis Adjustments Included in the Carrying Amount		Closed Portfolio of Mortgage Loans Under Last-of-Layer Method	
	Carrying Amount Assets (Liabilities)	Total Basis Adjustments[1][2]	Remaining Adjustments - Discontinued Hedge	Total Amortized Cost	Designated UPB
	(Dollars in millions)				
Mortgage loans HFI	$ 253,002	$ (719)	$ (719)	$ 59,031	$ 5,595
Debt of Fannie Mae	(73,711)	4,777	4,777	N/A	N/A

	As of December 31, 2021				
		Cumulative Amount of Fair Value Hedging Basis Adjustments Included in the Carrying Amount		Closed Portfolio of Mortgage Loans Under Last-of-Layer Method	
	Carrying Amount Assets (Liabilities)	Total Basis Adjustments[1][2]	Remaining Adjustments - Discontinued Hedge	Total Amortized Cost	Designated UPB
	(Dollars in millions)				
Mortgage loans HFI	$ 174,080	$ 134	$ 134	$ 56,786	$ 4,389
Debt of Fannie Mae	(72,174)	1,281	1,281	N/A	N/A

(1) No basis adjustment associated with open hedges, as all hedges are designated at the close of business with a one-day term.

(2) Based on the unamortized balance of the hedge-related cost basis.

Derivative Counterparty Credit Exposure

Our derivative counterparty credit exposure relates principally to interest-rate derivative contracts. We are exposed to the risk that a counterparty in a derivative transaction will default on payments due to us, which may require us to seek a replacement derivative from a different counterparty. This replacement may be at a higher cost, or we may be unable to find a suitable replacement. We manage our derivative counterparty credit exposure relating to our risk management derivative transactions mainly through enforceable master netting arrangements, which allow us to net derivative assets and liabilities with the same counterparty or clearing organization and clearing member. For our OTC derivative transactions, we require counterparties to post collateral, which may include cash, U.S. Treasury securities, agency debt and agency mortgage-related securities.

See “Note 11, Netting Arrangements” for information on our rights to offset assets and liabilities as of September 30, 2022 and December 31, 2021.

9. Segment Reporting

We have two reportable business segments, which are based on the type of business activities each perform: Single-Family and Multifamily. Results of our two business segments are intended to reflect each segment as if it were a stand-alone business. The sum of the results for our two business segments equals our condensed consolidated results of operations. For additional information related to our business segments, including basis of organization and other segment activities, see "Note 10, Segment Reporting" in our 2021 Form 10-K.

Segment Allocations and Results

The majority of our revenues and expenses are directly associated with each respective business segment and are included in determining its operating results. Those revenues and expenses that are not directly attributable to a particular business segment are allocated based on the size of each segment's guaranty book of business. The substantial majority of the gains and losses associated with our risk management derivatives, including the impact of hedge accounting, are allocated to our Single-Family business segment.

The following table displays our segment results.

	For the Three Months Ended September 30,					
	2022			2021		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
	(Dollars in millions)					
Net interest income[1]	**$ 5,918**	**$ 1,206**	**$ 7,124**	$ 5,870	$ 1,102	$ 6,972
Fee and other income[2]	**83**	**22**	**105**	86	25	111
Net revenues	**6,001**	**1,228**	**7,229**	5,956	1,127	7,083
Investment gains (losses), net[3]	**(178)**	**6**	**(172)**	222	21	243
Fair value gains (losses), net[4]	**309**	**(17)**	**292**	(31)	14	(17)
Administrative expenses	**(730)**	**(140)**	**(870)**	(620)	(125)	(745)
Credit-related income (expense):[5]						
Benefit (provision) for credit losses	**(2,361)**	**(175)**	**(2,536)**	887	50	937
Foreclosed property income (expense)	**(6)**	**21**	**15**	(80)	11	(69)
Total credit-related income (expense)	**(2,367)**	**(154)**	**(2,521)**	807	61	868
TCCA fees[6]	**(850)**	**—**	**(850)**	(781)	—	(781)
Credit enhancement expense[7]	**(298)**	**(66)**	**(364)**	(174)	(59)	(233)
Change in expected credit enhancement recoveries[8]	**245**	**45**	**290**	(28)	(14)	(42)
Other expenses, net	**(159)**	**(10)**	**(169)**	(261)	(7)	(268)
Income before federal income taxes	**1,973**	**892**	**2,865**	5,090	1,018	6,108
Provision for federal income taxes	**(276)**	**(153)**	**(429)**	(1,065)	(201)	(1,266)
Net income	**$ 1,697**	**$ 739**	**$ 2,436**	$ 4,025	$ 817	$ 4,842

	For the Nine Months Ended September 30,					
	2022			2021		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
	(Dollars in millions)					
Net interest income[1]	**$ 18,746**	**$ 3,585**	**$ 22,331**	$ 19,087	$ 2,913	$ 22,000
Fee and other income[2]	**204**	**65**	**269**	228	73	301
Net revenues	**18,950**	**3,650**	**22,600**	19,315	2,986	22,301
Investment gains (losses), net[3]	**(271)**	**(52)**	**(323)**	944	(10)	934
Fair value gains (losses), net[4]	**1,379**	**(78)**	**1,301**	323	(2)	321
Administrative expenses	**(2,084)**	**(389)**	**(2,473)**	(1,862)	(377)	(2,239)
Credit-related income (expense):[5]						
Benefit (provision) for credit losses	**(2,837)**	**(157)**	**(2,994)**	4,102	188	4,290
Foreclosed property income (expense)	**3**	**18**	**21**	(91)	(14)	(105)
Total credit-related income (expense)	**(2,834)**	**(139)**	**(2,973)**	4,011	174	4,185
TCCA fees[6]	**(2,515)**	**—**	**(2,515)**	(2,270)	—	(2,270)
Credit enhancement expense[7]	**(778)**	**(196)**	**(974)**	(619)	(172)	(791)
Change in expected credit enhancement recoveries[8]	**271**	**32**	**303**	(101)	(16)	(117)
Other expenses, net	**(556)**	**(77)**	**(633)**	(863)	(4)	(867)
Income before federal income taxes	**11,562**	**2,751**	**14,313**	18,878	2,579	21,457
Provision for federal income taxes	**(2,270)**	**(546)**	**(2,816)**	(3,952)	(518)	(4,470)
Net income	**$ 9,292**	**$ 2,205**	**$ 11,497**	$ 14,926	$ 2,061	$ 16,987

(1) Net interest income primarily consists of guaranty fees received as compensation for assuming and managing the credit risk on loans underlying Fannie Mae MBS held by third parties for the respective business segment, and the difference between the interest income earned on the respective business segment's mortgage assets in our retained mortgage portfolio and the interest expense associated with the debt funding those assets. Revenues from single-family guaranty fees include revenues generated by the 10 basis point increase in guaranty fees pursuant to the TCCA, the incremental revenue from which is remitted to Treasury and not retained by us. Also includes yield maintenance revenue we recognized on the prepayment of multifamily loans.

(2) Single-family fee and other income primarily consists of compensation for engaging in structured transactions and providing other lender services. Multifamily fee and other income consists of fees associated with Multifamily business activities, including credit enhancements for tax-exempt multifamily housing revenue bonds.

(3) Single-family investment gains and losses primarily consist of gains and losses on the sale of mortgage assets. Multifamily investment gains and losses primarily consist of gains and losses on resecuritization activity.

(4) Single-family fair value gains and losses primarily consist of fair value gains and losses on risk management and mortgage commitment derivatives, trading securities, fair value option debt, and other financial instruments associated with our single-family guaranty book of business. Multifamily fair value gains and losses primarily consist of fair value gains and losses on MBS commitment derivatives, trading securities and other financial instruments associated with our multifamily guaranty book of business.

(5) Credit-related income or expense is based on the guaranty book of business of the respective business segment and consists of the applicable segment's benefit or provision for credit losses and foreclosed property income or expense on loans underlying the segment's guaranty book of business.

(6) Consists of the portion of our single-family guaranty fees that is remitted to Treasury pursuant to the TCCA.

(7) Single-family credit enhancement expense consists of costs associated with our freestanding credit enhancements, which include primarily costs associated with our Credit Insurance Risk Transfer™ ("CIRT™"), Connecticut Avenue Securities® ("CAS") and enterprise-paid mortgage insurance ("EPMI") programs. Multifamily credit enhancement expense primarily consists of costs associated with our Multifamily CIRT™ ("MCIRT™") and Multifamily Connecticut Avenue Securities™ ("MCAS™") programs as well as amortization expense for certain lender risk-sharing programs. Excludes CAS transactions accounted for as debt instruments and credit risk transfer programs accounted for as derivative instruments.

(8) Consists of change in benefits recognized from our freestanding credit enhancements, primarily from our CAS and CIRT programs as well as certain lender risk-sharing arrangements, including our multifamily Delegated Underwriting and Servicing ("DUS®") program.

10. Concentrations of Credit Risk

Risk Characteristics of our Guaranty Book of Business

One of the measures by which we gauge our credit risk is the delinquency status of the mortgage loans in our guaranty book of business.

For single-family and multifamily loans, we use this information, in conjunction with housing market and other economic data, to structure our pricing and our eligibility and underwriting criteria to reflect the current risk of loans with higher-risk characteristics, and in some cases we decide to significantly reduce our participation in riskier loan product categories. Management also uses this data together with other credit risk measures to identify key trends that guide the development of our loss mitigation strategies.

We report the delinquency status of our single-family and multifamily guaranty book of business below. We report loans receiving payment forbearance as delinquent according to the contractual terms of the loans.

Single-Family Credit Risk Characteristics

For single-family loans, management monitors the serious delinquency rate, which is the percentage of single-family loans, based on the number of loans, that are 90 days or more past due or in the foreclosure process, and loans that have higher risk characteristics, such as high mark-to-market LTV ratios.

The following tables display the delinquency status and serious delinquency rates for specified loan categories of our single-family conventional guaranty book of business.

	As of					
	September 30, 2022			December 31, 2021		
	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent[1]	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent[1]
Percentage of single-family conventional guaranty book of business based on UPB	**0.69 %**	**0.17 %**	**0.62 %**	0.73 %	0.16 %	1.20 %
Percentage of single-family conventional loans based on loan count	**0.80**	**0.20**	**0.69**	0.86	0.20	1.25

	As of			
	September 30, 2022		December 31, 2021	
	Percentage of Single-Family Conventional Guaranty Book of Business Based on UPB	Serious Delinquency Rate[1]	Percentage of Single-Family Conventional Guaranty Book of Business Based on UPB	Serious Delinquency Rate[1]
Estimated mark-to-market LTV ratio:				
80.01% to 90%	**4 %**	**0.54 %**	5 %	0.88 %
90.01% to 100%	**2**	**0.34**	2	0.51
Greater than 100%	*****	**7.42**	*	12.41
Geographical distribution:				
California	**19**	**0.48**	19	1.01
Florida	**6**	**0.77**	6	1.59
Illinois	**3**	**0.95**	3	1.55
New Jersey	**3**	**0.98**	3	1.90
New York	**5**	**1.28**	5	2.24
All other states	**64**	**0.66**	64	1.16
Vintages:				
2004 and prior	**1**	**2.41**	1	3.48
2005-2008	**1**	**3.83**	2	5.87
2009-2022	**98**	**0.55**	97	1.01

* Represents less than 0.5% of single-family conventional guaranty book of business.

(1) Based on loan count, consists of single-family conventional loans that were 90 days or more past due or in the foreclosure process as of September 30, 2022 or December 31, 2021.

Multifamily Credit Risk Characteristics

For multifamily loans, management monitors the serious delinquency rate, which is the percentage of multifamily loans, based on unpaid principal balance, that are 60 days or more past due, and loans with other higher risk characteristics to determine the overall credit quality of our multifamily book of business. Higher risk characteristics include, but are not limited to, current debt service coverage ratio ("DSCR") below 1.0 and original LTV ratios greater than 80%. We stratify multifamily loans into different internal risk categories based on the credit risk inherent in each individual loan.

The following tables display the delinquency status and serious delinquency rates for specified loan categories of our multifamily guaranty book of business.

	As of			
	September 30, 2022(1)		December 31, 2021(1)	
	30 Days Delinquent	Seriously Delinquent(2)	30 Days Delinquent	Seriously Delinquent(2)
Percentage of multifamily guaranty book of business	**0.07 %**	**0.26 %**	0.03 %	0.42 %

	As of			
	September 30, 2022		December 31, 2021	
	Percentage of Multifamily Guaranty Book of Business(1)	Serious Delinquency Rate(2)(3)	Percentage of Multifamily Guaranty Book of Business(1)	Serious Delinquency Rate(2)(3)
Original LTV ratio:				
Greater than 80%	**1 %**	**0.14 %**	1 %	0.13 %
Less than or equal to 80%	**99**	**0.26**	99	0.42
Current DSCR below 1.0(4)	**3**	**5.53**	2	13.90

(1) Calculated based on the aggregate unpaid principal balance of multifamily loans for each category divided by the aggregate unpaid principal balance of loans in our multifamily guaranty book of business.

(2) Consists of multifamily loans that were 60 days or more past due as of the dates indicated.

(3) Calculated based on the unpaid principal balance of multifamily loans that were seriously delinquent divided by the aggregate unpaid principal balance of multifamily loans for each category included in our multifamily guaranty book of business.

(4) Our estimates of current DSCRs are based on the latest available income information from annual statements for these properties.

Other Concentrations

Mortgage Insurers. Mortgage insurance "risk in force" refers to our maximum potential loss recovery under the applicable mortgage insurance policies in force and is generally based on the loan-level insurance coverage percentage and, if applicable, any aggregate pool loss limit, as specified in the policy.

The following table displays our total mortgage insurance risk in force by primary and pool insurance, as well as the total risk-in-force mortgage insurance coverage as a percentage of the single-family conventional guaranty book of business.

	As of			
	September 30, 2022		December 31, 2021	
	Risk in Force	Percentage of Single-Family Conventional Guaranty Book of Business	Risk in Force	Percentage of Single-Family Conventional Guaranty Book of Business
	(Dollars in millions)			
Mortgage insurance risk in force:				
Primary mortgage insurance	**$ 189,544**		$ 176,587	
Pool mortgage insurance	**229**		261	
Total mortgage insurance risk in force	**$ 189,773**	**5%**	$ 176,848	5%

The table below displays our mortgage insurer counterparties that provided approximately 10% or more of the risk-in-force mortgage insurance coverage on mortgage loans in our single-family conventional guaranty book of business.

	Percentage of Risk-in-Force Coverage by Mortgage Insurer	
	As of	
	September 30, 2022	December 31, 2021
Counterparty:(1)		
Mortgage Guaranty Insurance Corp.	**19 %**	19 %
Arch Capital Group Ltd.	**19**	19
Radian Guaranty, Inc.	**17**	17
Enact Mortgage Insurance Corp.(2)	**16**	17
Essent Guaranty, Inc.	**16**	16
National Mortgage Insurance Corp.	**12**	11
Others	**1**	1
Total	**100 %**	100 %

(1) Insurance coverage amounts provided for each counterparty may include coverage provided by affiliates and subsidiaries of the counterparty.

(2) Genworth Mortgage Insurance Corp. was renamed Enact Mortgage Insurance Corp. effective February 7, 2022.

We have counterparty credit risk relating to the potential insolvency of, or non-performance by, monoline mortgage insurers that insure single-family loans we purchase or guarantee. There is risk that these counterparties may fail to fulfill their obligations to pay our claims under insurance policies. On at least a quarterly basis, we assess our mortgage insurer counterparties' respective abilities to fulfill their obligations to us. Our assessment includes financial reviews and analyses of the insurers' portfolios and capital adequacy. If we determine that it is probable that we will not collect all of our claims from one or more of our mortgage insurer counterparties, it could increase our loss reserves, which could adversely affect our results of operations, liquidity, financial condition and net worth.

When we estimate the credit losses that are inherent in our mortgage loans and under the terms of our guaranty obligations, we also consider the recoveries that we expect to receive from primary mortgage insurance, as mortgage insurance recoveries reduce the severity of the loss associated with defaulted loans if the borrower defaults and title to the property is subsequently transferred. Mortgage insurance does not cover credit losses that result from a reduction in mortgage interest paid by the borrower in connection with a loan modification, forbearance of principal, or forbearance of scheduled loan payments. We evaluate the financial condition of our mortgage insurer counterparties and adjust the contractually due recovery amounts to ensure that expected credit losses as of the balance sheet date are included in our loss reserve estimate. As a result, if our assessment of one or more of our mortgage insurer counterparties' ability to fulfill their respective obligations to us worsens, it could increase our loss reserves. As of September 30, 2022 and December 31, 2021, our estimated benefit from mortgage insurance, which is based on estimated credit losses as of period end, reduced our loss reserves by $1.5 billion and $559 million, respectively.

As of September 30, 2022 and December 31, 2021, we had outstanding receivables of $517 million and $533 million, respectively, recorded in "Other assets" in our condensed consolidated balance sheets related to amounts claimed on insured, defaulted loans excluding government-insured loans. As of September 30, 2022 and December 31, 2021, we assessed these outstanding receivables for collectability, and established a valuation allowance of $463 million and $479 million, respectively.

Mortgage Servicers and Sellers. Mortgage servicers collect mortgage and escrow payments from borrowers, pay taxes and insurance costs from escrow accounts, monitor and report delinquencies, and perform other required activities, including loss mitigation, on our behalf. Our mortgage servicers and sellers may also be obligated to repurchase loans or real estate owned ("REO") properties, reimburse us for losses or provide other remedies under certain circumstances, such as if it is determined that the mortgage loan did not meet our underwriting or eligibility requirements, if certain loan representations and warranties are violated or if mortgage insurers rescind coverage. Our representation and warranty framework does not require repurchase for loans that have breaches of certain selling representations and warranties if they have met specified criteria for relief.

Our business with mortgage servicers is concentrated. The table below displays the percentage of our single-family guaranty book of business serviced by our top five depository single-family mortgage servicers and top five non-depository single-family mortgage servicers (i.e., servicers that are not insured depository institutions), and identifies one servicer that serviced 10% or more of our single-family guaranty book of business as of December 31, 2021, based on unpaid principal balance.

	Percentage of Single-Family Guaranty Book of Business	
	As of	
	September 30, 2022	**December 31, 2021**
Wells Fargo Bank, N.A. (together with its affiliates)	**9 %**	10 %
Remaining top five depository servicers	**12**	11
Top five non-depository servicers	**23**	23
Total	**44 %**	44 %

Compared with depository financial institutions, our non-depository servicers pose additional risks because they may not have the same financial strength or operational capacity, or be subject to the same level of regulatory oversight as depository financial institutions.

The table below displays the percentage of our multifamily guaranty book of business serviced by our top five multifamily mortgage servicers, and identifies two servicers that serviced 10% or more of our multifamily guaranty book of business based on unpaid principal balance.

	Percentage of Multifamily Guaranty Book of Business	
	As of	
	September 30, 2022	**December 31, 2021**
Walker & Dunlop, LLC	**13 %**	12 %
Wells Fargo Bank, N.A. (together with its affiliates)	**11**	11
Remaining top five servicers	**24**	24
Total	**48 %**	47 %

If a significant mortgage servicer or seller counterparty, or a number of mortgage servicers or sellers, fails to meet their obligations to us, it could adversely affect our results of operations and financial condition. We mitigate these risks in several ways, including:

- establishing minimum standards and financial requirements for our servicers;
- monitoring financial and portfolio performance as compared with peers and internal benchmarks; and
- for our largest mortgage servicers, conducting periodic financial reviews to confirm compliance with servicing guidelines and servicing performance expectations.

We may take one or more of the following actions to mitigate our credit exposure to mortgage servicers that present a higher risk:

- require a guaranty of obligations by higher-rated entities;
- transfer exposure to third parties;
- require collateral;
- establish more stringent financial requirements;
- work with underperforming servicers to improve operational processes; and
- suspend or terminate the selling and servicing relationship if deemed necessary.

Derivatives Counterparties. For information on credit risk associated with our derivative transactions and repurchase agreements see “Note 8, Derivative Instruments” and “Note 11, Netting Arrangements.”

11. Netting Arrangements

We use master netting arrangements, which allow us to offset certain financial instruments and collateral with the same counterparty, to minimize counterparty credit exposure. The tables below display information related to derivatives, securities purchased under agreements to resell, and securities sold under agreements to repurchase, which are subject to an enforceable master netting arrangement or similar agreement that are either offset or not offset in our condensed consolidated balance sheets.

	As of September 30, 2022					
				Amounts Not Offset in our Condensed Consolidated Balance Sheets		
	Gross Amount	Gross Amount Offset[1]	Net Amount Presented in our Condensed Consolidated Balance Sheets	Financial Instruments[2]	Collateral[3]	Net Amount
	(Dollars in millions)					
Assets:						
OTC risk management derivatives	$ 239	$ (233)	$ 6	$ —	$ —	$ 6
Cleared risk management derivatives	—	70	70	—	—	70
Mortgage commitment derivatives	420	—	420	(307)	(1)	112
Total derivative assets	659	(163)	496 [4]	(307)	(1)	188
Securities purchased under agreements to resell[5]	47,050	—	47,050	—	(47,050)	—
Total assets	$ 47,709	$ (163)	$ 47,546	$ (307)	$ (47,051)	$ 188
Liabilities:						
OTC risk management derivatives	$ (4,877)	$ 4,834	$ (43)	$ —	$ —	$ (43)
Cleared risk management derivatives	—	(1)	(1)	—	1	—
Mortgage commitment derivatives	(814)	—	(814)	307	2	(505)
Total liabilities	$ (5,691)	$ 4,833	$ (858) [4]	$ 307	$ 3	$ (548)

	As of December 31, 2021					
				Amounts Not Offset in our Condensed Consolidated Balance Sheets		
	Gross Amount	Gross Amount Offset[1]	Net Amount Presented in our Condensed Consolidated Balance Sheets	Financial Instruments[2]	Collateral[3]	Net Amount
	(Dollars in millions)					
Assets:						
OTC risk management derivatives	$ 239	$ (237)	$ 2	$ —	$ —	$ 2
Cleared risk management derivatives	—	—	—	—	—	—
Mortgage commitment derivatives	169	—	169	(133)	—	36
Total derivative assets	408	(237)	171 [4]	(133)	—	38
Securities purchased under agreements to resell[5]	64,843	—	64,843	—	(64,843)	—
Total assets	$ 65,251	$ (237)	$ 65,014	$ (133)	$ (64,843)	$ 38
Liabilities:						
OTC risk management derivatives	$ (1,188)	$ 1,183	$ (5)	$ —	$ —	$ (5)
Cleared risk management derivatives	—	(10)	(10)	—	10	—
Mortgage commitment derivatives	(197)	—	(197)	133	56	(8)
Total liabilities	$ (1,385)	$ 1,173	$ (212) [4]	$ 133	$ 66	$ (13)

(1) Represents the effect of the right to offset under legally enforceable master netting arrangements to settle with the same counterparty on a net basis, including cash collateral posted and received and accrued interest.

(2) Mortgage commitment derivative amounts reflect where we have recognized both an asset and a liability with the same counterparty under an enforceable master netting arrangement but we have not elected to offset the related amounts in our condensed consolidated balance sheets.

(3) Represents collateral received that has not been recognized and not offset in our condensed consolidated balance sheets, as well as collateral posted which has been recognized but not offset in our condensed consolidated balance sheets. Does not include collateral held or posted in excess of our exposure. The fair value of non-cash collateral we pledged which the counterparty was permitted to sell or repledge was $1.8 billion and $2.5 billion as of September 30, 2022 and December 31, 2021, respectively. The fair value of non-cash collateral received was $47.1 billion and $64.9 billion, of which $28.4 billion and $25.6 billion could be sold or repledged as of September 30, 2022 and December 31, 2021, respectively. None of the underlying collateral was sold or repledged as of September 30, 2022 or December 31, 2021.

(4) Excludes derivative assets of $2 million as of September 30, 2022 and derivative liabilities of $65 million and $21 million recognized in our condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021, respectively, that were not subject to enforceable master netting arrangements. We had no derivative assets recognized in our condensed consolidated balance sheets as of December 31, 2021 that were not subject to enforceable master netting arrangements.

(5) Includes $20.6 billion and $29.1 billion in securities purchased under agreements to resell classified as “Cash and cash equivalents” in our condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021, respectively. Includes $2.5 billion and $15.0 billion in securities purchased under agreements to resell classified as “Restricted cash and cash equivalents” in our condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021, respectively.

Derivative instruments are recorded at fair value and securities purchased under agreements to resell are recorded at amortized cost in our condensed consolidated balance sheets. For a discussion of how we determine our rights to offset the assets and liabilities presented above with the same counterparty, including collateral posted or received, see “Note 14, Netting Arrangements” in our 2021 Form 10-K.

12. Fair Value

We use fair value measurements for the initial recording of certain assets and liabilities and periodic remeasurement of certain assets and liabilities on a recurring or nonrecurring basis.

Fair Value Measurement

Fair value measurement guidance defines fair value, establishes a framework for measuring fair value, and sets forth disclosures around fair value measurements. This guidance applies whenever other accounting guidance requires or permits assets or liabilities to be measured at fair value. The guidance establishes a three-level fair value hierarchy that prioritizes the inputs into the valuation techniques used to measure fair value. The hierarchy gives the highest priority, Level 1, to measurements based on unadjusted quoted prices in active markets for identical assets or liabilities. The next highest priority, Level 2, is given to measurements of assets and liabilities based on limited observable inputs or observable inputs for similar assets and liabilities. The lowest priority, Level 3, is given to measurements based on unobservable inputs.

We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. See “Note 15, Fair Value” in our 2021 Form 10-K for information on the valuation control processes and the valuation techniques we use for fair value measurement and disclosure as well as our basis for classifying these measurements as Level 1, Level 2 or Level 3 of the valuation hierarchy in more specific situations. If the inputs used to measure assets or liabilities at fair value change, it may also result in a change in classification between levels 1, 2, and 3. We made no material changes to the valuation control processes or the valuation techniques for the nine months ended September 30, 2022.

Recurring Changes in Fair Value

The following tables display our assets and liabilities measured in our condensed consolidated balance sheets at fair value on a recurring basis subsequent to initial recognition, including instruments for which we have elected the fair value option.

	Fair Value Measurements as of September 30, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Netting Adjustment[1]**	**Estimated Fair Value**
			(Dollars in millions)		
Recurring fair value measurements:					
Assets:					
Trading securities:					
Mortgage-related	$ —	$ 3,511	$ 40	$ —	$ 3,551
Non-mortgage-related[3]	54,687	15	—	—	54,702
Total trading securities	54,687	3,526	40	—	58,253
Available-for-sale securities:					
Agency[4]	—	60	393	—	453
Other mortgage-related	—	7	281	—	288
Total available-for-sale securities	—	67	674	—	741
Mortgage loans	—	3,146	545	—	3,691
Derivative assets	—	628	33	(163)	498
Total assets at fair value	$ 54,687	$ 7,367	$ 1,292	$ (163)	$ 63,183
Liabilities:					
Long-term debt:					
Of Fannie Mae	$ —	$ 1,512	$ 254	$ —	$ 1,766
Of consolidated trusts	—	16,617	141	—	16,758
Total long-term debt	—	18,129	395	—	18,524
Derivative liabilities	—	5,691	65	(4,833)	923
Total liabilities at fair value	$ —	$ 23,820	$ 460	$ (4,833)	$ 19,447

	Fair Value Measurements as of December 31, 2021				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment[1]	Estimated Fair Value
			(Dollars in millions)		
Recurring fair value measurements:					
Assets:					
Cash equivalents, including restricted cash equivalents[2]	$ 250	$ —	$ —	$ —	$ 250
Trading securities:					
Mortgage-related	—	4,549	57	—	4,606
Non-mortgage-related[3]	83,581	19	—	—	83,600
Total trading securities	83,581	4,568	57	—	88,206
Available-for-sale securities:					
Agency[4]	—	76	431	—	507
Other mortgage-related	—	8	322	—	330
Total available-for-sale securities	—	84	753	—	837
Mortgage loans	—	4,209	755	—	4,964
Derivative assets	—	256	152	(237)	171
Total assets at fair value	$ 83,831	$ 9,117	$ 1,717	$ (237)	$ 94,428
Liabilities:					
Long-term debt:					
Of Fannie Mae	$ —	$ 2,008	$ 373	$ —	$ 2,381
Of consolidated trusts	—	21,640	95	—	21,735
Total long-term debt	—	23,648	468	—	24,116
Derivative liabilities	—	1,385	21	(1,173)	233
Total liabilities at fair value	$ —	$ 25,033	$ 489	$ (1,173)	$ 24,349

(1) Derivative contracts are reported on a gross basis by level. The netting adjustment represents the effect of the legal right to offset under legally enforceable master netting arrangements to settle with the same counterparty on a net basis, including cash collateral posted and received.

(2) Cash equivalents and restricted cash equivalents are composed of U.S. Treasuries that have a maturity at the date of acquisition of three months or less.

(3) Primarily includes U.S. Treasury securities.

(4) Agency securities consist of securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae.

The following tables display a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The tables also display gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recognized in our condensed consolidated statements of operations and comprehensive income for Level 3 assets and liabilities.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
For the Three Months Ended September 30, 2022

		Total Gains (Losses) (Realized/Unrealized)										
	Balance, June 30, 2022	Included in Net Income	Included in Total OCI (Loss)[1]	Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3	Transfers into Level 3	Balance, September 30, 2022	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2022[4][5]	Net Unrealized Gains (Losses) Included in OCI Related to Assets and Liabilities Still Held as of September 30, 2022[1]
	(Dollars in millions)											
Trading securities:												
Mortgage-related	$ 76	$ (3)	$ —	$ —	$ —	$ —	$ —	$ (33)	$ —	$ 40	$ 2	$ —
Available-for-sale securities:												
Agency	$ 404	$ 1	$ (1)	$ —	$ —	$ —	$ (11)	$ —	$ —	$ 393	$ —	$ (1)
Other mortgage-related	289	(2)	1	—	—	—	(7)	—	—	281	—	2
Total available-for-sale securities	$ 693	$ (1) [6][7]	$ —	$ —	$ —	$ —	$ (18)	$ —	$ —	$ 674	$ —	$ 1
Mortgage loans	$ 599	$ (20) [5][6]	$ —	$ —	$ —	$ —	$ (33)	$ (13)	$ 12	$ 545	$ (21)	$ —
Net derivatives	(7)	(26) [5]	—	—	—	—	1	—	—	(32)	(25)	—
Long-term debt:												
Of Fannie Mae	$ (253)	$ (1) [5]	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (254)	$ (1)	$ —
Of consolidated trusts	(152)	4 [5][6]	—	—	—	—	7	—	—	(141)	3	—
Total long-term debt	$ (405)	$ 3	$ —	$ —	$ —	$ —	$ 7	$ —	$ —	$ (395)	$ 2	$ —

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
For the Nine Months Ended September 30, 2022

	Balance, December 31, 2021	Total Gains (Losses) (Realized/Unrealized)		Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3	Transfers into Level 3	Balance, September 30, 2022	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2022[4][5]	Net Unrealized Gains (Losses) Included in OCI Related to Assets and Liabilities Still Held as of September 30, 2022[1]
		Included in Net Income	Included in Total OCI (Loss)[1]									
	(Dollars in millions)											
Trading securities:												
Mortgage-related	$ 57	$ (11)	$ —	$ —	$ —	$ —	$ (1)	$ (47)	$ 42	$ 40	$ (2)	$ —
Available-for-sale securities:												
Agency	$ 431	$ 2	$ (5)	$ —	$ —	$ —	$ (35)	$ —	$ —	$ 393	$ —	$ (4)
Other mortgage-related	322	(10)	(1)	—	—	—	(29)	(2)	1	281	—	—
Total available-for-sale securities	$ 753	$ (8) [6][7]	$ (6)	$ —	$ —	$ —	$ (64)	$ (2)	$ 1	$ 674	$ —	$ (4)
Mortgage loans	$ 755	$ (68) [5][6]	$ —	$ —	$ (2)	$ —	$ (115)	$ (73)	$ 48	$ 545	$ (59)	$ —
Net derivatives	131	(183) [5]	—	—	—	—	20	—	—	(32)	(163)	—
Long-term debt:												
Of Fannie Mae	$ (373)	$ 119 [5]	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (254)	$ 119	$ —
Of consolidated trusts	(95)	6 [5][6]	—	—	—	(86)	34	1	(1)	(141)	6	—
Total long-term debt	$ (468)	$ 125	$ —	$ —	$ —	$ (86)	$ 34	$ 1	$ (1)	$ (395)	$ 125	$ —

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
For the Three Months Ended September 30, 2021

	Balance, June 30, 2021	Total Gains (Losses) (Realized/Unrealized)		Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3	Transfers into Level 3	Balance, September 30, 2021	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2021[4][5]	Net Unrealized Gains (Losses) Included in OCI Related to Assets and Liabilities Still Held as of September 30, 2021[1]
		Included in Net Income	Included in Total OCI (Loss)[1]									
	(Dollars in millions)											
Trading securities:												
Mortgage-related	$ 141	$ (13)	$ —	$ 15	$ —	$ —	$ —	$ (51)	$ 37	$ 129	$ —	$ —
Available-for-sale securities:												
Agency	$ 84	$ —	$ 2	$ —	$ —	$ —	$ (12)	$ —	$ 376	$ 450	$ —	$ —
Other mortgage-related	368	3	(8)	—	—	—	(17)	—	—	346	—	(4)
Total available-for-sale securities	$ 452	$ 3 [6][7]	$ (6)	$ —	$ —	$ —	$ (29)	$ —	$ 376	$ 796	$ —	$ (4)
Mortgage loans	$ 832	$ 1 [5][6]	$ —	$ 4	$ (4)	$ —	$ (47)	$ (20)	$ 19	$ 785	$ 3	$ —
Net derivatives	194	(62) [5]	—	—	—	—	7	—	—	139	(55)	—
Long-term debt:												
Of Fannie Mae	$ (397)	$ 9 [5]	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (388)	$ 9	$ —
Of consolidated trusts	(55)	(3) [5][6]	—	—	—	—	2	—	(45)	(101)	(2)	—
Total long-term debt	$ (452)	$ 6	$ —	$ —	$ —	$ —	$ 2	$ —	$ (45)	$ (489)	$ 7	$ —

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
For the Nine Months Ended September 30, 2021

	Balance, December 31, 2020	Total Gains (Losses) (Realized/Unrealized) Included in Net Income	Total Gains (Losses) (Realized/Unrealized) Included in Total OCI (Loss)[1]	Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3	Transfers into Level 3	Balance, September 30, 2021	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2021[4][5]	Net Unrealized Gains (Losses) Included in OCI Related to Assets and Liabilities Still Held as of September 30, 2021[1]
	(Dollars in millions)											
Trading securities:												
Mortgage-related	$ 95	$ (18)	$ —	$ 18	$ —	$ —	$ —	$ (91)	$ 125	$ 129	$ 1	$ —
Available-for-sale securities:												
Agency	$ 195	$ 1	$ 4	$ —	$ —	$ —	$ (19)	$ (107)	$ 376	$ 450	$ —	$ 1
Other mortgage-related	453	10	(8)	—	—	—	(109)	—	—	346	—	(2)
Total available-for-sale securities	$ 648	$ 11 [6][7]	$ (4)	$ —	$ —	$ —	$ (128)	$ (107)	$ 376	$ 796	$ —	$ (1)
Mortgage loans	$ 861	$ 30 [5][6]	$ —	$ 89	$ (48)	$ —	$ (147)	$ (72)	$ 72	$ 785	$ 28	$ —
Net derivatives	333	(187) [5]	—	—	—	—	(7)	—	—	139	(194)	—
Long-term debt:												
Of Fannie Mae	$ (416)	$ 28 [5]	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (388)	$ 28	$ —
Of consolidated trusts	(83)	(2) [5][6]	—	—	—	—	10	20	(46)	(101)	(3)	—
Total long-term debt	$ (499)	$ 26	$ —	$ —	$ —	$ —	$ 10	$ 20	$ (46)	$ (489)	$ 25	$ —

(1) Gains (losses) included in “Other comprehensive loss” are included in “Changes in unrealized losses on available-for-sale securities, net of reclassification adjustments and taxes” in our condensed consolidated statements of operations and comprehensive income.

(2) Purchases and sales include activity related to the consolidation and deconsolidation of assets of securitization trusts.

(3) Issues and settlements include activity related to the consolidation and deconsolidation of liabilities of securitization trusts.

(4) Amount represents temporary changes in fair value. Amortization, accretion and the impairment of credit losses are not considered unrealized and are not included in this amount.

(5) Gains (losses) are included in “Fair value gains (losses), net” in our condensed consolidated statements of operations and comprehensive income.

(6) Gains (losses) included in “Net interest income” in our condensed consolidated statements of operations and comprehensive income includes amortization of cost basis adjustments.

(7) Gains (losses) are included in “Investment gains (losses), net” in our condensed consolidated statements of operations and comprehensive income.

The following tables display valuation techniques and the range and the weighted average of significant unobservable inputs for our Level 3 assets and liabilities measured at fair value on a recurring basis, excluding instruments for which we have elected the fair value option. Changes in these unobservable inputs can result in significantly higher or lower fair value measurements of these assets and liabilities as of the reporting date.

	Fair Value Measurements as of September 30, 2022				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1][2]
	(Dollars in millions)				
Recurring fair value measurements:					
Trading securities:					
Mortgage-related[3]	$ 40	Various			
Available-for-sale securities:					
Agency[3]	237	Consensus			
	156	Various			
Total agency	393				
Other mortgage-related	151	Discounted Cash Flow	Spreads (bps)	216.0 - 526.0	507.3
	85	Single Vendor			
	45	Various			
Total other mortgage-related	281				
Total available-for-sale securities	$ 674				
Net derivatives	$ 31	Dealer Mark			
	(63)	Discounted Cash Flow			
Total net derivatives	$ (32)				

	Fair Value Measurements as of December 31, 2021				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1][2]
	(Dollars in millions)				
Recurring fair value measurements:					
Trading securities:					
Mortgage-related[3]	$ 57	Various			
Available-for-sale securities:					
Agency[3]	379	Consensus			
	52	Various			
Total agency	431				
Other mortgage-related	175	Discounted Cash Flow	Spreads (bps)	409.0 - 443.0	422.0
	94	Single Vendor	Spreads (bps)	9.3 - 49.4	27.2
	53	Various			
Total other mortgage-related	322				
Total available-for-sale securities	$ 753				
Net derivatives	$ 152	Dealer Mark			
	(21)	Discounted Cash Flow			
Total net derivatives	$ 131				

(1) Valuation techniques for which no unobservable inputs are disclosed generally reflect the use of third-party pricing services or dealers, and the range of unobservable inputs applied by these sources is not readily available or cannot be reasonably estimated. Where we have disclosed unobservable inputs for consensus and single vendor techniques, those inputs are based on our validations performed at the security level using discounted cash flows.

(2) Unobservable inputs were weighted by the relative fair value of the instruments.

(3) Includes Fannie Mae and Freddie Mac securities.

In our condensed consolidated balance sheets, certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when we evaluate loans for impairment). We had no Level 1 assets or liabilities that were measured at fair value on a nonrecurring basis as of September 30, 2022 or December 31, 2021. We held $282 million and $38 million in Level 2 assets as of September 30, 2022 and December 31, 2021, respectively, composed of mortgage loans held for sale that were impaired. We had no Level 2 or Level 3 liabilities that were measured at fair value on a nonrecurring basis as of September 30, 2022 or December 31, 2021.

The following table displays valuation techniques for our Level 3 assets measured at fair value on a nonrecurring basis.

	Valuation Techniques	Fair Value Measurements as of September 30, 2022	Fair Value Measurements as of December 31, 2021
		(Dollars in millions)	
Nonrecurring fair value measurements:			
Mortgage loans:[1]			
Mortgage loans held for sale, at lower of cost or fair value	Consensus	**$ 1,822**	$ 201
	Single Vendor	**1,169**	1,383
Total mortgage loans held for sale, at lower of cost or fair value		**2,991**	1,584
Single-family mortgage loans held for investment, at amortized cost	Internal Model	**1,216**	867
Multifamily mortgage loans held for investment, at amortized cost	Appraisal	**8**	37
	Broker Price Opinion	**69**	118
	Internal Model	**53**	23
Total multifamily mortgage loans held for investment, at amortized cost		**130**	178
Acquired property, net:			
Single-family	Accepted Offer	**14**	13
	Appraisal	**89**	73
	Internal Model	**117**	75
	Walk Forward	**48**	37
	Various	**13**	11
Total single-family		**281**	209
Multifamily	Various	**6**	34
Total nonrecurring assets at fair value		**$ 4,624**	$ 2,872

(1) When we measure impairment, including recoveries, based on the fair value of the loan or the underlying collateral and impairment is recorded on any component of the mortgage loan, including accrued interest receivable and amounts due from the borrower for advances of taxes and insurance, we present the entire fair value measurement amount with the corresponding mortgage loan.

Fair Value of Financial Instruments

The following table displays the carrying value and estimated fair value of our financial instruments. The fair value of financial instruments we disclose includes commitments to purchase multifamily and single-family mortgage loans that we do not record in our condensed consolidated balance sheets. The fair values of these commitments are included as "Mortgage loans held for investment, net of allowance for loan losses." The disclosure excludes all non-financial instruments; therefore, the fair value of our financial assets and liabilities does not represent the underlying fair value of our total consolidated assets and liabilities.

	As of September 30, 2022					
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment	Estimated Fair Value
	(Dollars in millions)					
Financial assets:						
Cash and cash equivalents, including restricted cash and cash equivalents	$ 63,561	$ 40,461	$ 23,100	$ —	$ —	$ 63,561
Securities purchased under agreements to resell	23,950	—	23,950	—	—	23,950
Trading securities	58,253	54,687	3,526	40	—	58,253
Available-for-sale securities	741	—	67	674	—	741
Mortgage loans held for sale	4,177	—	877	3,513	—	4,390
Mortgage loans held for investment, net of allowance for loan losses	4,100,551	—	3,371,881	169,412	—	3,541,293
Advances to lenders	3,443	—	3,443	—	—	3,443
Derivative assets at fair value	498	—	628	33	(163)	498
Guaranty assets and buy-ups	92	—	—	176	—	176
Total financial assets	$ 4,255,266	$ 95,148	$ 3,427,472	$ 173,848	$ (163)	$ 3,696,305
Financial liabilities:						
Short-term debt:						
Of Fannie Mae	$ 2,989	$ —	$ 2,989	$ —	$ —	$ 2,989
Long-term debt:						
Of Fannie Mae	126,787	—	124,513	538	—	125,051
Of consolidated trusts	4,078,038	—	3,458,942	38,421	—	3,497,363
Derivative liabilities at fair value	923	—	5,691	65	(4,833)	923
Guaranty obligations	101	—	—	80	—	80
Total financial liabilities	$ 4,208,838	$ —	$ 3,592,135	$ 39,104	$ (4,833)	$ 3,626,406

	As of December 31, 2021					
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment	Estimated Fair Value
	(Dollars in millions)					
Financial assets:						
Cash and cash equivalents, including restricted cash and cash equivalents	$ 108,631	$ 64,531	$ 44,100	$ —	$ —	$ 108,631
Securities purchased under agreements to resell	20,743	—	20,743	—	—	20,743
Trading securities	88,206	83,581	4,568	57	—	88,206
Available-for-sale securities	837	—	84	753	—	837
Mortgage loans held for sale	5,134	—	178	5,307	—	5,485
Mortgage loans held for investment, net of allowance for loan losses	3,963,108	—	3,796,917	209,090	—	4,006,007
Advances to lenders	8,414	—	8,413	1	—	8,414
Derivative assets at fair value	171	—	256	152	(237)	171
Guaranty assets and buy-ups	92	—	—	207	—	207
Total financial assets	$ 4,195,336	$ 148,112	$ 3,875,259	$ 215,567	$ (237)	$ 4,238,701
Financial liabilities:						
Short-term debt:						
Of Fannie Mae	$ 2,795	$ —	$ 2,795	$ —	$ —	$ 2,795
Long-term debt:						
Of Fannie Mae	198,097	—	205,142	799	—	205,941
Of consolidated trusts	3,957,299	—	3,951,537	32,644	—	3,984,181
Derivative liabilities at fair value	233	—	1,385	21	(1,173)	233
Guaranty obligations	101	—	—	101	—	101
Total financial liabilities	$ 4,158,525	$ —	$ 4,160,859	$ 33,565	$ (1,173)	$ 4,193,251

For a detailed description and classification of our financial instruments, see “Note 15, Fair Value” in our 2021 Form 10-K.

Fair Value Option

We elected the fair value option for loans and debt that contain embedded derivatives that would otherwise require bifurcation. Under the fair value option, we elected to carry these instruments at fair value instead of bifurcating the embedded derivative from such instruments.

Interest income for the mortgage loans is recorded in “Interest income: Mortgage loans” and interest expense for the debt instruments is recorded in “Interest expense: Long-term debt” in our condensed consolidated statements of operations and comprehensive income.

The following table displays the fair value and unpaid principal balance of the financial instruments for which we have made fair value elections.

	As of					
	September 30, 2022			December 31, 2021		
	Loans[(1)]	Long-Term Debt of Fannie Mae	Long-Term Debt of Consolidated Trusts	Loans[(1)]	Long-Term Debt of Fannie Mae	Long-Term Debt of Consolidated Trusts
	(Dollars in millions)					
Fair value	**$ 3,691**	**$ 1,766**	**$ 16,758**	$ 4,964	$ 2,381	$ 21,735
Unpaid principal balance	**3,956**	**1,732**	**16,906**	4,601	2,197	19,314

(1) Includes nonaccrual loans with a fair value of $44 million and $86 million as of September 30, 2022 and December 31, 2021, respectively. Includes loans that are 90 days or more past due with a fair value of $53 million and $125 million as of September 30, 2022 and December 31, 2021, respectively.

Changes in Fair Value under the Fair Value Option Election

We recorded losses of $209 million and $587 million for the three and nine months ended September 30, 2022 and gains of $28 million and $48 million for the three and nine months ended September 30, 2021 from changes in the fair value of loans recorded at fair value in “Fair value gains (losses), net” in our condensed consolidated statements of operations and comprehensive income.

We recorded gains of $787 million and $2.4 billion for the three and nine months ended September 30, 2022 and gains of $62 million and $346 million for the three and nine months ended September 30, 2021, respectively, from changes in the fair value of long-term debt recorded at fair value in “Fair value gains (losses), net” in our condensed consolidated statements of operations and comprehensive income.

13. Commitments and Contingencies

We are party to various types of legal actions and proceedings, including actions brought on behalf of various classes of claimants. We also are subject to regulatory examinations, inquiries and investigations, and other information gathering requests. In some of the matters, indeterminate amounts are sought. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. This variability in pleadings, together with our and our counsel’s actual experience in litigating or settling claims, leads us to conclude that the monetary relief that may be sought by plaintiffs bears little relevance to the merits or disposition value of claims.

We have substantial and valid defenses to the claims in the proceedings described below and intend to defend these matters vigorously. However, legal actions and proceedings of all types are subject to many uncertain factors that generally cannot be predicted with assurance. Accordingly, the outcome of any given matter and the amount or range of potential loss at particular points in time is frequently difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how the court will apply the law. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel may view the evidence and applicable law.

On a quarterly basis, we review relevant information about all pending legal actions and proceedings for the purpose of evaluating and revising our contingencies, accruals and disclosures. We establish an accrual only for matters when the likelihood of a loss is probable and we can reasonably estimate the amount of such loss. We are often unable to estimate the possible losses or ranges of losses, particularly for proceedings that are in their early stages of development, where plaintiffs seek indeterminate or unspecified damages, where there may be novel or unsettled legal questions relevant to the proceedings, or where settlement negotiations have not occurred or progressed. Given the uncertainties involved in any action or proceeding, regardless of whether we have established an accrual, the ultimate resolution of certain of these matters may be material to our operating results for a particular period, depending on, among other factors, the size of the loss or liability imposed and the level of our net income or loss for that period.

In addition to the matters specifically described below, we are involved in a number of legal and regulatory proceedings that arise in the ordinary course of business that we do not expect will have a material impact on our business or financial condition.

Senior Preferred Stock Purchase Agreements Litigation

A consolidated class action (*"In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations"*) and a non-class action lawsuit, *Fairholme Funds v. FHFA*, filed by Fannie Mae and Freddie Mac shareholders against us, FHFA as our conservator, and Freddie Mac are pending in the U.S. District Court for the District of Columbia. The lawsuits challenge the August 2012 amendment to each company's senior preferred stock purchase agreement with Treasury.

Plaintiffs in these lawsuits allege that the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to the August 2012 amendments nullified certain of the shareholders' rights and caused them harm. Plaintiffs in the class action represent a class of Fannie Mae preferred shareholders and classes of Freddie Mac common and preferred shareholders. On September 23, 2022, the court issued a summary judgment ruling that permitted the plaintiffs in these lawsuits to present to a jury their claims for breach of the implied covenant of good faith and fair dealing. The cases were consolidated for trial and the trial was conducted from October 17, 2022 to November 1, 2022. Jury deliberations began on November 1, 2022.

The jury in this trial was not able to reach a verdict and the judge declared a mistrial on November 7, 2022. We expect the court to set a new trial date. In the trial, plaintiffs requested $779 million in damages from Fannie Mae and prejudgment interest on the amount of any damages. We estimate that prejudgment interest, if awarded, would be calculated at a rate of 5.75% and expect plaintiffs to seek such interest from August 17, 2012. Prejudgment interest calculated from August 17, 2012 through September 30, 2022 based on the amount of damages plaintiffs requested would be approximately $450 million. The ultimate amount of prejudgment interest awarded, if any, would be impacted by the amount of damages awarded, the date from and through which interest is calculated, and other determinations by the court. At this time, we do not believe the likelihood of loss is probable; therefore, we have not established an accrual in connection with these lawsuits. However, it is reasonably possible that the plaintiffs could ultimately prevail in this matter and, if so, we may incur a loss up to the amount of damages discussed above and any related interest.

14. Regulatory Capital Requirements

FHFA published a final rule establishing a new enterprise regulatory capital framework for the GSEs in December 2020. FHFA published a final rule amending the enterprise regulatory capital framework in March 2022. We refer to the rule's requirements, as amended, as the "enterprise regulatory capital framework." The enterprise regulatory capital framework establishes new supplemental leverage and risk-based capital requirements for the GSEs. Under the leverage capital requirements, we must maintain a tier 1 capital ratio of 2.5% of adjusted total assets. Under the risk-based capital requirements, we must maintain minimum common equity tier 1 capital, tier 1 capital, and adjusted total capital ratios of 4.5%, 6%, and 8%, respectively, of risk-weighted assets. The enterprise regulatory capital framework requires substantially higher levels of capital than the previously applicable statutory minimum capital requirement.

Although the enterprise regulatory capital framework went into effect in February 2021, we are not required to hold capital according to the framework's requirements until the date of termination of our conservatorship, or such later date as may be ordered by FHFA.

The enterprise regulatory capital framework provides a granular assessment of credit risk specific to different mortgage loan categories, as well as components for market risk and operational risk. The enterprise regulatory capital framework includes the following requirements:

- Supplemental capital requirements relating to the amount and form of the capital we hold, based largely on definitions of capital used in U.S. banking regulators' regulatory capital framework. The enterprise regulatory capital framework specifies complementary leverage and risk-based requirements, which together determine the requirements for each tier of capital;
- A requirement that we hold prescribed capital buffers that can be drawn down in periods of financial stress and then rebuilt over time as economic conditions improve. If we fall below the prescribed buffer amounts, we must restrict capital distributions such as stock repurchases and dividends, as well as discretionary bonus payments to executives, until the buffer amounts are restored. The prescribed capital buffers represent the amount of capital we are required to hold above the minimum leverage and risk-based capital requirements.
    - The prescribed leverage buffer amount ("PLBA") represents the amount of tier 1 capital we are required to hold above the minimum tier 1 leverage capital requirement;

    ◦ The risk-based capital buffers consist of three separate components: a stability capital buffer, a stress capital buffer, and a countercyclical capital buffer. Taken together, these risk-based buffers comprise the prescribed capital conservation buffer amount (“PCCBA”). The PCCBA must be comprised entirely of common equity tier 1 capital; and

- Specific minimum percentages, or “floors,” on the risk-weights applicable to single-family and multifamily exposures, as well as retained portions of credit risk transfer transactions.

The table below sets forth information about our capital requirements under the standardized approach of the enterprise regulatory capital framework. Available capital for purposes of the enterprise regulatory capital framework excludes the stated value of the senior preferred stock ($120.8 billion) and other amounts specified in footnote 2 to the table. Because of these exclusions, we had a deficit in available capital as of September 30, 2022, even though we had positive net worth under GAAP of $58.8 billion as of September 30, 2022.

As of September 30, 2022, we had a $258 billion shortfall of our available capital (deficit) to the adjusted total capital requirement (including buffers) of $183 billion under the standardized approach of the rule as shown in the table below. As of September 30, 2022, our risk-based adjusted total capital requirement (including buffers) represented the amount of capital needed to be fully capitalized under the standardized approach to the rule.

Capital Metrics under the Enterprise Regulatory Capital Framework as of September 30, 2022[1]

(Dollars in billions)

Adjusted total assets	$ 4,540
Risk-weighted assets	1,298

	Amounts			**Ratios**		
	Available Capital (Deficit)[2]	**Minimum Capital Requirement**	**Total Capital Requirement (including Buffers)**[4]	**Available Capital (Deficit) Ratio**[3]	**Minimum Capital Ratio Requirement**	**Total Capital Requirement Ratio (including Buffers)**
Risk-based capital:						
Total capital[5]	$ (53)	$ 104	$ 104	(4.1)%	8.0 %	8.0 %
Common equity tier 1 capital	(94)	58	137	(7.2)	4.5	10.6
Tier 1 capital	(75)	78	157	(5.8)	6.0	12.1
Adjusted total capital	(75)	104	183	(5.8)	8.0	14.1
Leverage capital:						
Core capital[6]	(62)	113	113	(1.4)	2.5	2.5
Tier 1 capital	(75)	113	136	(1.7)	2.5	3.0

(1) Ratios are calculated as a percentage of risk-weighted assets for risk-based capital metrics and as a percentage of adjusted total assets for leverage capital metrics.

(2) Available capital (deficit) for all line items excludes the stated value of the senior preferred stock ($120.8 billion). Available capital (deficit) for all line items except total capital and core capital also deducts a portion of deferred tax assets. Deferred tax assets arising from temporary differences between GAAP and tax requirements are deducted from capital to the extent they exceed 10% of common equity. As of September 30, 2022, this resulted in the full deduction of deferred tax assets ($12.7 billion) from our available capital (deficit). Available capital (deficit) for common equity tier 1 capital also excludes the value of the non-cumulative perpetual preferred stock ($19.1 billion).

(3) Ratios are negative because we had a deficit in available capital for each tier of capital.

(4) The applicable buffer for common equity tier 1 capital, tier 1 capital, and adjusted total capital is the PCCBA, comprised of a stress capital buffer, a stability capital buffer, and a countercyclical capital buffer. The applicable buffer for tier 1 capital (leverage based) is the PLBA. The stress capital buffer and countercyclical capital buffer are each calculated by multiplying prescribed factors by adjusted total assets as of the last day of the previous calendar quarter. The 2022 stability capital buffer is calculated by multiplying a factor determined based on our share of mortgage debt outstanding by adjusted total assets as of December 31, 2020. The prescribed leverage buffer for 2022 is set at 50% of the 2022 stability buffer. Going forward the stability buffer and the prescribed leverage buffer will be updated with an effective date that depends on whether the stability capital buffer increases or decreases relative to the previously calculated value.

(5) The sum of (a) core capital (see definition in footnote 6 below); and (b) a general allowance for foreclosure losses, which (i) shall include an allowance for portfolio mortgage losses, an allowance for non-reimbursable foreclosure costs on government claims, and an allowance for liabilities reflected on the balance sheet for estimated foreclosure losses on mortgage-backed securities; and (ii) shall not include any reserves made or held against specific assets; and (c) any other amounts from sources of funds available to absorb losses that the Director of FHFA by regulation determines are appropriate to include in determining total capital.

(6) The sum of (a) the stated value of our outstanding common stock (common stock less treasury stock); (b) the stated value of our outstanding non-cumulative perpetual preferred stock; (c) our paid-in capital; and (d) our retained earnings (accumulated deficit). Core capital does not include: (a) accumulated other comprehensive income or (b) senior preferred stock.

As a result of our capital shortfall, our maximum payout ratio under the enterprise regulatory capital framework as of September 30, 2022 was 0%. While it is not applicable until the date of termination of our conservatorship, our maximum payout ratio represents the percentage of eligible retained income that we are permitted to pay out in the form of distributions or discretionary bonus payments under the enterprise regulatory capital framework. The maximum payout ratio for a given quarter is the lowest of the payout ratios determined by our capital conservation buffer and our leverage buffer.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Information about market risk is set forth in “MD&A—Risk Management—Market Risk Management, including Interest-Rate Risk Management.”

Item 4. Controls and Procedures

Overview

We are required under applicable laws and regulations to maintain controls and procedures, which include disclosure controls and procedures as well as internal control over financial reporting, as further described below.

Evaluation of Disclosure Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures refer to controls and other procedures designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures in effect as of September 30, 2022, the end of the period covered by this report. As a result of management’s evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as of September 30, 2022 or as of the date of filing this report.

Our disclosure controls and procedures were not effective as of September 30, 2022 or as of the date of filing this report because they did not adequately ensure the accumulation and communication to management of information known to FHFA that is needed to meet our disclosure obligations under the federal securities laws. As a result, we were not able to rely upon the disclosure controls and procedures that were in place as of September 30, 2022 or as of the date of this filing, and we continue to have a material weakness in our internal control over financial reporting. This material weakness is described in more detail below under “Description of Material Weakness.” Based on discussions with FHFA and the structural nature of this material weakness, we do not expect to remediate this material weakness while we are under conservatorship.

Description of Material Weakness

The Public Company Accounting Oversight Board’s Auditing Standard 2201 defines a material weakness as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis.

Management has determined that we continued to have the following material weakness as of September 30, 2022 and as of the date of filing this report:

- *Disclosure Controls and Procedures.* We have been under the conservatorship of FHFA since September 6, 2008. Under the GSE Act, FHFA is an independent agency that currently functions as both our conservator and our regulator with respect to our safety, soundness and mission. Because of the nature of the conservatorship under the GSE Act, which places us under the “control” of FHFA (as that term is defined by securities laws), some of the information that we may need to meet our disclosure obligations may be solely within the knowledge of FHFA. As our conservator, FHFA has the power to take actions without our knowledge that could be material to our shareholders and other stakeholders, and could significantly affect our financial performance or our continued existence as an ongoing business. Although we and FHFA attempted to design and implement disclosure policies and procedures that would account for the conservatorship and accomplish the same objectives as a disclosure controls and procedures policy of a typical reporting company, there are inherent structural limitations on our ability to design, implement, test or operate effective disclosure controls and procedures. As both our regulator and our conservator under the GSE Act, FHFA is limited in its ability to design and implement a complete set of disclosure controls and procedures relating to Fannie Mae, particularly with respect to current reporting pursuant to Form 8-K. Similarly, as a regulated entity, we are limited in our ability to design, implement, operate and test the controls and procedures for which FHFA is responsible.

Due to these circumstances, we have not been able to update our disclosure controls and procedures in a manner that adequately ensures the accumulation and communication to management of information known to FHFA that is needed to meet our disclosure obligations under the federal securities laws, including disclosures affecting our condensed consolidated financial statements. As a result, we did not maintain effective controls and procedures designed to ensure complete and accurate disclosure as required by GAAP as of September 30, 2022 or as of the date of filing this report. Based on discussions with FHFA and the structural nature of this weakness, we do not expect to remediate this material weakness while we are under conservatorship.

Mitigating Actions Related to Material Weakness

As described above under “Description of Material Weakness,” we continue to have a material weakness in our internal control over financial reporting relating to our disclosure controls and procedures. However, we and FHFA have engaged in the following practices intended to permit accumulation and communication to management of information needed to meet our disclosure obligations under the federal securities laws:

- FHFA has established the Division of Conservatorship Oversight and Readiness, which is intended to facilitate operation of the company with the oversight of the conservator.
- We have provided drafts of our SEC filings to FHFA personnel for their review and comment prior to filing. We also have provided drafts of external press releases, statements and speeches to FHFA personnel for their review and comment prior to release.
- FHFA personnel, including senior officials, have reviewed our SEC filings prior to filing, including this quarterly report on Form 10-Q for the quarter ended September 30, 2022 (“Third Quarter 2022 Form 10-Q”), and engaged in discussions regarding issues associated with the information contained in those filings. Prior to filing our Third Quarter 2022 Form 10-Q, FHFA provided Fannie Mae management with written acknowledgment that it had reviewed the Third Quarter 2022 Form 10-Q, and it was not aware of any material misstatements or omissions in the Third Quarter 2022 Form 10-Q and had no objection to our filing the Third Quarter 2022 Form 10-Q.
- Our senior management meets regularly with senior leadership at FHFA, including, but not limited to, the Director.
- FHFA representatives attend meetings frequently with various groups within the company to enhance the flow of information and to provide oversight on a variety of matters, including accounting, credit and market risk management, external communications and legal matters.
- Senior officials within FHFA’s Office of the Chief Accountant have met frequently with our senior finance executives regarding our accounting policies, practices and procedures.

Changes in Internal Control Over Financial Reporting

Management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal quarter have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There were no changes in our internal control over financial reporting from July 1, 2022 through September 30, 2022 that management believes have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In the ordinary course of business, we review our system of internal control over financial reporting and make changes that we believe will improve these controls and increase efficiency, while continuing to ensure that we maintain effective internal controls. Changes may include implementing new, more efficient systems, automating manual processes and updating existing systems.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

The information in this item supplements and updates information regarding certain legal proceedings set forth in "Legal Proceedings" in our 2021 Form 10-K, our First Quarter 2022 Form 10-Q and our Second Quarter 2022 Form 10-Q. We also provide information regarding material legal proceedings in "Note 13, Commitments and Contingencies," which is incorporated herein by reference. In addition to the matters specifically described or incorporated by reference in this item, we are involved in legal and regulatory proceedings that arise in the ordinary course of business that we do not expect will have a material impact on our business or financial condition. However, litigation claims and proceedings of all types are subject to many factors and their outcome and effect on our business and financial condition generally cannot be predicted accurately.

We establish an accrual for legal claims only when a loss is probable and we can reasonably estimate the amount of such loss. The actual costs of resolving legal claims may be substantially higher or lower than the amounts accrued for those claims. If certain of these matters are determined against us, FHFA or Treasury, it could have a material adverse effect on our results of operations, liquidity and financial condition, including our net worth.

Senior Preferred Stock Purchase Agreements Litigation

Since June 2013, preferred and common stockholders of Fannie Mae and Freddie Mac filed lawsuits in multiple federal courts against one or more of the United States, Treasury and FHFA, challenging actions taken by the defendants relating to the Fannie Mae and Freddie Mac senior preferred stock purchase agreements and the conservatorships of Fannie Mae and Freddie Mac. Some of these lawsuits also contain claims against Fannie Mae and Freddie Mac. The legal claims being advanced by one or more of these lawsuits include challenges to the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to August 2012 amendments to the agreements, the payment of dividends to Treasury under the net worth sweep dividend provisions, and FHFA's decision to require Fannie Mae and Freddie Mac to draw funds from Treasury to pay dividends to Treasury prior to the August 2012 amendments. The plaintiffs seek various forms of equitable and injunctive relief as well as damages. The cases that remain pending after June 30, 2022 are as follows:

District of Columbia (In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations and *Fairholme Funds v. FHFA).* Fannie Mae is a defendant in two cases in the U.S. District Court for the District of Columbia, including a consolidated class action. The cases were consolidated for trial and the trial was conducted from October 17, 2022 to November 1, 2022. Jury deliberations began on November 1, 2022. The jury in this trial was not able to reach a verdict and the judge declared a mistrial on November 7, 2022. We expect the court to set a new trial date. See "Note 13, Commitments and Contingencies" for additional information.

Southern District of Texas (Collins, et al. v. Yellen, et al.). On October 20, 2016, preferred and common stockholders filed a complaint against FHFA and Treasury in the U.S. District Court for the Southern District of Texas. On May 22, 2017, the court dismissed the case. On September 6, 2019, the U.S. Court of Appeals for the Fifth Circuit, sitting en banc, affirmed the district court's dismissal of claims against Treasury, but reversed the dismissal of claims against FHFA.

On June 23, 2021, the U.S. Supreme Court held that FHFA did not exceed its statutory powers as conservator when it agreed to the net worth sweep dividend provisions of the third amendment to the senior preferred stock purchase agreements in August 2012. The court also held that the provision of the Housing and Economic Recovery Act of 2008 that restricts the President's power to remove the FHFA Director without cause violates the Constitution's separation of powers and, thus, the FHFA Director may be removed by the President for any reason. The court rejected plaintiffs' request to rescind the third amendment to the senior preferred stock purchase agreements. However, the Supreme Court remanded the case to the Fifth Circuit for further proceedings on the sole issue of whether the stockholders suffered compensable harm related to the constitutional claim during the limited time-period when a Senate-confirmed FHFA Director was in office. On March 4, 2022, the Fifth Circuit remanded the case to the district court for further proceedings on the compensable harm issue. On June 3, 2022, the stockholders filed an amended complaint and on July 18, 2022, FHFA and Treasury moved to dismiss that complaint.

Western District of Michigan (Rop et al. v. FHFA et al.). On June 1, 2017, preferred and common stockholders of Fannie Mae and Freddie Mac filed a complaint for declaratory and injunctive relief against FHFA and Treasury in the U.S. District Court for the Western District of Michigan. FHFA and Treasury moved to dismiss the case on September 8, 2017, and plaintiffs filed a motion for summary judgment on October 6, 2017. On September 8, 2020, the court denied plaintiffs' motion for summary judgment and granted defendants' motion to dismiss. On October 4, 2022, the U.S. Court of Appeals for the Sixth Circuit reversed the dismissal and remanded the case to the district court to determine whether the stockholders suffered compensable harm.

District of Minnesota (Bhatti et al. v. FHFA et al.). On June 22, 2017, preferred and common stockholders of Fannie Mae and Freddie Mac filed a complaint for declaratory and injunctive relief against FHFA and Treasury in the U.S. District Court for the District of Minnesota. The court dismissed the case on July 6, 2018. On October 6, 2021, the U.S. Court of Appeals for the Eighth Circuit affirmed in part and reversed in part the district court's ruling and remanded the case to the district court to determine whether the stockholders suffered compensable harm. On January 26, 2022, plaintiffs filed an amended complaint. On March 11 and March 14, 2022, Treasury and FHFA each filed motions to dismiss the new complaint.

Eastern District of Pennsylvania. (Wazee Street Opportunities Fund IV L.P. et al. v. FHFA et al.). On August 16, 2018, common stockholders of Fannie Mae and Freddie Mac filed a complaint for declaratory and injunctive relief against FHFA and Treasury in the U.S. District Court for the Eastern District of Pennsylvania. FHFA and Treasury moved to dismiss the case on November 16, 2018, and plaintiffs filed a motion for summary judgment on December 21, 2018. This case is currently stayed.

U.S. Court of Federal Claims. Numerous cases are pending against the United States in the U.S. Court of Federal Claims. Fannie Mae is a nominal defendant in four of these cases: *Fisher v. United States of America*, filed on December 2, 2013; *Rafter v. United States of America*, filed on August 14, 2014; *Perry Capital LLC v. United States of America*, filed on August 15, 2018; and *Fairholme Funds Inc. v. United States*, which was originally filed on July 9, 2013, and amended publicly to include Fannie Mae as a nominal defendant on October 2, 2018. Plaintiffs in these cases allege that the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to the August 2012 amendment constitute a taking of Fannie Mae's property without just compensation in violation of the U.S. Constitution. The *Fisher* plaintiffs are pursuing this claim derivatively on behalf of Fannie Mae, while the *Rafter, Perry Capital* and *Fairholme Funds* plaintiffs are pursuing the claim both derivatively and directly against the United States. Plaintiffs in *Rafter* also allege direct and derivative breach of contract claims against the government. The *Perry Capital* and *Fairholme Funds* plaintiffs allege similar breach of contract claims, as well as direct and derivative breach of fiduciary duty claims against the government. Plaintiffs in *Fisher* request just compensation to Fannie Mae in an unspecified amount. Plaintiffs in *Rafter, Perry Capital* and *Fairholme Funds* seek just compensation for themselves on their direct claims and payment of damages to Fannie Mae on their derivative claims. The United States filed a motion to dismiss the *Fisher, Rafter and Fairholme Funds* cases, as well as other cases where Fannie Mae is not a nominal defendant, on August 1, 2018. On December 6, 2019, the court entered an order in the *Fairholme Funds* case that granted the government's motion to dismiss all the direct claims but denied the motion as to the derivative claims brought on behalf of Fannie Mae. On June 18, 2020, the U.S. Court of Appeals for the Federal Circuit agreed to hear the appeal of the court's December 6, 2019 order. The Federal Circuit also agreed to hear appeals in cases where Fannie Mae is not a nominal defendant. In the *Fisher* case, the court denied the government's motion to dismiss on May 8, 2020 and, on August 21, 2020, the Federal Circuit denied the *Fisher* plaintiffs' request for interlocutory appeal. On February 22, 2022, in the *Fairholme Funds* case and other cases on appeal, the Federal Circuit affirmed the dismissal of the plaintiffs' direct claims, but reversed the U.S. Court of Federal Claims' ruling on plaintiffs' derivative claims, holding that those claims should also be dismissed. On July 22, 2022, the plaintiffs in *Fairholme Funds* and plaintiffs in other cases where Fannie Mae is not a nominal defendant filed petitions with the Supreme Court seeking review of the Federal Circuit's decision.

Item 1A. Risk Factors

In addition to the information in this report, you should carefully consider the risks relating to our business that we identify in "Risk Factors" in our 2021 Form 10-K. This section supplements and updates that discussion. Also refer to "MD&A—Risk Management," "MD&A—Single-Family Business" and "MD&A—Multifamily Business" in our 2021 Form 10-K and in this report for more detailed descriptions of the primary risks to our business and how we seek to manage those risks.

The risks we face could materially adversely affect our business, results of operations, financial condition, liquidity and net worth, and could cause our actual results to differ materially from our past results or the results contemplated by any forward-looking statements we make. We believe the risks described in the sections of this report and our 2021 Form 10-K identified above are the most significant we face; however, these are not the only risks we face. We face additional risks and uncertainties not currently known to us or that we currently believe are immaterial.

Our business and financial results are affected by general economic conditions, including home prices and employment trends, and changes in economic conditions or financial markets may materially adversely affect our business and financial condition.

In general, a prolonged period of slow growth in the U.S. economy or any deterioration in general economic conditions or financial markets could materially adversely affect our results of operations, net worth and financial condition. Our business is significantly affected by the status of the U.S. economy, including home prices and employment trends, as well as economic output levels, interest and inflation rates, and shifts in fiscal and monetary policies. As described in "MD&A—Key Market Economic Indicators" in this report, we currently expect that a modest recession is likely to occur beginning in the first quarter of 2023, resulting in an increase in the unemployment rate. In addition, home prices declined slightly on a national basis in the third quarter of 2022, and we expect additional home price declines in the fourth quarter of 2022 and in 2023.

In recent years, the Federal Reserve has purchased a significant amount of mortgage-backed securities issued by us, Freddie Mac and Ginnie Mae. The Federal Reserve began to taper these purchases in November 2021 and concluded its asset purchase program in March 2022. In March 2022, the Federal Reserve stated that it would reinvest principal payments from its holdings of both agency debt and agency mortgage-backed securities into agency mortgage-backed securities, and that it expected to begin reducing its holdings of agency debt and agency mortgage-backed securities. In May 2022, the Federal Reserve announced its plans to reduce its securities holdings over time by reinvesting principal payments from agency debt and agency mortgage-backed securities only to the extent those payments exceed monthly caps; the cap was initially set at $17.5 billion per month beginning on June 1, 2022, and increased to $35 billion per month in September 2022. In addition, the Federal Reserve has raised the target range for the federal funds rate several times this year to address inflation, and in November 2022 stated that it anticipates that ongoing increases in the target range will be appropriate. The strength in inflation also contributed to the sharp rise in mortgage rates in 2022, and mortgage rates may continue to rise. The increase in mortgage interest rates has already led to a slowdown in housing demand and a reduction in our business volume. Due to the recent sharp rise in interest rates and increases in mortgage spreads, we have been issuing MBS with higher coupon yields. Demand for, and liquidity of, these higher MBS coupon yields has been lower than typical demand and liquidity for our MBS. Further rate increases would likely further reduce our business volume and demand for and the liquidity of our MBS, which could adversely affect our results of operations, net worth and financial condition. Further rate increases also could result in greater home price declines, which also could adversely affect our results of operations, net worth and financial condition.

Global economic conditions can also adversely affect our business and financial results. Changes or volatility in market conditions resulting from deterioration in or uncertainty regarding global economic conditions can adversely affect the value of our assets, which could materially adversely affect our results of operations, net worth and financial condition. Differing rates of economic recovery from the COVID-19 pandemic around the world along with continued dislocations in supply chains remain a concern for policy makers and financial markets. To the extent global economic conditions negatively affect the U.S. economy, they also could negatively affect the credit performance of the loans in our book of business.

Volatility or uncertainty in global or domestic political conditions also can significantly affect economic conditions and financial markets. Global or domestic political unrest also could affect economic growth and financial markets. For example, the Russian war in Ukraine and related economic sanctions imposed on Russia, as well as any further actions by Russia, the United States or others relating to this conflict, may further impact the global economy and financial markets, which could further increase inflationary pressure and interest rates, as well as negatively affect economic growth and result in disruptions in the financial markets. We describe in "Risk Factors" in our 2021 Form 10-K the risks to our business posed by changes in interest rates and changes in spreads. In addition, future changes or disruptions in financial markets could significantly change the amount, mix and cost of funds we obtain, as well as our liquidity position.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Common Stock

Our common stock is traded in the over-the-counter market and quoted on the OTCQB, operated by OTC Markets Group Inc., under the ticker symbol "FNMA."

Recent Sales of Unregistered Equity Securities

Under the terms of our senior preferred stock purchase agreement with Treasury, we are prohibited from selling or issuing our equity interests without the prior written consent of Treasury except under limited circumstances, which are described in “Business—Conservatorship, Treasury Agreements and Housing Finance Reform—Treasury Agreements—Covenants under Treasury Agreements” in our 2021 Form 10-K. During the quarter ended September 30, 2022, we did not sell any equity securities.

Information about Certain Securities Issuances by Fannie Mae

Pursuant to SEC regulations, public companies are required to disclose certain information when they incur a material direct financial obligation or become directly or contingently liable for a material obligation under an off-balance sheet arrangement. The disclosure must be made in a current report on Form 8-K under Item 2.03 or, if the obligation is incurred in connection with certain types of securities offerings, in prospectuses for that offering that are filed with the SEC.

Because the securities we issue are exempted securities under the Securities Act of 1933, we do not file registration statements or prospectuses with the SEC with respect to our securities offerings. To comply with the disclosure requirements of Form 8-K relating to the incurrence of material financial obligations, in accordance with a “no-action” letter we received from the SEC staff in 2004, we report our incurrence of these types of obligations in offering circulars or prospectuses (or supplements thereto) that we post on our website within the same time period that a prospectus for a non-exempt securities offering would be required to be filed with the SEC. To the extent we incur a material financial obligation that is not disclosed in this manner, we would file a Form 8-K if required to do so under applicable Form 8-K requirements.

The website address for disclosure about our debt securities is www.fanniemae.com/debtsearch. From this address, investors can access the offering circular and related supplements for debt securities offerings under Fannie Mae’s universal debt facility, including pricing supplements for individual issuances of debt securities.

Disclosure about our obligations pursuant to the MBS we issue, some of which may be off-balance sheet obligations, can be found at www.fanniemae.com/mbsdisclosure. From this address, investors can access information and documents about our MBS, including prospectuses and related prospectus supplements.

We are providing our website address solely for your information. Information appearing on our website is not incorporated into this report.

Our Purchases of Equity Securities

We did not repurchase any of our equity securities during the third quarter of 2022.

Dividend Restrictions

Our payment of dividends is subject to the following restrictions:

Restrictions Relating to Conservatorship. Our conservator announced on September 7, 2008 that we would not pay any dividends on the common stock or on any series of preferred stock, other than the senior preferred stock. In addition, FHFA’s regulations relating to conservatorship and receivership operations prohibit us from paying any dividends while in conservatorship unless authorized by the Director of FHFA. The Director of FHFA has directed us to make dividend payments on the senior preferred stock on a quarterly basis for every dividend period for which dividends were payable.

Restrictions Under Senior Preferred Stock Purchase Agreement and Senior Preferred Stock. The senior preferred stock purchase agreement prohibits us from declaring or paying any dividends on Fannie Mae equity securities (other than the senior preferred stock) without the prior written consent of Treasury. In addition, the provisions of the senior preferred stock provide for dividends each quarter through and including the capital reserve end date in the amount, if any, by which our net worth as of the end of the immediately preceding fiscal quarter exceeds an applicable capital reserve amount. The applicable capital reserve amount is the amount of adjusted total capital necessary for us to meet the capital requirements and buffers set forth in the enterprise regulatory capital framework. The capital reserve end date is defined as the last day of the second consecutive fiscal quarter during which we have had and maintained capital equal to, or in excess of, all of the capital requirements and buffers under the enterprise regulatory capital framework. After the capital reserve end date, the amount of quarterly dividends to Treasury will be equal to the lesser of any quarterly increase in our net worth and a 10% annual rate on the then-current liquidation preference of the senior preferred stock. As a result, our ability to retain earnings in excess of the capital requirements and buffers set forth in the enterprise regulatory capital framework will be limited. For more information on the terms of the senior preferred stock purchase agreement and senior preferred stock, see “Business—Conservatorship, Treasury Agreements and Housing Finance Reform” in our 2021 Form 10-K.

Additional Restrictions Relating to Preferred Stock. Payment of dividends on our common stock is also subject to the prior payment of dividends on our preferred stock and our senior preferred stock. Payment of dividends on all outstanding preferred stock, other than the senior preferred stock, is also subject to the prior payment of dividends on the senior preferred stock.

Statutory Restrictions. Under the GSE Act, FHFA has authority to prohibit capital distributions, including payment of dividends, if we fail to meet our capital requirements. If FHFA classifies us as significantly undercapitalized, approval of the Director of FHFA is required for any dividend payment. Under the Charter Act and the GSE Act, we are not permitted to make a capital distribution if, after making the distribution, we would be undercapitalized. The Director of FHFA, however, may permit us to repurchase shares if the repurchase is made in connection with the issuance of additional shares or obligations in at least an equivalent amount and will reduce our financial obligations or otherwise improve our financial condition.

While not currently applicable, our payment of dividends will be subject to the following restrictions under the enterprise regulatory capital framework effective on the date of termination of our conservatorship:

Restrictions Under Enterprise Regulatory Capital Framework. During a calendar quarter, we will not be permitted to pay dividends or make any other capital distributions (or create an obligation to make such distributions) that, in the aggregate, exceed the amount equal to our eligible retained income for the quarter multiplied by our maximum payout ratio. The maximum payout ratio for a given quarter is the lowest of the payout ratios determined by our capital conservation buffer and our leverage buffer. We will not be subject to this limitation on distributions if we have a capital conservation buffer that is greater than our prescribed capital conservation buffer amount and a leverage buffer that is greater than our prescribed leverage buffer amount. Notwithstanding the above-described limitations, FHFA may permit us to make a distribution upon our request, if FHFA determines that the distribution would not be contrary to the purposes of this section of the enterprise regulatory capital framework or to our safety and soundness. We will not be permitted to make any distributions during a quarter if our eligible retained income is negative and either (a) our capital conservation buffer is less than our stress capital buffer or (b) our leverage buffer is less than our prescribed leverage buffer amount.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed below are being filed or furnished with or incorporated by reference into this report.

Item	Description
3.1	Fannie Mae Charter Act (12 U.S.C. § 1716 et seq.) as amended through July 25, 2019 (Incorporated by reference to Exhibit 3.1 to Fannie Mae's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, filed October 31, 2019.)
3.2	Fannie Mae Bylaws, as amended through January 29, 2019 (Incorporated by reference to Exhibit 3.2 to Fannie Mae's Annual Report on Form 10-K for the year ended December 31, 2018, filed February 14, 2019.)
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101. INS	Inline XBRL Instance Document* - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101. SCH	Inline XBRL Taxonomy Extension Schema*
101. CAL	Inline XBRL Taxonomy Extension Calculation*
101. DEF	Inline XBRL Taxonomy Extension Definition*
101. LAB	Inline XBRL Taxonomy Extension Label*
101. PRE	Inline XBRL Taxonomy Extension Presentation*
104	Cover Page Interactive Data File* (embedded within the Inline XBRL document)

* The financial information contained in these Inline XBRL documents is unaudited.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Federal National Mortgage Association

By: /s/ David C. Benson
David C. Benson
President and Interim Chief Executive Officer

Date: November 8, 2022

By: /s/ Chryssa C. Halley
Chryssa C. Halley
Executive Vice President and
Chief Financial Officer

Date: November 8, 2022

Fannie Mae®

Exhibit 31.1

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, David C. Benson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 of Fannie Mae (formally, the Federal National Mortgage Association);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ David C. Benson

David C. Benson
President and Interim Chief Executive Officer

Date: November 8, 2022

Exhibit 31.2

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, Chryssa C. Halley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 of Fannie Mae (formally, the Federal National Mortgage Association);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Chryssa C. Halley

Chryssa C. Halley
Executive Vice President and Chief Financial Officer

Date: November 8, 2022

Exhibit 32.1

CERTIFICATION

In connection with the Quarterly Report on Form 10-Q of Fannie Mae (formally, the Federal National Mortgage Association) for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David C. Benson, President and Interim Chief Executive Officer of Fannie Mae, certify, pursuant to 18 U.S.C. Section 1350, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Fannie Mae.

/s/ David C. Benson

David C. Benson
President and Interim Chief Executive Officer

Date: November 8, 2022

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION

In connection with the Quarterly Report on Form 10-Q of Fannie Mae (formally, the Federal National Mortgage Association) for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Chryssa C. Halley, Executive Vice President and Chief Financial Officer of Fannie Mae, certify, pursuant to 18 U.S.C. Section 1350, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Fannie Mae.

/s/ Chryssa C. Halley

Chryssa C. Halley
Executive Vice President and Chief Financial Officer

Date: November 8, 2022

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.