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 June 30, 2015

OR

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

For the transition period from to

Commission File No.: 0-50231

Federal National Mortgage Association

(Exact name of registrant as specified in its charter)

Fannie Mae

Federally chartered corporation	**52-0883107**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
3900 Wisconsin Avenue, NW Washington, DC	**20016**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code:
(202) 752-7000

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☑ No o

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

Large accelerated filer ☑	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of June 30, 2015, there were 1,158,082,750 shares of common stock of the registrant outstanding.

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MD&A TABLE REFERENCE

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 delegated specified authorities to our Board of Directors and has delegated to management the authority to conduct our day-to-day operations. Our directors do not have any fiduciary duties to any person or entity except to the conservator and, accordingly, are not obligated to consider the interests of the company, the holders of our equity or debt securities or the holders of Fannie Mae MBS unless specifically directed to do so by the conservator. We describe the rights and powers of the conservator, key provisions of our agreements with the U.S. Department of the Treasury ("Treasury"), and their impact on shareholders in our Annual Report on Form 10-K for the year ended December 31, 2014 ("2014 Form 10-K") in "Business—Conservatorship and Treasury Agreements."

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 and the more detailed information in our 2014 Form 10-K.

This report contains forward-looking statements that are based on management's current expectations and are subject to significant uncertainties and changes in circumstances. Please review "Forward-Looking Statements" for more information on the forward-looking statements in this report. Our actual results may differ materially from those reflected in our forward-looking statements due to a variety of factors including, but not limited to, those discussed in "Risk Factors" and elsewhere in this report and in our 2014 Form 10-K.

You can find a "Glossary of Terms Used in This Report" in the "MD&A" of our 2014 Form 10-K.

INTRODUCTION

Fannie Mae is a government-sponsored enterprise ("GSE") that was chartered by Congress in 1938. We serve an essential role in the functioning of the U.S. housing market and are investing in improvements to the U.S. housing finance system. Our public mission is to support liquidity and stability in the secondary mortgage market, where existing mortgage-related assets are purchased and sold, and to increase the supply of affordable housing. Our charter does not permit us to originate loans or lend money directly to consumers in the primary mortgage market.

Fannie Mae provides reliable, large-scale access to affordable mortgage credit and indirectly enables families to buy, refinance or rent homes. We securitize mortgage loans originated by lenders into Fannie Mae mortgage-backed securities that we guarantee, which we refer to as Fannie Mae MBS. One of our key functions is to evaluate, price and manage the credit risk on the loans and securities that we guarantee. We also purchase mortgage loans and mortgage-related securities, primarily for securitization and sale at a later date. We use the term "acquire" in this report to refer to both our securitizations and our purchases of mortgage-related assets. We obtain funds to support our business activities by issuing a variety of debt securities in the domestic and international capital markets, which attracts global capital to the United States housing market.

Our conservatorship has no specified termination date, and we do not know when or how the conservatorship will terminate, whether we will continue to exist following conservatorship, what changes to our business structure will be made during or following the conservatorship, or what ownership interest, if any, our current common and preferred stockholders will hold in us after the conservatorship is terminated. In addition, our agreements with Treasury that provide for financial support include covenants that significantly restrict our business activities and provide for dividends to accrue at a rate equal to our net worth less a capital reserve amount, which continues to decrease annually until it reaches zero, allowing us to retain only a limited and decreasing amount of our net worth. We provide additional information on the conservatorship, the provisions of our agreements with Treasury, and their impact on our business in our 2014 Form 10-K in "Business—Conservatorship and Treasury Agreements" and "Risk Factors." We discuss the uncertainty of our future in "Executive Summary—Outlook" and "Risk Factors" in this report. We discuss proposals for housing finance reform that could materially affect our business in "Legislative and Regulatory Developments—Housing Finance Reform" in this report and in "Business—Housing Finance Reform" in our 2014 Form 10-K.

Although Treasury owns our senior preferred stock and a warrant to purchase 79.9% of our common stock, and has made a commitment under a senior preferred stock purchase agreement to provide us with funds to maintain a positive net worth under specified conditions, the U.S. government does not guarantee our securities or other obligations.

Our common stock is traded in the over-the-counter market and quoted on the OTC Bulletin Board under the symbol "FNMA." Our debt securities are actively traded in the over-the-counter market.

EXECUTIVE SUMMARY

Our Strategy

We are focused on:

- achieving strong financial and credit performance;
- supporting the housing recovery by providing reliable, large-scale access to affordable mortgage credit for qualified borrowers and helping struggling homeowners;
- serving customer needs and improving our business efficiency; and
- helping to build a sustainable housing finance system.

Achieving strong financial and credit performance

We continued to achieve strong financial and credit performance in the second quarter of 2015:

- *Financial Performance.* We reported net income of $4.6 billion for the second quarter of 2015, compared with net income of $3.7 billion for the second quarter of 2014. See "Summary of Our Financial Performance" below for an overview of our financial performance for the second quarter and first half of 2015, compared with the second quarter and first half of 2014. We expect to remain profitable on an annual basis for the foreseeable future; however, certain factors, such as changes in interest rates or home prices, could result in significant volatility in our financial results from quarter to quarter or year to year. For more information regarding our expectations for our future financial performance, see "Outlook—Financial Results" and "Outlook—Revenues" below.
- *Dividend Payments to Treasury.* With our expected September 2015 dividend payment to Treasury, we will have paid a total of $142.5 billion in dividends to Treasury on our senior preferred stock. The aggregate amount of draws we have received from Treasury to date under the senior preferred stock purchase agreement is $116.1 billion. Under the terms of the senior preferred stock purchase agreement, dividend payments do not offset prior Treasury draws. See "Treasury Draws and Dividend Payments" and "Outlook—Dividend Obligations to Treasury" below for more information regarding our dividend payments to Treasury.
- *Book of Business and Credit Performance.* Beginning in 2008, we made changes to strengthen our underwriting and eligibility standards that have improved the credit quality of our single-family guaranty book of business and contributed to improvement in our credit performance. Our single-family serious delinquency rate has decreased each quarter since the first quarter of 2010, and was 1.66% as of June 30, 2015, compared with 1.89% as of December 31, 2014. Single-family seriously delinquent loans are loans that are 90 days or more past due or in the foreclosure process. See "Single-Family Guaranty Book of Business" below for information on the credit performance of the mortgage loans in our single-family guaranty book of business and on our recent single-family acquisitions.

Our business model has changed significantly since we entered into conservatorship in 2008 and continues to evolve. To meet the requirements of our senior preferred stock purchase agreement with Treasury, our retained mortgage portfolio has declined substantially since entering conservatorship and will continue to decline until 2018, which has resulted in, and is expected to continue to result in, declines in our net revenues from our retained mortgage portfolio. Our "retained mortgage portfolio" refers to the mortgage-related assets we own (which excludes the portion of assets held by consolidated MBS trusts that back mortgage-related securities owned by third parties). In addition, the amount of guaranty fee income we receive for managing the credit risk of loans in our book of business has increased significantly since entering into conservatorship and we expect will continue to increase over the next several years. See "Outlook—Revenues" for more information on the shift in, and future expectations regarding, the sources of our revenue. Our business also continues to evolve as a result of our efforts to build a safer and sustainable housing finance system and to pursue the strategic goals identified by our conservator. For example, we have transferred a portion of the existing credit risk on our single-family guaranty book of business in order to reduce the risk to taxpayers of future borrower defaults, and we expect to continue engaging in economically sensible ways to expand our offerings of credit risk transfer transactions in the future. See "Helping to Build a Sustainable Housing Finance System" below and in our 2014 Form 10-K in "Business—Executive Summary" for a discussion of our credit risk transfer transactions and other efforts to build a safer and sustainable housing finance system.

We remain under conservatorship and subject to the restrictions of the senior preferred stock purchase agreement with Treasury. As a result of the senior preferred stock purchase agreement and directives from our conservator, we are not permitted to retain our net worth (other than a limited amount that will decrease to zero by 2018), rebuild our capital position or pay dividends or other distributions to stockholders other than Treasury. See “Business—Conservatorship and Treasury Agreements” in our 2014 Form 10-K for more information regarding our conservatorship and our senior preferred stock purchase agreement with Treasury. In addition, the future of our company remains uncertain. Congress continues to consider options for reform of the housing finance system, including the GSEs, and we cannot predict the prospects for the enactment, timing or final content of housing finance reform legislation. See “Legislative and Regulatory Developments—Housing Finance Reform” in this report and “Business—Housing Finance Reform” in our 2014 Form 10-K for information on recent proposals for housing finance reform.

Supporting the housing recovery by providing reliable, large-scale access to affordable mortgage credit for qualified borrowers and helping struggling homeowners

We continued our efforts to support the housing recovery in the second quarter of 2015. We remained the largest single issuer of mortgage-related securities in the single-family secondary market during the second quarter of 2015 and a continuous source of liquidity in the multifamily market. We also continued to help struggling homeowners. In the second quarter of 2015, we provided approximately 34,000 loan workouts to help homeowners stay in their homes or otherwise avoid foreclosure. We discuss our activities to support the housing and mortgage markets in “Contributions to the Housing and Mortgage Markets” below.

Serving customer needs and improving our business efficiency

We continued to work on initiatives to better serve our customers’ needs and improve our business efficiency in the second quarter of 2015. These initiatives include revising and clarifying our representation and warranty framework to reduce lenders’ repurchase risk, simplifying our business processes, and updating our infrastructure. We discuss these initiatives in “Serving Customer Needs and Improving Our Business Efficiency” below and in our 2014 Form 10-K in “Business—Executive Summary.”

Helping to build a sustainable housing finance system

We continued to help lay the foundation for a safer and sustainable housing finance system in the second quarter of 2015. Our efforts included pursuing the strategic goals and objectives identified by our conservator, as well as investing in enhancements to our business and infrastructure. We discuss these efforts, as well as FHFA’s 2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac and FHFA’s related 2015 conservatorship scorecard, in “Helping to Build a Sustainable Housing Finance System” below and in our 2014 Form 10-K in “Business—Executive Summary.”

Summary of Our Financial Performance

Our financial results for the second quarter and first half of 2015 were affected by significant fluctuations in interest rates and continued improvements in the housing and mortgage markets. The increase in interest rates during the second quarter of 2015 resulted in improvements in the fair value of financial instruments that we mark to market in our earnings, resulting in fair value gains primarily related to risk management derivatives. Although the increase in interest rates had a positive impact on the fair value of our financial instruments, the increase in interest rates had a negative impact on our provision for credit losses, as described below.

Comprehensive Income

Quarterly Results

We recognized comprehensive income of $4.4 billion in the second quarter of 2015, consisting of net income of $4.6 billion and other comprehensive loss of $281 million. In comparison, we recognized comprehensive income of $3.7 billion in the second quarter of 2014, consisting of net income of $3.7 billion and other comprehensive income of $45 million. The increase in comprehensive income was primarily due to a shift to fair value gains from fair value losses, partly offset by a shift to credit-related expense from credit-related income.

We recognized fair value gains of $2.6 billion in the second quarter of 2015 primarily due to an increase in longer-term swap rates during the period. We recognized fair value losses of $934 million in the second quarter of 2014 as longer-term swap rates decreased during the period.

Credit-related expense of $1.2 billion in the second quarter of 2015 was primarily attributable to an increase in mortgage interest rates during the period. Due to the rise in mortgage interest rates we expect a decline in future prepayments on individually impaired loans, including modified loans. Lower expected prepayments lengthen the expected lives of modified loans, which increases the impairment related to concessions provided on these loans and results in an increase in the provision for credit losses. The negative impact from the increase in interest rates was partially offset by a positive impact from an increase in home prices during the second quarter of 2015. Also contributing to credit-related expense was the redesignation of certain nonperforming single-family loans from held for investment ("HFI") to held for sale ("HFS") in the second quarter of 2015. These loans were adjusted to the lower of cost or fair value, which negatively impacted our provision for credit losses by approximately $500 million. The change in intent is aligned with our plan to complete additional sales of nonperforming loans by building these sales into a programmatic offering. Credit-related income of $1.9 billion in the second quarter of 2014 was primarily attributable to an increase in home prices in the period.

Year-to-Date Results

We recognized comprehensive income of $6.2 billion in the first half of 2015, consisting of net income of $6.5 billion and other comprehensive loss of $373 million. In comparison, we recognized comprehensive income of $9.4 billion in the first half of 2014, consisting of net income of $9.0 billion and other comprehensive income of $417 million. The decrease in comprehensive income was driven by revenue of $4.2 billion recognized in the first half of 2014 resulting from settlement agreements resolving certain lawsuits relating to private-label mortgage-related securities ("PLS") sold to us and a shift to credit-related expense from credit-related income. The negative impact from these factors was partially offset by a positive impact from a shift to fair value gains from fair value losses.

Credit-related expense of $1.2 billion in the first half of 2015 and credit-related income of $2.9 billion in the first half of 2014 were primarily a result of the same factors that affected our results for the second quarters of 2015 and 2014, as described above.

Fair value gains of $687 million in the first half of 2015 and fair value losses of $2.1 billion in the first half of 2014 were primarily a result of the same factors that affected our results for the second quarters of 2015 and 2014, as described above.

We expect volatility from period to period in our financial results from a number of factors, particularly changes in market conditions that result in fluctuations in the estimated fair value of the financial instruments that we mark to market through our earnings. These instruments include derivatives and certain securities. The estimated fair value of our derivatives and securities may fluctuate substantially from period to period because of changes in interest rates, the yield curve, mortgage spreads and implied volatility, as well as activity related to these financial instruments. We use derivatives to manage the interest rate risk exposure of our net portfolio, which consists of our retained mortgage portfolio, cash and other investments portfolio, and outstanding debt of Fannie Mae. Some of these financial instruments in our net portfolio are not recorded at fair value in our condensed consolidated financial statements, and as a result we may experience accounting gains or losses due to changes in interest rates or other market conditions that may not be indicative of the economic interest rate risk exposure of our net portfolio. See "Risk Management—Market Risk Management, Including Interest Rate Risk Management" for more information. In addition, our credit-related income or expense can vary substantially from period to period primarily due to changes in home prices, borrower payment behavior and economic conditions.

See "Consolidated Results of Operations" for more information on our results.

Net Worth

Our net worth increased to $6.2 billion as of June 30, 2015 from $3.7 billion as of December 31, 2014 primarily due to our comprehensive income of $6.2 billion, partially offset by our payments to Treasury of $3.7 billion in senior preferred stock dividends for the first half of 2015. Our expected dividend payment of $4.4 billion for the third quarter of 2015 is calculated based on our net worth of $6.2 billion as of June 30, 2015 less the applicable capital reserve amount of $1.8 billion.

Single-Family Guaranty Book of Business

Credit Performance

We continued to achieve strong credit performance in the second quarter of 2015. In addition to acquiring loans with strong credit profiles, we continued to execute on our strategies for reducing credit losses, such as helping eligible Fannie Mae borrowers with high loan-to-value ("LTV") ratio loans refinance into more sustainable loans through the Administration's Home Affordable Refinance Program® ("HARP®"), offering borrowers loan modifications that can significantly reduce their monthly payments, pursuing foreclosure alternatives and managing our real estate owned ("REO") inventory to appropriately manage costs and maximize sales proceeds. As we work to reduce credit losses, we also seek to assist struggling homeowners, help stabilize communities and support the housing market.

Table 1 presents information about the credit performance of mortgage loans in our single-family guaranty book of business and our workouts. The term "workouts" refers to both home retention solutions (loan modifications and other solutions that enable a borrower to stay in his or her home) and foreclosure alternatives (short sales and deeds-in-lieu of foreclosure). The workout information in Table 1 does not reflect repayment plans and forbearances that have been initiated but not completed, nor does it reflect trial modifications that have not become permanent.

Table 1: Credit Statistics, Single-Family Guaranty Book of Business[1]

	2015			2014				
	Q2 YTD	Q2	Q1	Full Year	Q4	Q3	Q2	Q1
	(Dollars in millions)							
As of the end of each period:								
Serious delinquency rate[2]	1.66 %	1.66 %	1.78 %	1.89 %	1.89 %	1.96 %	2.05 %	2.19 %
Seriously delinquent loan count	287,372	287,372	308,546	329,590	329,590	340,897	357,267	383,810
Foreclosed property inventory:								
Number of properties[3]	68,717	68,717	79,319	87,063	87,063	92,386	96,796	102,398
Carrying value	$ 7,997	$ 7,997	$ 8,915	$ 9,745	$ 9,745	$ 10,209	$ 10,347	$ 10,492
Total loss reserves[4]	31,770	31,770	32,532	37,762	37,762	39,330	41,657	44,760
During the period:								
Credit-related (expense) income[5]	$ (1,245)	$ (1,238)	$ (7)	$ 3,625	$ 94	$ 748	$ 1,781	$ 1,002
Credit losses[6]	7,482	2,109	5,373	5,978	1,616	1,738	1,497	1,127
REO net sales prices to unpaid principal balance[7]	71 %	72 %	70 %	69 %	69 %	69 %	69 %	68 %
Short sales net sales price to unpaid principal balance[8]	73 %	74 %	73 %	72 %	72 %	72 %	72 %	71 %
Loan workout activity (number of loans):								
Home retention loan workouts[9]	56,337	27,769	28,568	130,132	27,610	30,584	33,639	38,299
Short sales and deeds-in-lieu of foreclosure	11,785	6,128	5,657	34,480	6,845	7,992	9,516	10,127
Total loan workouts	68,122	33,897	34,225	164,612	34,455	38,576	43,155	48,426
Loan workouts as a percentage of delinquent loans in our guaranty book of business[10]	21.96 %	22.69 %	21.71 %	23.20 %	20.45 %	22.46 %	24.69 %	25.70 %

(1) Our single-family guaranty book of business consists of (a) single-family mortgage loans of Fannie Mae, (b) single-family mortgage loans underlying Fannie Mae MBS, and (c) other credit enhancements that we provide on single-family mortgage assets, such as long-term standby commitments. It excludes non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio for which we do not provide a guaranty.

(2) Calculated based on the number of single-family conventional loans that are 90 days or more past due or in the foreclosure process, divided by the number of loans in our single-family conventional guaranty book of business.

(3) Includes acquisitions through deeds-in-lieu of foreclosure. Also includes held for use properties, which are reported in our condensed consolidated balance sheets as a component of "Other assets."

(4) Consists of (a) the combined loss reserves, (b) allowance for accrued interest receivable, and (c) allowance for preforeclosure property taxes and insurance receivable. Effective January 1, 2015, we charged off accrued interest receivable associated with loans on nonaccrual status and eliminated the related allowance in connection with our change in accounting policy related to the treatment of interest previously accrued, but not collected, at the date that loans are placed on nonaccrual status. See "Note 1, Summary of Significant Accounting Policies" for more information on this policy change.

(5) Consists of (a) the (provision) benefit for credit losses and (b) foreclosed property (expense) income.

(6) Consists of (a) charge-offs, net of recoveries and (b) foreclosed property expense (income), adjusted to exclude the impact of fair value losses resulting from credit-impaired loans acquired from MBS trusts. As discussed in "Consolidated Results of Operations—Credit-Related (Expense) Income—Credit Loss Performance Metrics," our credit losses in the first half of 2015 included charge-offs of (1) $1.8 billion in loans held for investment and $724 million in preforeclosure property taxes and insurance receivable that we recognized on January 1, 2015 upon our adoption of FHFA's Advisory Bulletin AB 2012-02, "Framework for Adversely Classifying Loans, Other Real Estate Owned, and Other Assets and Listing Assets for Special Mention" (the "Advisory Bulletin") and (2) $1.1 billion in accrued interest receivable that we recognized on January 1, 2015 upon our adoption of a change in accounting policy related to loans placed on nonaccrual. See "Note 1, Summary of Significant Accounting Policies" for more information on these changes.

(7) Calculated as the amount of sale proceeds received on disposition of REO properties during the respective period, 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.

(8) 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 represents the contract sales price less the selling costs for the property and other charges paid by the seller at the closing, including borrower relocation incentive payments and subordinate lien(s) negotiated payoffs.

(9) Consists of (a) modifications, which do not include trial modifications, loans to certain borrowers who have received bankruptcy relief that are classified as troubled debt restructurings ("TDRs"), or repayment plans or forbearances that have been initiated but not completed and (b) repayment plans and forbearances completed. See "Table 30: Statistics on Single-Family Loan Workouts" in "Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Problem Loan Management—Loan Workout Metrics" for additional information on our various types of loan workouts.

(10) Calculated based on annualized problem loan workouts during the period as a percentage of the average balance of delinquent loans in our single-family guaranty book of business.

Beginning in 2008, we took actions to significantly strengthen our underwriting and eligibility standards and change our pricing to promote sustainable homeownership and stability in the housing market. These actions have improved the credit quality of our book of business and contributed to improvement in our credit performance. For information on the credit risk profile of our single-family guaranty book of business, see "Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management," including "Table 27: Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business."

We continue to experience disproportionately higher credit losses and serious delinquency rates from single-family loans originated in 2005 through 2008 than from loans originated in other years. Single-family loans originated in 2005 through 2008 constituted 12% of our single-family book of business as of June 30, 2015 but constituted 58% of our seriously delinquent single-family loans as of June 30, 2015 and drove 68% of our single-family credit losses in the second quarter of 2015. For information on the credit performance of our single-family book of business based on loan vintage, see "Table 11: Credit Loss Concentration Analysis" in "Consolidated Results of Operations—Credit-Related (Expense) Income—Credit Loss Performance Metrics" and "Table 29: Single-Family Conventional Seriously Delinquent Loan Concentration Analysis" in "Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management." For information on certain credit characteristics of our single-family book of business based on the period in which we acquired the loans, see "Table 24: Selected Credit Characteristics of Single-Family Conventional Guaranty Book of Business, by Acquisition Period" in "Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management."

We provide additional information on our credit-related expense in "Consolidated Results of Operations—Credit-Related (Expense) Income" and on the credit performance of mortgage loans in our single-family book of business in "Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management."

We provide more information on our efforts to reduce our credit losses in "Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management" and "Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management" in both this report and our 2014 Form 10-K. See also "Risk Factors" in our 2014 Form 10-K, where we describe factors that may adversely affect the success of our efforts, including our reliance on third parties to service our loans, conditions in the foreclosure environment, and risks relating to our mortgage insurer counterparties.

Recently Acquired Single-Family Loans

Table 2 below displays information regarding our average charged guaranty fee on and select risk characteristics of the single-family loans we acquired in each of the last six quarters, including HARP acquisitions. Table 2 also displays the volume of our single-family Fannie Mae MBS issuances for these periods, which is indicative of the volume of single-family loans we acquired in these periods.

Table 2: Single-Family Acquisitions Statistics

	2015		2014			
	Q2	Q1	Q4	Q3	Q2	Q1
	(Dollars in millions)					
Single-family average charged guaranty fee on new acquisitions (in basis points)[(1)(2)]	59.9	61.2	62.5	63.5	62.6	63.0
Single-family Fannie Mae MBS issuances	$ 130,974	$ 110,994	$ 109,045	$ 105,563	$ 84,096	$ 76,972
Select risk characteristics of single-family conventional acquisitions:[(3)]						
Weighted average FICO® credit score at origination	750	748	745	744	744	741
FICO credit score at origination less than 660	5 %	5 %	6 %	7 %	7 %	8 %
Weighted average original LTV ratio[(4)]	74 %	74 %	76 %	77 %	77 %	77 %
Original LTV ratio over 80%[(4)(5)]	27 %	26 %	30 %	32 %	32 %	31 %
Original LTV ratio over 95%[(4)]	3 %	2 %	2 %	3 %	4 %	7 %
Loan purpose:						
Purchase	40 %	37 %	50 %	57 %	54 %	45 %
Refinance	60 %	63 %	50 %	43 %	46 %	55 %

(1) Includes the impact of a 10 basis point guaranty fee increase implemented pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011 (the “TCCA”), the incremental revenue from which must be remitted to Treasury. The resulting revenue is included in guaranty fee income and the expense is recognized as “TCCA fees.”

(2) Calculated based on the average contractual fee rate for our single-family guaranty arrangements entered into during the period plus the recognition of any upfront cash payments ratably over an estimated average life, expressed in basis points.

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

(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) We purchase loans with original LTV ratios above 80% as part of our mission to serve the primary mortgage market and provide liquidity to the housing finance system. Except as permitted under HARP, our charter generally requires primary mortgage insurance or other credit enhancement for loans that we acquire that have an LTV ratio over 80%.

Our single-family acquisition volume and single-family Fannie Mae MBS issuances increased in the second quarter and first half of 2015 compared with the second quarter and first half of 2014, driven primarily by an increase in the amount of originations in the U.S. single-family mortgage market that were refinancings.

The decrease in our average charged guaranty fee on newly-acquired single-family loans in the second quarter of 2015 as compared with the second quarter of 2014 was driven primarily by a decrease in loan level price adjustments charged on our acquisitions in the second quarter of 2015, as these acquisitions included a lower proportion of loans with higher LTV ratios and a lower proportion of loans with lower FICO credit scores than our acquisitions in the second quarter of 2014. Loan level price adjustments refer to one-time cash fees that we charge at the time we acquire a loan based on the credit characteristics of the loan. The decrease in our acquisitions of loans with higher LTV ratios in the second quarter of 2015 as compared with the second quarter of 2014 was driven by decreases in the percentage of our acquisitions consisting of home purchase loans and HARP loans, and an increase in the percentage of our acquisitions consisting of non-HARP refinance loans. Both home purchase loans and HARP loans typically have higher LTV ratios than non-HARP refinance loans.

For more information on the credit risk profile of our single-family conventional loan acquisitions in the second quarter of 2015, see “Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management,” including “Table 27: Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business” in that section.

Whether the loans we acquire in the future will exhibit an overall credit profile and performance similar to our more recent acquisitions will depend on a number of factors, including: our future guaranty fee pricing and any impact of that pricing on the volume and mix of loans we acquire; our future eligibility standards and those of mortgage insurers, the Federal Housing Administration ("FHA") and the Department of Veterans Affairs ("VA"); the percentage of loan originations representing refinancings; changes in interest rates; our future objectives and activities in support of those objectives, including actions we may take to reach additional underserved creditworthy borrowers; government policy; market and competitive conditions; and the volume and characteristics of HARP loans we acquire in the future. In addition, if our lender customers retain more of the higher-quality loans they originate, it could negatively affect the credit risk profile of our new single-family acquisitions.

In April 2015, FHFA directed us to implement guaranty fee changes that will become effective for whole loans we purchase on or after September 1, 2015 and for loans we acquire in lender swap transactions for Fannie Mae MBS with issue dates on or after September 1, 2015. These fee changes include eliminating the 25 basis point adverse market delivery charge that has been assessed on all single-family mortgages purchased by us since 2008 and small, targeted increases in loan level price adjustments for loans with certain risk attributes. These fee changes and potential risks to our business resulting from these changes are described in "MD&A—Legislative and Regulatory Developments—Changes to Our Single-Family Guaranty Fee Pricing" in our quarterly report on Form 10-Q for the quarter ended March 31, 2015 ("First Quarter 2015 Form 10-Q").

Providing Targeted Access to Credit Opportunities for Creditworthy Borrowers

Pursuant to FHFA's 2014 and 2015 conservatorship scorecards and our statutory mission, we are continuing to work to increase access to mortgage credit for creditworthy borrowers, consistent with the full extent of our applicable credit requirements and risk management practices. As part of this effort, we are encouraging lenders to originate loans across the full range of credit eligibility for those borrowers meeting our credit requirements. Some actions we are taking in this regard include: providing additional clarity regarding seller and servicer representations and warranties and remedies for poor servicing performance; making new quality control tools available to lenders; conducting increased outreach to lenders and other industry stakeholders to increase awareness of our available products and programs and to identify potential opportunities to enhance our products and programs to serve creditworthy borrowers; and conducting consumer research to provide industry partners with information to support their efforts to reach underserved market segments.

As part of meeting this scorecard objective, in 2014 we worked with FHFA to revise our eligibility criteria to address a targeted segment of creditworthy borrowers—those who can afford a mortgage but who lack resources for a substantial down payment—in a responsible manner by taking into account factors that would compensate for the high LTV ratios of their loans. Specifically, we changed our eligibility requirements to increase our maximum LTV ratio from 95% to 97% for loans meeting certain criteria. Although higher LTV ratio loans typically present a higher credit risk than lower LTV ratio loans, we expect our acquisition of these loans under our revised eligibility criteria will not materially affect our overall credit risk because we expect that (1) these loans will constitute a small portion of our acquisitions overall and (2) our eligibility requirements for these loans will limit their effect on our overall credit risk. In addition, we have experience managing the credit risk associated with loans with LTV ratios in this range. In the first half of 2015, we acquired approximately 9,000 single-family loans with 95.01% to 97% LTV ratios from approximately 600 lenders. These loans represented less than 1% of the single-family loans we acquired in the first half of 2015. While we expect the volume of loans we acquire under these criteria to increase, we expect they will continue to constitute only a small portion of our overall acquisitions. Our eligibility requirements for these loans include compensating factors and risk mitigants, which reduce the incidence of loans with multiple higher-risk characteristics, or "risk layering." For purchase transactions, at least one borrower on the loan must be a first-time home buyer and occupy the property as his or her principal residence. In some cases, we also require the borrower to receive housing counseling before obtaining the loan. Eligibility for refinance transactions is limited to existing Fannie Mae loans to provide support for borrowers who may not otherwise be eligible for our Refi Plus™ initiative. For both purchase and refinance loans, the loans must have fixed-rate terms and must be underwritten through Desktop Underwriter®, our proprietary automated underwriting system. Desktop Underwriter provides a comprehensive credit risk assessment on loan applications submitted through the system, assessing risk layers and compensating factors, and identifying loan applications that do not meet our eligibility requirements. We require mortgage insurance or other appropriate credit enhancement for all non-HARP loans with LTV ratios greater than 80%.

To the extent we are able to encourage lenders to increase access to mortgage credit, we may acquire a greater number of single-family loans with higher risk characteristics than we acquired in recent periods; however, we expect our single-family acquisitions will continue to have a strong overall credit risk profile given our current underwriting and eligibility standards and product design. We actively monitor on an ongoing basis the credit risk profile and credit performance of our single-family loan acquisitions, in conjunction with housing market and economic conditions, to determine if our pricing, eligibility and underwriting criteria accurately reflect the risk associated with loans we acquire or guarantee.

Contributions to the Housing and Mortgage Markets

Liquidity and Support Activities

As the largest provider of residential mortgage credit in the United States, we indirectly enable families to buy, refinance or rent homes. During the second quarter of 2015, we continued to provide critical liquidity and support to the U.S. mortgage market in a number of important ways:

- We serve as a stable source of liquidity for purchases of homes and financing of multifamily rental housing, as well as for refinancing existing mortgages. We provided approximately $144 billion in liquidity to the mortgage market in the second quarter of 2015 through our purchases of loans and guarantees of loans and securities. This liquidity enabled borrowers to complete approximately 344,000 mortgage refinancings and approximately 229,000 home purchases, and provided financing for approximately 181,000 units of multifamily housing.
- Our role in the market enables qualified borrowers to have reliable access to affordable mortgage credit, including a variety of conforming mortgage products such as the prepayable 30-year fixed-rate mortgage that protects homeowners from fluctuations in interest rates.
- We provided approximately 34,000 loan workouts in the second quarter of 2015 to help homeowners stay in their homes or otherwise avoid foreclosure. Our loan workout efforts have helped to stabilize neighborhoods, home prices and the housing market.
- We helped borrowers refinance loans, including through our Refi Plus initiative, which offers additional refinancing flexibility to eligible borrowers who are current on their loans, whose loans are owned or guaranteed by us and who meet certain additional criteria. We acquired approximately 59,000 Refi Plus loans in the second quarter of 2015. Refinancings delivered to us through Refi Plus in the second quarter of 2015 reduced borrowers' monthly mortgage payments by an average of $183.
- We support affordability in the multifamily rental market. Approximately 80% of the multifamily units we financed in the second quarter of 2015 were affordable to families earning at or below the median income in their area.
- In addition to purchasing and guaranteeing loans, we provide funds to the mortgage market through short-term financing and other activities. These activities are described in our 2014 Form 10-K in "Business—Business Segments—Capital Markets."

2015 Market Share

We remained the largest single issuer of mortgage-related securities in the secondary market during the second quarter of 2015, with an estimated market share of new single-family mortgage-related securities issuances of 37%, compared with 40% in the first quarter of 2015 and 39% in the second quarter of 2014.

We remained a continuous source of liquidity in the multifamily market in the second quarter and first half of 2015. We owned or guaranteed approximately 19% of the outstanding debt on multifamily properties as of March 31, 2015 (the latest date for which information is available).

Serving Customer Needs and Improving Our Business Efficiency

We are undertaking various initiatives to better serve our customers' needs and improve our business efficiency. We are committed to providing our lender partners with the products, services and tools they need to serve the market efficiently and profitably. To further this commitment, we are focused on revising and clarifying our representation and warranty framework to reduce lenders' repurchase risk, and making our customers' interactions with us simpler and more efficient.

As part of these initiatives, we have implemented or announced a number of changes in 2015 that are designed to help our customers originate mortgages with increased certainty, efficiency and lower costs, including the following:

- in January 2015, we made Collateral Underwriter™ available to lenders at no cost, giving them access to the same appraisal review tool we use so that they can address potential appraisal issues prior to delivering a loan to us;
- in April 2015, we integrated Collateral Underwriter with our Desktop Underwriter underwriting system, which we believe will enhance our lenders' risk management and underwriting capabilities;
- in June 2015, we eliminated fees charged to customers for using Desktop Underwriter and Desktop Originator®, which we expect will allow more lenders to access these systems in their underwriting process;

- beginning in the fall of 2015, we plan to enhance our EarlyCheck™ loan verification tool with additional loan-level data integrity capabilities, to give lenders confidence that the loans they deliver to us have accurate, complete data and meet our requirements; and
- in late 2015, we expect to make available a new loan delivery platform for lenders that is designed to help lenders deliver loans more efficiently and with greater transparency and certainty.

In addition, in July 2015, we completed an initiative to improve our business efficiency by implementing a new third-party mortgage securities trading system and a new third-party securities accounting system and data repository, which has simplified and integrated our processing of and accounting for mortgage securities transactions. For more information on this change, see "Controls and Procedures—Changes in Internal Control over Financial Reporting—Implementation of New Mortgage Securities Transaction Processing and Accounting Systems."

See "Business—Executive Summary—Serving Customer Needs and Improving Our Business Efficiency" in our 2014 Form 10-K for a discussion of other actions we have taken and are taking to better serve our customer needs and improve our business efficiency.

Helping to Build a Sustainable Housing Finance System

We continue to invest significant resources towards helping to build a safer and sustainable housing finance system, primarily through pursuing the strategic goals identified by our conservator. FHFA's current strategic goals are to:

- **Maintain**, in a safe and sound manner, credit availability and foreclosure prevention activities for new and refinanced mortgages to foster liquid, efficient, competitive and resilient national housing finance markets.
- **Reduce** taxpayer risk through increasing the role of private capital in the mortgage market.
- **Build** a new single-family securitization infrastructure for use by Fannie Mae and Freddie Mac and adaptable for use by other participants in the secondary market in the future.

In January 2015, FHFA released annual corporate performance objectives for Fannie Mae and Freddie Mac, referred to as the 2015 conservatorship scorecard, which details specific priorities for implementing FHFA's strategic goals, including objectives designed to further the goal of reforming the housing finance system. We describe below some of the actions we have taken in 2015 pursuant to the mandates of the scorecard in order to build the policies and infrastructure for a sustainable housing finance system.

Credit Risk Transfer Transactions: Connecticut Avenue Securities and Credit Insurance Risk Transfer. FHFA's 2015 conservatorship scorecard includes an objective that we transact credit risk transfers on reference pools of single-family mortgages with an unpaid principal balance of at least $150 billion in 2015, utilizing at least two types of risk transfer structures. The goal of these transactions is, to the extent economically sensible, to transfer a portion of the existing credit risk on a portion of our single-family guaranty book of business in order to reduce the risk to taxpayers of future borrower defaults. Our primary method of achieving this objective has been through the issuance of our Connecticut Avenue Securities™ ("CAS"), which transfer a portion of the credit risk associated with losses on the reference pool of mortgage loans to investors in these securities. From January 2015 to July 2015, we issued $4.5 billion in CAS, transferring a portion of the credit risk on single-family mortgages with an unpaid principal balance of $143.5 billion. See "Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards—Risk Sharing Transactions" for more information on CAS. We also executed a credit insurance risk transfer™ ("CIRT™") transaction in July 2015 that shifted a portion of the credit risk on a reference pool of single-family mortgage loans with an unpaid principal balance of approximately $4.7 billion to a panel of reinsurers. See "Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Credit Guarantors—Reinsurers" for more information on this CIRT transaction.

Nonperforming Loan Sales. FHFA's 2015 conservatorship scorecard includes an objective that we implement key loss mitigation activities, including those that enable borrowers to stay in their homes and avoid foreclosure where possible. These activities include developing and executing additional strategies to reduce the number of severely aged delinquent loans we hold, considering tools such as nonperforming loan sales. In March 2015, FHFA announced enhanced requirements for nonperforming loan sales by Fannie Mae and Freddie Mac. In the announcement, the Director of FHFA indicated FHFA's expectation that, with these enhanced requirements, nonperforming loan sales will result in favorable outcomes for borrowers and local communities. We completed our first nonperforming loan sale in June 2015, selling approximately 2,500 nonperforming loans with an aggregate unpaid principal balance of $633 million. We began marketing our second nonperforming loan sale in July 2015. We plan to complete additional nonperforming loan sales by building these sales into a programmatic offering.

Mortgage Insurance. FHFA's 2015 conservatorship scorecard includes an objective that we implement final private mortgage insurer eligibility requirements for our counterparties. These reforms are intended to strengthen our mortgage insurer counterparties and reduce the risk to taxpayers of future defaults by mortgage insurers on their obligations to the GSEs. In April 2015, we announced and published updated eligibility standards for approved private mortgage insurers, which were further revised in June 2015. The new standards include enhanced financial requirements and are designed to ensure that mortgage insurers have sufficient liquid assets to pay all claims under a hypothetical future stress scenario. The new standards also set forth enhanced operational performance expectations and define remedial actions that may be imposed should an approved mortgage insurer fail to comply with the revised requirements. See "Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Mortgage Insurers" for additional information on these new standards.

Eligibility Requirements for Seller-Servicers. FHFA's 2015 conservatorship scorecard includes an objective that we enhance servicer eligibility standards for our counterparties. In May 2015, we and Freddie Mac issued new operational and financial eligibility requirements for our single-family mortgage seller-servicer counterparties. The operational requirements become effective September 1, 2015 and the financial requirements become effective December 31, 2015. These updated eligibility requirements are designed to better address the unique risks associated with emerging servicer business models and include a new minimum liquidity requirement for non-depository servicers. See "Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Mortgage Sellers and Servicers" for a description of these new eligibility requirements.

Single Security. FHFA's 2015 conservatorship scorecard includes objectives relating to the development of a single mortgage-backed security for Fannie Mae and Freddie Mac. Specifically, the 2015 scorecard requires that we finalize the single security structure (including security features, disclosure standards and related requirements) and develop a plan to implement the single security in the market. FHFA believes a single security would increase liquidity in the housing finance market. The development of the single security is expected to be a multi-year initiative. In the first half of 2015, we worked on a variety of issues relating to the implementation of the single security, including accounting matters, communication planning, industry outreach, risk assessments, legal and contractual issues, trust matters, disclosures, and system development and testing work with the common securitization platform. In May 2015, FHFA issued an update on the structure of the single security that outlined its determinations regarding the key features of the single security structure and requested feedback on its determinations. In addition, in July 2015, we, Freddie Mac and Common Securitization Solutions, LLC announced the creation of an industry advisory group to provide feedback and share information on efforts to build the common securitization platform and implement the single security. See "Legislative and Regulatory Developments—Housing Finance Reform—Conservator Developments" in this report and "Housing Finance Reform—Conservator Developments" in our 2014 Form 10-K for additional information on FHFA's single security proposal and the common securitization platform and "Risk Factors" in our 2014 Form 10-K for a discussion of the risks to our business associated with a single security for Fannie Mae and Freddie Mac.

For more information on FHFA's 2015 conservatorship scorecard objectives, see our Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on January 20, 2015. For more information on our initiatives in pursuit of these objectives, see "Business—Executive Summary—Helping to Build a Sustainable Housing Finance System" in our 2014 Form 10-K.

Treasury Draws and Dividend Payments

From 2009 through the first quarter of 2012, we received a total of $116.1 billion from Treasury under the senior preferred stock purchase agreement. This funding provided us with the capital and liquidity needed to fulfill our mission of providing liquidity and support to the nation's housing finance markets and to avoid a trigger of mandatory receivership under the Federal Housing Finance Regulatory Reform Act of 2008 (the "2008 Reform Act"). In addition, a portion of the $116.1 billion we received from Treasury was drawn to pay dividends to Treasury because, prior to 2013, our dividend payments on the senior preferred stock accrued at an annual rate of 10%, and we were directed by our conservator to pay these dividends to Treasury each quarter even when we did not have sufficient income to pay the dividend. We have not received funds from Treasury under the agreement since the first quarter of 2012. As of the date of this filing, the maximum amount of remaining funding under the agreement is $117.6 billion. From 2008 through the second quarter of 2015, we paid a total of $138.2 billion in dividends to Treasury on the senior preferred stock. Under the terms of the senior preferred stock purchase agreement, dividend payments do not offset prior Treasury draws, and we are not permitted to pay down draws we have made under the agreement except in limited circumstances. Accordingly, the current aggregate liquidation preference of the senior preferred stock is $117.1 billion, due to the initial $1.0 billion liquidation preference of the senior preferred stock (for which we did not receive cash proceeds) and the $116.1 billion we have drawn from Treasury.

The Director of FHFA directs us to make dividend payments on the senior preferred stock on a quarterly basis. We expect to pay Treasury a senior preferred stock dividend of $4.4 billion by September 30, 2015 for the third quarter of 2015.

Housing and Mortgage Market and Economic Conditions

Economic growth strengthened in the second quarter of 2015. According to the U.S. Bureau of Economic Analysis advance estimate, the inflation-adjusted U.S. gross domestic product, or GDP, rose by 2.3% on an annualized basis in the second quarter of 2015, compared with an increase of 0.6% in the first quarter of 2015. The overall economy gained an estimated 664,000 non-farm jobs in the second quarter of 2015. According to the U.S. Bureau of Labor Statistics, over the 12 months ending in June 2015, the economy created an estimated 2.9 million non-farm jobs. The unemployment rate was 5.3% in June 2015, compared with 5.5% in March 2015.

According to the Federal Reserve, total U.S. residential mortgage debt outstanding, which includes $9.9 trillion of single-family debt outstanding, was estimated to be approximately $10.9 trillion as of both March 31, 2015 (the latest date for which information is available) and December 31, 2014.

Housing sales were mixed in the second quarter of 2015, with existing home sales increasing and new home sales declining as compared with the first quarter of 2015. Total existing home sales averaged 5.3 million units annualized in the second quarter of 2015, a 6.6% increase from the first quarter of 2015, according to data from the National Association of REALTORS®. Sales of foreclosed homes and preforeclosure, or “short,” sales (together, “distressed sales”) accounted for 8% of existing home sales in June 2015, compared with 10% in March 2015 and 11% in June 2014. According to the U.S. Census Bureau, new single-family home sales declined during the second quarter of 2015, averaging an annualized rate of 507,000 units, a 1.9% decline from the first quarter of 2015.

The number of months’ supply, or the inventory/sales ratio, of available existing homes and of new homes each increased in the second quarter of 2015. According to the U.S. Census Bureau, the months’ supply of new single-family unsold homes was 5.4 months as of June 30, 2015, compared with 5.1 months as of March 31, 2015. According to the National Association of REALTORS®, the months’ supply of existing unsold homes was 5.0 months as of June 30, 2015, compared with a 4.6 months’ supply as of March 31, 2015.

The overall mortgage market serious delinquency rate, which has trended down since peaking in the fourth quarter of 2009, remained above long-term averages at 4.2% as of March 31, 2015 (the latest date for which information is available), according to the Mortgage Bankers Association’s National Delinquency Survey, compared with 4.5% as of December 31, 2014. We provide information about Fannie Mae’s serious delinquency rate, which also decreased in the first quarter of 2015, in “Single-Family Guaranty Book of Business—Credit Performance.”

Based on our home price index, we estimate that home prices on a national basis increased by 2.8% in the second quarter of 2015 and by 3.7% in the first half of 2015, following increases of 4.5% in 2014 and 8.0% in 2013. Despite the recent increases in home prices, we estimate that, through June 30, 2015, home prices on a national basis remained 7.0% below their peak in the third quarter of 2006. Our home price estimates are based on preliminary data and are subject to change as additional data become available.

Despite the recent increases in home prices, many homeowners continue to have “negative equity” in their homes as a result of declines in home prices since 2006, which means their mortgage principal balance exceeds the current market value of their home. This increases the likelihood that borrowers will abandon their mortgage obligations and that the loans will become delinquent and proceed to foreclosure. According to CoreLogic, Inc. the number of residential properties with mortgages in a negative equity position in the first quarter of 2015 was approximately 5.1 million, down from 5.4 million in the fourth quarter of 2014 and from 6.3 million in the first quarter of 2014. The percentage of properties with mortgages in a negative equity position in the first quarter of 2015 was 10.2%, down from 10.8% in the fourth quarter of 2014 and from 12.9% in the first quarter of 2014.

Thirty-year fixed-rate mortgage rates ended the quarter at 4.08% for the week of July 2, 2015, up from 3.70% for the week of April 2, 2015, according to the Freddie Mac Primary Mortgage Market Survey®.

During the second quarter of 2015, the multifamily sector continued to exhibit positive fundamentals, according to preliminary third-party data, with declining vacancy levels and increasing rent growth. The national multifamily vacancy rate for institutional investment-type apartment properties was an estimated 4.75% as of June 30, 2015, compared with 5.0% as of both March 31, 2015 and June 30, 2014. National asking rents increased by an estimated 1.0% during the second quarter of 2015, compared with 0.5% during the first quarter of 2015. Because estimated multifamily rent growth has outpaced wage growth over the past few years, multifamily rental housing affordability has declined in recent years.

Continued demand for multifamily rental units was reflected in the estimated positive net absorption (that is, the net change in the number of occupied rental units during the time period) of approximately 44,000 units during the second quarter of 2015, according to preliminary data from Reis, Inc., compared with approximately 33,000 units during the first quarter of 2015. As a result of the continued demand for multifamily rental units over the past few years, there has been an increase in the amount of new multifamily construction development nationally. Approximately 332,000 new multifamily units are expected to be completed this year. The bulk of this new supply is concentrated in a limited number of metropolitan areas. We believe this increase in supply will result in a temporary slowdown in net absorption rates, occupancy levels and effective rents in those areas throughout 2015. Nevertheless, we expect overall national rental market supply and demand to remain in balance over the longer term, based on expected construction completions, expected obsolescence, positive rental household formation trends and expected increases in the population of 25- to 34-year olds, which is the primary age group that tends to rent multifamily housing.

Outlook

Uncertainty Regarding our Future Status. We expect continued significant uncertainty regarding the future of our company and the housing finance system, including how long the company will continue to be in its current form, the extent of our role in the market, what form we will have, 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.

We cannot predict the prospects for the enactment, timing or final content of housing finance reform legislation. See “Legislative and Regulatory Developments—Housing Finance Reform” in this report and “Business—Housing Finance Reform” in our 2014 Form 10-K for discussion of proposals for reform of the housing finance system, including the GSEs, that could materially affect our business, including proposals to wind down Fannie Mae and Freddie Mac. See “Risk Factors” in this report for a discussion of the risks to our business relating to the uncertain future of our company.

Financial Results. Our financial results continued to be strong in the second quarter of 2015, with net income of $4.6 billion. We expect to remain profitable on an annual basis for the foreseeable future; however, we expect our earnings in 2015 and future years will be substantially lower than our earnings for 2014, primarily due to our expectation of substantially lower income from resolution agreements, continued declines in net interest income from our retained mortgage portfolio assets and lower credit-related income or a shift to credit-related expense. In addition, certain factors, such as changes in interest rates or home prices, could result in significant volatility in our financial results from quarter to quarter or year to year. Our future financial results also will be affected by a number of other factors, including: our guaranty fee rates; the volume of single-family mortgage originations in the future; the size, composition and quality of our retained mortgage portfolio and guaranty book of business; and economic and housing market conditions. Our expectations for our future financial results do not take into account the impact on our business of potential future legislative or regulatory changes, which could have a material impact on our financial results, particularly the enactment of housing finance reform legislation as noted in “Uncertainty Regarding our Future Status” above.

Under the terms of the senior preferred stock, our capital reserve will decline by $600 million each year until it reaches zero in 2018. Although we expect to remain profitable on an annual basis for the foreseeable future, due to our declining capital reserve, our expectation of substantially lower earnings in future years than our earnings for 2014, and the potential for significant volatility in our financial results, we could experience a net worth deficit in a future quarter, particularly as our capital reserve approaches or reaches zero. If that were to occur, we would be required to draw additional funds from Treasury under the senior preferred stock purchase agreement in order to avoid being placed into receivership. See “Risk Factors” in our 2014 Form 10-K for a discussion of the risks associated with our declining capital reserves.

Revenues. We currently have two primary sources of revenues: (1) the guaranty fees we receive for managing the credit risk on loans underlying Fannie Mae MBS held by third parties; and (2) the difference between interest income earned on the assets in our retained mortgage portfolio and the interest expense associated with the debt that funds those assets. In recent years, an increasing portion of our net interest income has been derived from guaranty fees rather than from our retained mortgage portfolio assets, due to the impact of guaranty fee increases implemented in 2012 and the shrinking of our retained mortgage portfolio. We estimate that a majority of our net interest income for the first half of 2015 was derived from guaranty fees on loans underlying our Fannie Mae MBS. We expect that guaranty fees will continue to account for an increasing portion of our net interest income.

We expect continued decreases in the size of our retained mortgage portfolio, which will continue to negatively impact our net interest income and net revenues; however, we also expect increases in our guaranty fee revenues will partially offset the negative impact of the decline in our retained mortgage portfolio. We expect our guaranty fee revenues to increase over the next several years, as loans with lower guaranty fees liquidate from our book of business and are replaced with new loans with higher guaranty fees. The extent to which the positive impact of increased guaranty fee revenues will offset the negative impact of the decline in the size of our retained mortgage portfolio will depend on many factors, including: changes to guaranty fee pricing we may make in the future and their impact on our competitive environment and guaranty fee revenues; the size, composition and quality of our guaranty book of business; the life of the loans in our guaranty book of business; the size, composition and quality of our retained mortgage portfolio, including the pace at which we are required by our conservator to reduce the size of our portfolio and the types of assets we are required to sell; economic and housing market conditions, including changes in interest rates; our market share; and legislative and regulatory changes.

Dividend Obligations to Treasury. We expect to retain only a limited amount of any future net worth because we are required by the dividend provisions of the senior preferred stock and quarterly directives from our conservator to pay Treasury each quarter 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. This capital reserve amount is $1.8 billion for each quarter of 2015 and continues to decrease by $600 million annually until it reaches zero in 2018.

As described in "Legal Proceedings" and "Note 16, Commitments and Contingencies," several lawsuits have been filed by preferred and common stockholders of Fannie Mae and Freddie Mac against the United States, Treasury and/or FHFA challenging actions taken by the defendants relating to the senior preferred stock purchase agreements and the conservatorships of Fannie Mae and Freddie Mac, including challenges to the net worth sweep dividend provisions of the senior preferred stock. We cannot predict the course or the outcome of these lawsuits, or the actions the U.S. government (including Treasury or FHFA) may take in response to any ruling or finding in any of these lawsuits.

Overall Market Conditions. We expect that single-family mortgage loan serious delinquency and severity rates will continue their downward trend, but at a slower pace than in recent years. We expect that single-family serious delinquency and severity rates will remain high compared with pre-housing crisis levels because it will take some time for the remaining delinquent loans with high mark-to-market LTV ratios originated prior to 2009 to work their way through the foreclosure process. Despite steady demand and stable fundamentals at the national level, the multifamily sector may continue to exhibit below average fundamentals in certain local markets and with certain properties.

We forecast that total originations in the U.S. single-family mortgage market in 2015 will increase from 2014 levels by approximately 24%, from an estimated $1.2 trillion in 2014 to $1.5 trillion in 2015, and that the amount of originations in the U.S. single-family mortgage market that are refinancings will increase from an estimated $508 billion in 2014 to $689 billion in 2015.

Home Prices. Based on our home price index, we estimate that home prices on a national basis increased by 2.8% in the second quarter of 2015 and by 3.7% in the first half of 2015. We expect the rate of home price appreciation in 2015 to be similar to the rate in 2014. Future home price changes may be very different from our expectations as a result of significant inherent uncertainty in the current market environment, including uncertainty about the effect of recent and future changes in mortgage rates; actions the federal government has taken and may take with respect to fiscal policies, mortgage finance programs and policies, and housing finance reform; the Federal Reserve's purchases and sales of mortgage-backed securities; the impact of those actions on and changes generally in unemployment and the general economic and interest rate environment; and the impact on the U.S. economy of global economic and political conditions. We also expect significant regional variation in the timing and rate of home price growth.

Credit Losses. Our credit losses, which include our charge-offs, net of recoveries, reflect our realization of losses on our loans. Our credit losses were $7.5 billion in the first half of 2015, compared with $2.6 billion in the first half of 2014. The increase in our credit losses in the first half of 2015 compared with the first half of 2014 was primarily due to our approach to adopting the charge-off provisions of FHFA's Advisory Bulletin AB 2012-02, "Framework for Adversely Classifying Loans, Other Real Estate Owned, and Other Assets and Listing Assets for Special Mention" (the "Advisory Bulletin") on January 1, 2015, as well as a change in accounting policy for nonaccrual loans. Our credit losses were $2.1 billion in the second quarter of 2015, compared with $5.4 billion in the first quarter of 2015 and $1.5 billion in the second quarter of 2014. Our credit losses declined in the second quarter of 2015 compared with the first quarter of 2015, primarily because credit losses for the second quarter of 2015 do not reflect the $2.5 billion in initial charge-offs associated with our approach to adopting the charge-off provisions of the Advisory Bulletin in the first quarter of 2015 or the $1.1 billion in charge-offs relating to the change in accounting policy in the first quarter of 2015 described above. We expect our credit losses generally to continue to decline in future quarters. For further information about our implementation of the Advisory Bulletin and our change in accounting policy for nonaccrual loans, see "Note 1, Summary of Significant Accounting Policies." For further information about our credit losses for the second quarter and first half of 2015 as compared with the second quarter and first half of 2014, see "Consolidated Results of Operations—Credit-Related (Expense) Income—Credit Loss Performance Metrics."

Loss Reserves. Our total loss reserves consist of (1) our allowance for loan losses, (2) our allowance for preforeclosure property taxes and insurance receivable and (3) our reserve for guaranty losses. Our total loss reserves were $32.1 billion as of June 30, 2015, down from $38.2 billion as of December 31, 2014. Although our loss reserves have declined substantially from their peak and are expected to decline further, we expect our loss reserves will remain elevated relative to the levels experienced prior to the 2008 housing crisis for an extended period because (1) we expect future defaults on loans that we acquired prior to 2009 and the resulting charge-offs will occur over a period of years and (2) a significant portion of our reserves represents concessions granted to borrowers upon modification of their loans and our reserves will continue to reflect these concessions until the loans are fully repaid or default.

Factors that Could Cause Actual Results to be Materially Different from Our Estimates and Expectations. We present a number of estimates and expectations in this executive summary regarding our future performance, including estimates and expectations regarding our future financial results and profitability, the level and sources of our future revenues and net interest income, our future dividend payments to Treasury, the level and credit characteristics of, and the credit risk posed by, our future acquisitions, our future credit losses and our future loss reserves. We also present a number of estimates and expectations in this executive summary regarding future housing market conditions, including expectations regarding future single-family loan delinquency and severity rates, future mortgage originations, future refinancings, future home prices and future conditions in the multifamily market. These estimates and expectations are forward-looking statements based on our current assumptions regarding numerous factors. Our future estimates of our performance and housing market conditions, as well as the actual results, may differ materially from our current estimates and expectations as a result of: the timing and level of, as well as regional variation in, home price changes; changes in interest rates, unemployment rates and other macroeconomic and housing market variables; our future guaranty fee pricing and the impact of that pricing on our guaranty fee revenues and competitive environment; our future serious delinquency rates; our future objectives and activities in support of those objectives, including actions we may take to reach additional underserved creditworthy borrowers; future legislative or regulatory requirements or changes that have a significant impact on our business, such as a requirement that we implement a principal forgiveness program or the enactment of housing finance reform legislation; actions we may be required to take by FHFA, as our conservator or as our regulator, such as changes in the type of business we do or implementation of a single GSE security; future updates to our models relating to our loss reserves, including the assumptions used by these models; future changes to our accounting policies; significant changes in modification and foreclosure activity; the volume and pace of future nonperforming loan sales and their impact on our results and serious delinquency rates; changes in borrower behavior, such as an increasing number of underwater borrowers who strategically default on their mortgage loans; the effectiveness of our loss mitigation strategies, management of our REO inventory and pursuit of contractual remedies; whether our counterparties meet their obligations in full; resolution or settlement agreements we may enter into with our counterparties; changes in the fiscal and monetary policies of the Federal Reserve, including any change in the Federal Reserve's policy towards the reinvestment of principal payments of mortgage-backed securities or any future sales of such securities; changes in the fair value of our assets and liabilities; changes in generally accepted accounting principles ("GAAP"); credit availability; global political risks; natural disasters, terrorist attacks, pandemics or other major disruptive events; information security breaches; and other factors, including those discussed in "Forward-Looking Statements," "Risk Factors" and elsewhere in this report and in our 2014 Form 10-K. Due to the large size of our guaranty book of business, even small changes in these factors could have a significant impact on our financial results for a particular period.

LEGISLATIVE AND REGULATORY DEVELOPMENTS

The information in this section updates and supplements information regarding legislative and regulatory developments set forth in "Business—Housing Finance Reform" and "Business—Our Charter and Regulation of Our Activities" in our 2014 Form 10-K and in "MD&A—Legislative and Regulatory Developments" in our First Quarter 2015 Form 10-Q. Also see "Risk Factors" in this report and in our 2014 Form 10-K for a discussion of risks relating to legislative and regulatory matters.

Housing Finance Reform

Legislative Developments

Congress continues to consider housing finance reform that could result in significant changes in our structure and role in the future. The first session of the 114th Congress convened in January 2015. A number of bills have been introduced in the Senate and the House of Representatives in the current session of Congress relating to Fannie Mae, Freddie Mac and the housing finance system. One of these bills—the Financial Regulatory Improvement Act of 2015—was approved by the Senate Banking Committee in May 2015. This bill contains provisions that would, among other matters:

- prevent the U.S. government from using increases in Fannie Mae and Freddie Mac guaranty fees to finance government spending, unless a law is enacted to do so and the funds are used to finance secondary mortgage market reforms;
- prohibit Treasury from selling its senior preferred stock in Fannie Mae or Freddie Mac unless Congress enacts a law directing it to do so;
- establish requirements for Common Securitization Solutions, LLC ("CSS") that include: expanding the CSS Board of Directors to include non-GSE representatives; transitioning ownership of CSS to a private, non-profit entity within five years; and facilitating the issuance of mortgage-backed securities by non-GSE issuers through its platform within three to five years; and
- require Fannie Mae and Freddie Mac to engage in significant and increasing credit risk sharing transactions, including front-end and first-loss transactions.

The text of the Financial Regulatory Improvement Act of 2015 was also included in the Financial Services and General Government Appropriations bill approved by the Senate Appropriations Committee in July 2015.

In addition, in July 2015, action was taken in Congress on two additional bills relating to Fannie Mae:

- The House Committee on Financial Services approved a bill that would suspend the current compensation package of our Chief Executive Officer and reduce his compensation to the level that was in effect as of January 1, 2015. The bill also provides that the Chief Executive Officer's compensation may not be increased following this reduction. If this legislation becomes law, our Chief Executive Officer's total annual target direct compensation would be reduced from $4,000,000 to $600,000 and frozen at this level.
- The Senate approved a surface transportation reauthorization bill that includes a provision to extend by an additional four years the 10 basis point guaranty fee increase implemented pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011 (the "TCCA"), which fees we are required to remit to Treasury.

We cannot predict the prospects for the enactment, timing or final content of these legislative proposals. We expect Congress to continue to consider housing finance reform and restrictions on our executive compensation in the current congressional session. There continues to be significant uncertainty regarding the future of our company. See "Risk Factors" for a discussion of the risks to our business relating to the uncertain future of our company, including how the uncertain future of our company and limitations on our employee compensation may adversely affect our ability to retain and recruit well-qualified employees, including senior management.

Conservator Developments

Update on Single Security Structure

FHFA's 2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac includes the goal of developing a single mortgage-backed security for Fannie Mae and Freddie Mac. In August 2014, FHFA published a request for public input on a proposed structure for this single security. After reviewing and considering the responses received, FHFA issued an update on the structure of the single security in May 2015 that outlined its determinations regarding the key features of the single security structure and requested further feedback on its determinations. FHFA's determinations included the following:

- Fannie Mae and Freddie Mac will each issue and guarantee single securities directly backed by mortgage loans it has acquired, referred to as first-level securities, and will not cross-guarantee each other's first-level securities;
- mortgage loans backing first-level single securities will be limited to fixed-rate mortgage loans now eligible for financing through the "To-Be-Announced" ("TBA") market;
- Fannie Mae and Freddie Mac will each be able to issue second-level single securities, also referred to as resecuritizations, backed by first- or second-level securities issued by either company;
- the key features of the new single security will be the same as those of the current Fannie Mae MBS;
- the loan- and security-level disclosures for single securities will closely resemble those of Freddie Mac participation certificates ("PCs"); and
- investors in Freddie Mac PCs will have the option to exchange legacy PCs for comparable single securities backed by the same mortgage loans; there will not be an exchange option for legacy Fannie Mae MBS because FHFA expects investors to treat them as fungible with the single securities.

FHFA's 2015 conservatorship scorecard includes an objective for Fannie Mae and Freddie Mac to finalize the single security structure this year (including security features, disclosure standards and related requirements) and to develop a plan to implement the single security in the market. The single security initiative remains a multi-year effort.

One of FHFA's stated objectives in developing a single security is to reduce the costs to Freddie Mac and taxpayers that result from the difference in liquidity of Fannie Mae MBS and Freddie Mac PCs. We believe the implementation of a single security would likely reduce, and could eliminate, the trading advantage that Fannie Mae MBS have over Freddie Mac PCs. If this occurs, we believe it would negatively affect our ability to compete for mortgage assets in the secondary market, and therefore could adversely affect our results of operations. See "Risk Factors" in our 2014 Form 10-K for a discussion of the risks to our business associated with a single security for Fannie Mae and Freddie Mac.

Change to Multifamily Volume Scorecard Objective

FHFA's 2015 conservatorship scorecard includes an objective to maintain the dollar volume of our new multifamily business at $30 billion or below, excluding volume associated with affordable housing loans, loans to small multifamily properties and loans to manufactured housing rental communities. While the multifamily volume cap remains at $30 billion, in May 2015, FHFA expanded the affordable housing lending categories that are excluded from the cap. FHFA stated that it made these revisions to facilitate continued liquidity in the overall multifamily finance market and to reinforce FHFA's emphasis on providing financing for affordable rental housing.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make a number of judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in the 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 2014 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 policies with the Audit Committee of our Board of Directors. See "Risk Factors" in our 2014 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 three of our accounting policies as critical because they involve significant judgments and assumptions about highly complex and inherently uncertain matters, and the use of reasonably different estimates and assumptions could have a material impact on our reported results of operations or financial condition. These critical accounting policies and estimates are as follows:

- Fair Value Measurement;
- Total Loss Reserves; and
- Deferred Tax Assets.

See "MD&A—Critical Accounting Policies and Estimates" in our 2014 Form 10-K for a discussion of these critical accounting policies and estimates.

CONSOLIDATED RESULTS OF OPERATIONS

This section provides a discussion of our condensed consolidated results of operations and should be read together with our condensed consolidated financial statements, including the accompanying notes.

Table 3: Summary of Condensed Consolidated Results of Operations

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2015	2014	Variance	2015	2014	Variance
	(Dollars in millions)					
Net interest income	$ 5,677	$ 4,904	$ 773	$ 10,744	$ 9,642	$ 1,102
Fee and other income	556	383	173	864	4,738	(3,874)
Net revenues	6,233	5,287	946	11,608	14,380	(2,772)
Investment gains, net	514	483	31	856	578	278
Fair value gains (losses), net	2,606	(934)	3,540	687	(2,124)	2,811
Administrative expenses	(689)	(697)	8	(1,412)	(1,369)	(43)
Credit-related (expense) income						
(Provision) benefit for credit losses	(1,033)	1,639	(2,672)	(500)	2,413	(2,913)
Foreclosed property (expense) income	(182)	214	(396)	(655)	476	(1,131)
Total credit-related (expense) income	(1,215)	1,853	(3,068)	(1,155)	2,889	(4,044)
Temporary Payroll Tax Cut Continuation Act of 2011 (“TCCA”) fees	(397)	(335)	(62)	(779)	(657)	(122)
Other non-interest expenses[1]	(202)	(238)	36	(197)	(369)	172
Income before federal income taxes	6,850	5,419	1,431	9,608	13,328	(3,720)
Provision for federal income taxes	(2,210)	(1,752)	(458)	(3,080)	(4,336)	1,256
Net income	4,640	3,667	973	6,528	8,992	(2,464)
Less: Net income attributable to noncontrolling interest	—	(1)	1	—	(1)	1
Net income attributable to Fannie Mae	$ 4,640	$ 3,666	$ 974	$ 6,528	$ 8,991	$ (2,463)
Total comprehensive income attributable to Fannie Mae	$ 4,359	$ 3,711	$ 648	$ 6,155	$ 9,408	$ (3,253)

(1) Consists of debt extinguishment gains, net, and other expenses, net.

Net Interest Income

We currently have two primary sources of net interest income: (1) the guaranty fees we receive for managing the credit risk on loans underlying Fannie Mae MBS held by third parties, which we refer to as mortgage loans of consolidated trusts; and (2) the difference between interest income earned on the assets in our retained mortgage portfolio and the interest expense associated with the debt that funds those assets.

Table 4 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 amortized cost. When daily average balance information is not available, such as for mortgage loans, we use monthly averages. Table 5 displays the change in our net interest income between periods and the extent to which that variance is attributable to: (1) changes in the volume of our interest-earning assets and interest-bearing liabilities or (2) changes in the interest rates of these assets and liabilities.

Table 4: Analysis of Net Interest Income and Yield

	For the Three Months Ended June 30,					
	2015			2014		
	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	$ 262,563	$ 2,415	3.68 %	$ 288,904	$ 2,632	3.64 %
Mortgage loans of consolidated trusts	2,785,927	24,267	3.48	2,764,340	25,533	3.69
Total mortgage loans[(1)]	3,048,490	26,682	3.50	3,053,244	28,165	3.69
Mortgage-related securities	115,524	1,290	4.47	146,632	1,719	4.69
Elimination of Fannie Mae MBS held in retained mortgage portfolio	(81,251)	(893)	4.40	(100,240)	(1,171)	4.67
Total mortgage-related securities, net	34,273	397	4.63	46,392	548	4.72
Non-mortgage securities[(2)]	42,729	13	0.12	34,410	9	0.10
Federal funds sold and securities purchased under agreements to resell or similar arrangements	32,685	13	0.16	28,731	6	0.08
Advances to lenders	4,137	21	2.01	2,896	18	2.46
Total interest-earning assets	$ 3,162,314	$ 27,126	3.43 %	$ 3,165,673	$ 28,746	3.63 %
Interest-bearing liabilities:						
Short-term debt	$ 90,365	$ 33	0.14 %	$ 80,682	$ 20	0.10 %
Long-term debt	347,044	1,888	2.18	403,082	2,129	2.11
Total short-term and long-term funding debt	437,409	1,921	1.76	483,764	2,149	1.78
Debt securities of consolidated trusts	2,856,763	20,421	2.86	2,818,331	22,864	3.25
Elimination of Fannie Mae MBS held in retained mortgage portfolio	(81,251)	(893)	4.40	(100,240)	(1,171)	4.67
Total debt securities of consolidated trusts held by third parties	2,775,512	19,528	2.81	2,718,091	21,693	3.19
Total interest-bearing liabilities	$ 3,212,921	$ 21,449	2.67 %	$ 3,201,855	$ 23,842	2.98 %
Net interest income/net interest yield		$ 5,677	0.72 %		$ 4,904	0.62 %

	For the Six Months Ended June 30,					
	2015			2014		
	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	$ 266,622	$ 4,837	3.63 %	$ 292,493	$ 5,266	3.60 %
Mortgage loans of consolidated trusts	2,785,742	48,889	3.51	2,767,973	51,487	3.72
Total mortgage loans[1]	3,052,364	53,726	3.52	3,060,466	56,753	3.71
Mortgage-related securities	118,629	2,716	4.58	152,114	3,538	4.65
Elimination of Fannie Mae MBS held in retained mortgage portfolio	(82,419)	(1,840)	4.46	(104,019)	(2,429)	4.67
Total mortgage-related securities, net	36,210	876	4.84	48,095	1,109	4.61
Non-mortgage securities[2]	43,332	25	0.12	34,020	15	0.09
Federal funds sold and securities purchased under agreements to resell or similar arrangements	33,045	25	0.15	31,050	11	0.07
Advances to lenders	4,069	42	2.06	3,054	37	2.41
Total interest-earning assets	$ 3,169,020	$ 54,694	3.45 %	$ 3,176,685	$ 57,925	3.65 %
Interest-bearing liabilities:						
Short-term debt	$ 94,183	$ 62	0.13 %	$ 71,856	$ 40	0.11 %
Long-term debt	352,616	3,845	2.18	422,727	4,474	2.12
Total short-term and long-term funding debt	446,799	3,907	1.75	494,583	4,514	1.83
Debt securities of consolidated trusts	2,852,858	41,883	2.94	2,820,316	46,198	3.28
Elimination of Fannie Mae MBS held in retained mortgage portfolio	(82,419)	(1,840)	4.46	(104,019)	(2,429)	4.67
Total debt securities of consolidated trusts held by third parties	2,770,439	40,043	2.89	2,716,297	43,769	3.22
Total interest-bearing liabilities	$ 3,217,238	$ 43,950	2.73 %	$ 3,210,880	$ 48,283	3.01 %
Net interest income/net interest yield		$ 10,744	0.68 %		$ 9,642	0.61 %

	As of June 30,	
	2015	2014
Selected benchmark interest rates		
3-month LIBOR	0.28 %	0.23 %
2-year swap rate	0.90	0.58
5-year swap rate	1.79	1.70
10-year swap rate	2.46	2.63
30-year Fannie Mae MBS par coupon rate	3.10	3.18

(1) Average balance includes mortgage loans on nonaccrual status. Interest income not recognized for loans on nonaccrual status was $433 million and $845 million, respectively, for the second quarter and first half of 2015 compared with $454 million and $981 million, respectively, for the second quarter and first half of 2014. Effective January 1, 2015, we changed our policy for the treatment of interest previously accrued, but not collected, at the date loans are placed on nonaccrual status. See “Note 1, Summary of Significant Accounting Policies” for information on this policy change.

(2) Includes cash equivalents.

Table 5: Rate/Volume Analysis of Changes in Net Interest Income

	For the Three Months Ended June 30, 2015 vs. 2014			For the Six Months Ended June 30, 2015 vs. 2014		
	Total Variance	Variance Due to:[1] Volume	Rate	Total Variance	Variance Due to:[1] Volume	Rate
	(Dollars in millions)					
Interest income:						
Mortgage loans of Fannie Mae	$ (217)	$ (242)	$ 25	$ (429)	$ (469)	$ 40
Mortgage loans of consolidated trusts	(1,266)	198	(1,464)	(2,598)	329	(2,927)
Total mortgage loans	(1,483)	(44)	(1,439)	(3,027)	(140)	(2,887)
Total mortgage-related securities, net	(151)	(139)	(12)	(233)	(281)	48
Non-mortgage securities[2]	4	2	2	10	5	5
Federal funds sold and securities purchased under agreements to resell or similar arrangements	7	1	6	14	1	13
Advances to lenders	3	7	(4)	5	11	(6)
Total interest income	$ (1,620)	$ (173)	$ (1,447)	$ (3,231)	$ (404)	$ (2,827)
Interest expense:						
Short-term debt	13	3	10	22	14	8
Long-term debt	(241)	(303)	62	(629)	(761)	132
Total short-term and long-term funding debt	(228)	(300)	72	(607)	(747)	140
Total debt securities of consolidated trusts held by third parties	(2,165)	520	(2,685)	(3,726)	1,014	(4,740)
Total interest expense	$ (2,393)	$ 220	$ (2,613)	$ (4,333)	$ 267	$ (4,600)
Net interest income	$ 773	$ (393)	$ 1,166	$ 1,102	$ (671)	$ 1,773

(1) Combined rate/volume variances are allocated to both rate and volume based on the relative size of each variance.

(2) Includes cash equivalents.

Net interest income and net interest yield increased in the second quarter and first half of 2015 compared with the second quarter and first half of 2014 primarily due to an increase in amortization income as an increase in prepayments on mortgage loans held by consolidated trusts accelerated the amortization of cost basis adjustments. Higher guaranty fee income also contributed to an increase in net interest income as loans with higher guaranty fees have become a larger part of our guaranty book of business. We recognize almost all of our guaranty fee revenue in net interest income due to the consolidation of the substantial majority of loans underlying our MBS trusts on our balance sheet. The increase in net interest income was partially offset by a decline in the average balance of our retained mortgage portfolio, as we continued to reduce this portfolio pursuant to the requirements of our senior preferred stock purchase agreement with Treasury and FHFA's additional portfolio cap. The average balance of our retained mortgage portfolio was 13% lower in the second quarter and first half of 2015 than in the second quarter and first half of 2014. See "Business Segment Results—The Capital Markets Group's Mortgage Portfolio" for more information about our retained mortgage portfolio.

Fee and Other Income

Fee and other income includes transaction fees, multifamily fees, technology fees and other miscellaneous income. Fee and other income increased in the second quarter of 2015 compared with the second quarter of 2014 primarily driven by proceeds from the sale of our remaining unsecured bankruptcy claims against Lehman Brothers and its subsidiaries as well as higher multifamily fees. Fee and other income decreased in the first half of 2015 compared with the first half of 2014 due to revenue of $4.2 billion recognized in the first half of 2014 as a result of settlement agreements resolving certain lawsuits relating to PLS sold to us.

Starting in June 2015, we eliminated fees charged to customers for using our proprietary Desktop Underwriter and Desktop Originator systems, which is expected to allow more lenders to access these systems in their underwriting process. The elimination of these fees will result in lower technology fees in future periods.

Fair Value Gains (Losses), Net

Table 6: Fair Value Gains (Losses), Net

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Risk management derivatives fair value gains (losses) attributable to:				
Net contractual interest expense accruals on interest rate swaps	$ (199)	$ (257)	$ (428)	$ (456)
Net change in fair value during the period	2,507	(679)	1,222	(1,420)
Total risk management derivatives fair value gains (losses), net	2,308	(936)	794	(1,876)
Mortgage commitment derivatives fair value gains (losses), net	173	(310)	(66)	(655)
Total derivatives fair value gains (losses), net	2,481	(1,246)	728	(2,531)
Trading securities gains, net	20	249	56	394
Other, net[1]	105	63	(97)	13
Fair value gains (losses), net	$ 2,606	$ (934)	$ 687	$ (2,124)

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[1] Consists of debt fair value gains (losses), net, which includes gains (losses) on CAS; debt foreign exchange gains (losses), net; and mortgage loans fair value gains (losses), net.

Risk Management Derivatives Fair Value Gains (Losses), Net

Risk management derivative instruments are an integral part of our interest rate risk management strategy. We supplement our issuance of debt securities with derivative instruments to further reduce interest rate risk. We recognized risk management derivative fair value gains in the second quarter and first half of 2015 primarily as a result of increases in the fair value of our pay-fixed derivatives due to increases in longer-term swap rates during the periods.

We recognized risk management derivative fair value losses in the second quarter and first half of 2014 primarily as a result of decreases in the fair value of our pay-fixed derivatives due to declines in longer-term swap rates during the periods.

We present, by derivative instrument type, the fair value gains and losses, net on our derivatives in "Note 9, Derivative Instruments."

Mortgage Commitment Derivatives Fair Value Gains (Losses), Net

We recognized fair value gains on our mortgage commitments in the second quarter of 2015 primarily due to gains on commitments to sell mortgage-related securities driven by a decrease in prices as interest rates increased during the commitment periods. We recognized fair value losses on our mortgage commitments in the first half of 2015 primarily due to losses on commitments to sell mortgage-related securities in the first quarter of 2015, which more than offset the gains on commitments to sell mortgage-related securities in the second quarter of 2015 described above. The losses we experienced on commitments to sell mortgage-related securities in the first quarter of 2015 were driven by an increase in prices as interest rates decreased during the commitment periods.

We recognized fair value losses on our mortgage commitments in the second quarter and first half of 2014 primarily due to losses on commitments to sell mortgage-related securities driven by an increase in prices as interest rates decreased during the commitment periods.

Credit-Related (Expense) Income

We refer to our (provision) benefit for loan losses and guaranty losses collectively as our "(provision) benefit for credit losses." Credit-related (expense) income consists of our (provision) benefit for credit losses and foreclosed property (expense) income.

(Provision) Benefit for Credit Losses

Table 7 displays the components of our total loss reserves and our total fair value losses previously recognized on loans purchased out of unconsolidated MBS trusts reflected in our condensed consolidated balance sheets. Because these fair value losses lowered our recorded loan balances, we have fewer inherent losses in our guaranty book of business and consequently require lower total loss reserves. For these reasons, we consider these fair value losses as an "effective reserve," apart from our total loss reserves, to the extent that we expect to realize these amounts as credit losses on the acquired loans in the future. The fair value losses shown in Table 7 represent credit losses we expect to realize in the future or that will eventually be recovered, either through net interest income for loans that cure or through foreclosed property income for loans where the sale of the collateral exceeds our recorded investment in the loan. We exclude these fair value losses from our credit loss calculation as described in "Credit Loss Performance Metrics."

Table 7: Total Loss Reserves

	As of	
	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Allowance for loan losses	$ 31,150	$ 35,541
Reserve for guaranty losses	658	1,246
Combined loss reserves	31,808	36,787
Other[1]	261	1,386
Total loss reserves	32,069	38,173
Fair value losses previously recognized on acquired credit-impaired loans[2]	8,944	9,864
Total loss reserves and fair value losses previously recognized on acquired credit-impaired loans	$ 41,013	$ 48,037

(1) Includes allowances for accrued interest receivable and preforeclosure property taxes and insurance receivable. Effective January 1, 2015, we charged off accrued interest receivable associated with loans on nonaccrual status and eliminated the related allowance in connection with the our change in accounting policy related to the treatment of interest previously accrued, but not collected, at the date that loans are placed on nonaccrual status. See "Note 1, Summary of Significant Accounting Policies" for more information on this policy change.

(2) Represents the fair value losses on loans purchased out of unconsolidated MBS trusts reflected in our condensed consolidated balance sheets.

Table 8: Changes in Combined Loss Reserves

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Changes in combined loss reserves:				
Beginning balance	$ 32,498	$ 43,431	$ 36,787	$ 45,295
Provision (benefit) for credit losses	1,033	(1,639)	500	(2,413)
Charge-offs[1]	(2,097)	(1,960)	(7,486)	(3,587)
Recoveries	260	452	882	844
Other[2]	114	167	1,125	312
Ending balance	$ 31,808	$ 40,451	$ 31,808	$ 40,451

	As of	
	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Allocation of combined loss reserves:		
Balance at end of each period attributable to:		
Single-family	$ 31,510	$ 36,383
Multifamily	298	404
Total	$ 31,808	$ 36,787
Single-family and multifamily combined loss reserves as a percentage of applicable guaranty book of business:		
Single-family	1.11%	1.28%
Multifamily	0.14	0.20
Combined loss reserves as a percentage of:		
Total guaranty book of business	1.05%	1.20%
Recorded investment in nonaccrual loans	59.90	56.63

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(1) Includes, for the six months ended June 30, 2015, charge-offs of (1) $1.8 billion in loans held for investment and $724 million in preforeclosure property taxes and insurance receivable in connection with our adoption of the Advisory Bulletin on January 1, 2015 and (2) $1.1 billion in accrued interest receivable in connection with our adoption of a change in accounting principle on January 1, 2015 related to the treatment of interest previously accrued, but not collected, at the date that loans are placed on nonaccrual status. See "Note 1, Summary of Significant Accounting Policies" for more information on these changes.

(2) Amounts represent changes in other loss reserves which are offset by amounts reflected in benefit for credit losses, charge-offs and recoveries.

Our provision or benefit for credit losses continues to be a key driver of our results. The amount of our provision or benefit for credit losses may vary from period to period based on factors such as changes in actual and expected home prices, borrower payment behavior, the types and volumes of loss mitigation activities, the volumes of foreclosures completed and fluctuations in mortgage interest rates. In addition, our provision or benefit for credit losses and our loss reserves can be impacted by updates to the models, assumptions and data used in determining our allowance for loan losses.

The following factors contributed to our provision for credit losses in the second quarter and first half of 2015:

- Mortgage interest rates increased during the second quarter and first half of 2015. Due to the rise in mortgage interest rates, we expect a decline in future prepayments on individually impaired loans, including modified loans. Lower expected prepayments lengthen the expected lives of modified loans, which increases the impairment related to concessions provided on these loans and results in an increase in the provision for credit losses.
- Home prices increased by 2.8% in the second quarter of 2015 and by 3.7% in the first half of 2015. Higher home prices decrease the likelihood that loans will default and reduce the amount of credit loss on loans that do default, which impacts our estimate of losses and ultimately reduces our total loss reserves and provision for credit losses.
- We redesignated certain nonperforming single-family loans with an aggregate unpaid principal balance of $4.0 billion from HFI to HFS in the second quarter of 2015. These loans were adjusted to the lower of cost or fair value, which negatively impacted our provision for credit losses by approximately $500 million. We redesignated certain nonperforming single-family loans with an aggregate unpaid principal balance of $4.8 billion from HFI to HFS in the first half of 2015. These loans were adjusted to the lower of cost or fair value, which negatively impacted our provision for credit losses by approximately $600 million. These loans were redesignated to HFS as we intend to sell them or have sold them. As described in "Executive Summary—Helping to Build a Sustainable Housing Finance System," we completed our first nonperforming loan sale in June 2015, and plan to complete additional sales of nonperforming loans by building these sales into a programmatic offering.

Our approach to the adoption of the charge-off provisions of the Advisory Bulletin on January 1, 2015 had no impact on the amount of provision for credit losses that we recognized in the second quarter or first half of 2015. See "Note 1, Summary of Significant Accounting Policies" for more information on the adoption of the Advisory Bulletin.

We recognized a benefit for credit losses in the second quarter and first half of 2014 primarily due to an increase in home prices. Home prices increased by 2.7% in the second quarter of 2014 and by 3.7% in the first half of 2014.

We discuss our expectations regarding our future loss reserves in “Executive Summary—Outlook—Loss Reserves.”

Troubled Debt Restructurings and Nonaccrual Loans

Table 9 displays the composition of loans restructured in a troubled debt restructuring (“TDR”) that are on accrual status and loans on nonaccrual status. The table includes our recorded investment in held-for-investment and held-for-sale mortgage loans. For information on the impact of TDRs and other individually impaired loans on our allowance for loan losses, see “Note 3, Mortgage Loans.”

Table 9: Troubled Debt Restructurings and Nonaccrual Loans

	As of	
	June 30, 2015	December 31, 2014
	(Dollars in millions)	
TDRs on accrual status:		
Single-family	$ 144,891	$ 144,649
Multifamily	471	645
Total TDRs on accrual status	$ 145,362	$ 145,294
Nonaccrual loans:		
Single-family	$ 52,292	$ 64,136
Multifamily	809	823
Total nonaccrual loans	$ 53,101	$ 64,959
Accruing on-balance sheet loans past due 90 days or more[1]	$ 535	$ 585

	For the Six Months Ended June 30,	
	2015	2014
	(Dollars in millions)	
Interest related to on-balance sheet TDRs and nonaccrual loans:		
Interest income forgone[2]	$ 2,903	$ 3,223
Interest income recognized for the period[3]	2,929	3,064

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(1) Includes loans that, as of the end of each period, are 90 days or more past due and continuing to accrue interest. The majority of these amounts consists of loans insured or guaranteed by the U.S. government and loans for which we have recourse against the seller in the event of a default.

(2) Represents the amount of interest income we did not recognize, but would have recognized during the period for nonaccrual loans and TDRs on accrual status as of the end of each period had the loans performed according to their original contractual terms.

(3) Represents interest income recognized during the period for loans classified as either nonaccrual loans or TDRs on accrual status as of the end of each period. Includes primarily amounts accrued while the loans were performing and cash payments received on nonaccrual loans.

Foreclosed Property (Expense) Income

We recognized foreclosed property expense in the second quarter and first half of 2015 compared with foreclosed property income in the second quarter and first half of 2014 primarily due to increased operating expenses relating to our foreclosed properties driven by an increase in property preservation and repair costs. Additionally, we recognized more income from the resolution of compensatory fees and representation and warranty matters in the first half of 2014 compared with the first half of 2015.

Credit Loss Performance Metrics

Our credit-related (expense) income should be considered in conjunction with our credit loss performance metrics. Our credit loss performance metrics, however, are not defined terms within GAAP and may not be calculated in the same manner as similarly titled measures reported by other companies. Because management does not view changes in the fair value of our mortgage loans as credit losses, we adjust our credit loss performance metrics for the impact associated with our acquisition of credit-impaired loans from unconsolidated MBS trusts. We also exclude interest forgone on nonaccrual loans and TDRs, other-than-temporary impairment losses resulting from deterioration in the credit quality of our mortgage-related securities and accretion of interest income on acquired credit-impaired loans from credit losses. We believe that credit loss performance metrics may be useful to investors as the losses are presented as a percentage of our book of business and have historically been used by analysts, investors and other companies within the financial services industry. Moreover, by presenting credit losses with and without the effect of fair value losses associated with the acquisition of credit-impaired loans, investors are able to evaluate our credit performance on a more consistent basis among periods. Table 10 displays the components of our credit loss performance metrics as well as our single-family and multifamily initial charge-off severity rates.

Table 10: Credit Loss Performance Metrics

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2015		2014		2015		2014	
	Amount	Ratio[1]	Amount	Ratio[1]	Amount	Ratio[1]	Amount	Ratio[1]
	(Dollars in millions)							
Charge-offs, net of recoveries	$ 1,837	24.1 bps	$ 1,508	19.7 bps	$ 3,049	20.0 bps	$ 2,743	17.8 bps
Adoption of Advisory Bulletin and change in accounting principle[2]	—	—	—	—	3,555	23.3	—	—
Foreclosed property expense (income)	182	2.4	(214)	(2.8)	655	4.3	(476)	(3.1)
Credit losses including the effect of fair value losses on acquired credit-impaired loans	2,019	26.5	1,294	16.9	7,259	47.6	2,267	14.7
Plus: Impact of acquired credit-impaired loans on charge-offs and foreclosed property expense (income)[3]	110	1.4	175	2.3	246	1.6	335	2.2
Credit losses and credit loss ratio	$ 2,129	27.9 bps	$ 1,469	19.2 bps	$ 7,505	49.2 bps	$ 2,602	16.9 bps
Credit losses attributable to:								
Single-family	$ 2,109		$ 1,497		$ 7,482		$ 2,624	
Multifamily	20		(28)		23		(22)	
Total	$ 2,129		$ 1,469		$ 7,505		$ 2,602	
Single-family initial charge-off severity rate[4]		15.40 %		18.89 %		16.86 %		19.62 %
Multifamily initial charge-off severity rate[4]		25.67 %		16.47 %		24.88 %		22.02 %

(1) Basis points are based on the annualized amount for each line item presented divided by the average guaranty book of business during the period.

(2) Includes, for the six months ended June 30, 2015, charge-offs of (1) $1.8 billion in loans held for investment and $724 million in preforeclosure property taxes and insurance receivable in connection with our adoption of the Advisory Bulletin on January 1, 2015 and (2) $1.1 billion in accrued interest receivable in connection with our adoption of a change in accounting principle on January 1, 2015 related to the treatment of interest previously accrued, but not collected, at the date that loans are placed on nonaccrual status. See "Note 1, Summary of Significant Accounting Policies" for more information related to these changes.

(3) Includes fair value losses from acquired credit-impaired loans.

(4) Single-family and multifamily rates exclude fair value losses on credit-impaired loans acquired from MBS trusts and any costs, gains or losses associated with REO after initial acquisition through final disposition. Single-family rate excludes charge-offs prior to foreclosure and other liquidations, short sales and third-party sales. Multifamily rate is net of risk-sharing agreements.

Credit losses and our credit loss ratio increased in the second quarter of 2015 compared with the second quarter of 2014 primarily due to the recognition of losses associated with the redesignation of certain nonperforming single-family loans with an aggregate unpaid principal balance of $4.0 billion from HFI to HFS.

Credit losses and our credit loss ratio increased in the first half of 2015 compared with the first half of 2014 primarily due to our adoption of the charge-off provisions of the Advisory Bulletin on January 1, 2015, as well as a change in our accounting policy for nonaccrual loans. See "Note 1, Summary of Significant Accounting Policies" for more information on the adoption of the Advisory Bulletin.

We discuss our expectations regarding our future credit losses in "Executive Summary—Outlook—Credit Losses."

Table 11 displays concentrations of our single-family credit losses based on geography, credit characteristics and loan vintages.

Table 11: Credit Loss Concentration Analysis

	Percentage of Single-Family Conventional Guaranty Book of Business Outstanding (1)			Percentage of Single-Family Credit Losses(2)			
	As of			For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	June 30, 2015	December 31, 2014	June 30, 2014	2015	2014	2015	2014
Geographical Distribution:							
California(3)	20%	20%	20%	1%	(1)%	1%	(6)%
Florida	6	6	6	17	40	25	37
New Jersey	4	4	4	22	9	22	7
New York	5	5	5	23	6	17	5
All other states	65	65	65	37	46	35	57
Select higher-risk product features(4)	22	22	23	50	43	61	40
Vintages:(5)							
2004 and prior	6	7	7	18	7	10	11
2005 - 2008	12	12	14	68	77	82	74
2009 - 2015	82	81	79	14	16	8	15

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(1) Calculated based on the unpaid principal balance of loans, where we have detailed loan-level information, for each category divided by the unpaid principal balance of our single-family conventional guaranty book of business.

(2) Excludes the impact of recoveries resulting from resolution agreements related to representation and warranty matters and compensatory fee income related to servicing matters that have not been allocated to specific loans.

(3) Negative credit losses in 2014 are the result of recoveries on previously recognized credit losses.

(4) Includes Alt-A loans, subprime loans, interest-only loans, loans with original LTV ratios greater than 90% and loans with FICO credit scores less than 620.

(5) Credit losses on mortgage loans typically do not peak until the third through sixth years following origination; however, this range can vary based on many factors, including changes in macroeconomic conditions and foreclosure timelines.

As shown in Table 11, the substantial majority of our credit losses for the second quarter and the first half of 2015 continued to be driven by loans originated in 2005 through 2008. We provide more detailed single-family credit performance information, including serious delinquency rates share and foreclosure activity, in “Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management.”

Temporary Payroll Tax Cut Continuation Act of 2011 (“TCCA”) Fees

Pursuant to the TCCA, which was enacted by Congress in December 2011, FHFA directed us to increase our single-family guaranty fees by 10 basis points and remit this increase to Treasury. This TCCA-related revenue is included in “Net interest income” and the expense is recognized as “TCCA fees.” TCCA fees increased in the second quarter and first half of 2015 compared with the second quarter and first half of 2014 due to an increase in the percentage of loans in our single-family guaranty book of business subject to TCCA fees. We expect the guaranty fees collected and expenses incurred under the TCCA to continue to increase in the future.

BUSINESS SEGMENT RESULTS

Results of our three business segments are intended to reflect each segment as if it were a stand-alone business. Under our segment reporting structure, the sum of the results for our three business segments does not equal our condensed consolidated results of operations as we separate the activity related to our consolidated trusts from the results generated by our three segments. In addition, because we apply accounting methods that differ from our condensed consolidated results for segment reporting purposes, we include an eliminations/adjustments category to reconcile our business segment results and the activity related to our consolidated trusts to our condensed consolidated results of operations. We describe the management reporting and allocation process used to generate our segment results in “Note 13, Segment Reporting” in our 2014 Form 10-K.

In this section, we summarize our segment results for the second quarter and first half of 2015 and 2014 in the tables below and provide a comparative discussion of these results. This section should be read together with our comparative discussion of our condensed consolidated results of operations in “Consolidated Results of Operations.” See “Note 11, Segment Reporting” for a reconciliation of our segment results to our condensed consolidated results.

Single-Family Business Results

Table 12 displays the financial results of our Single-Family business. For a discussion of single-family credit risk management, including information on serious delinquency rates and loan workouts, see “Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management.” The primary source of revenue for our Single-Family business is guaranty fee income. Other items that impact income or loss primarily include credit-related (expense) income, TCCA fees and administrative expenses.

Table 12: Single-Family Business Results

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2015	2014	Variance	2015	2014	Variance
	(Dollars in millions)					
Guaranty fee income[1]	$ 3,092	$ 2,893	$ 199	$ 6,132	$ 5,763	$ 369
Credit-related (expense) income[2]	(1,238)	1,781	(3,019)	(1,245)	2,783	(4,028)
TCCA fees[1]	(397)	(335)	(62)	(779)	(657)	(122)
Other expenses[3]	(412)	(512)	100	(951)	(1,026)	75
Income before federal income taxes	1,045	3,827	(2,782)	3,157	6,863	(3,706)
Provision for federal income taxes	(419)	(1,133)	714	(1,000)	(2,060)	1,060
Net income attributable to Fannie Mae	$ 626	$ 2,694	$ (2,068)	$ 2,157	$ 4,803	$ (2,646)
Other key performance data:						
Securitization Activity/New Business						
Single-family Fannie Mae MBS issuances	$ 130,974	$ 84,096		$ 241,968	$ 161,068	
Credit Guaranty Activity						
Average single-family guaranty book of business[4]	$ 2,832,900	$ 2,870,663		$ 2,839,568	$ 2,877,082	
Single-family effective guaranty fee rate (in basis points)[1][5]	43.7	40.3		43.2	40.1	
Single-family average charged guaranty fee on new acquisitions (in basis points)[1][6]	59.9	62.6		60.5	62.8	
Single-family serious delinquency rate, at end of period[7]	1.66 %	2.05 %		1.66 %	2.05 %	
Market						
Single-family mortgage debt outstanding, at end of period (total U.S. market)[8]	$ 9,855,269	$ 9,850,599		$ 9,855,269	$ 9,850,599	
30-year mortgage rate, at end of period[9]	4.02 %	4.14 %		4.02 %	4.14 %	

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

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

(3) Consists of net interest income (loss), investment losses, net, fair value losses, net, losses from partnership investments, fee and other income, administrative expenses and other expenses.

(4) Our single-family guaranty book of business consists of (a) single-family mortgage loans of Fannie Mae, (b) single-family mortgage loans underlying Fannie Mae MBS, and (c) other credit enhancements that we provide on single-family mortgage assets, such as long-term standby commitments. It excludes non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio for which we do not provide a guaranty.

(5) Calculated based on annualized Single-Family segment guaranty fee income divided by the average single-family guaranty book of business, expressed in basis points.

(6) Calculated based on the average contractual fee rate for our single-family guaranty arrangements entered into during the period plus the recognition of any upfront cash payments ratably over an estimated average life, expressed in basis points.

(7) Calculated based on the number of single-family conventional loans that are 90 days or more past due or in the foreclosure process, divided by the number of loans in our single-family conventional guaranty book of business.

(8) Information labeled as of June 30, 2015 is as of March 31, 2015 and is based on the Federal Reserve's June 2015 mortgage debt outstanding release, the latest date for which the Federal Reserve has estimated mortgage debt outstanding for single-family residences. Prior period amounts may have been changed to reflect revised historical data from the Federal Reserve.

(9) Based on Freddie Mac's Primary Mortgage Market Survey® rate for the last week in the period, which represents the national average mortgage commitment rate to a qualified borrower exclusive of any fees and points required by the lender.

Pre-tax income decreased in the second quarter and first half of 2015 compared with the second quarter and first half of 2014 primarily due to credit-related expense in the second quarter and first half of 2015 compared with credit-related income in the second quarter and first half of 2014. This was partially offset by the recognition of higher guaranty fee income in the second quarter and first half of 2015 compared with the second quarter and first half of 2014.

We recognized single-family credit-related expense in the second quarter and first half of 2015 compared with credit-related income in the second quarter and first half of 2014 primarily due to an increase in mortgage interest rates during the second quarter and first half of 2015. Due to the rise in mortgage interest rates, we expect a decline in future prepayments on individually impaired loans, including modified loans. Lower expected prepayments lengthen the expected lives of modified loans, which increases the impairment related to concessions provided on these loans and results in an increase in the provision for credit losses. The negative impact from the increase in interest rates was partially offset by a positive impact from an increase in home prices during the second quarter of 2015. Also contributing to credit-related expense was the redesignation of certain nonperforming single-family loans from HFI to HFS in the second quarter of 2015. These loans were adjusted to the lower of cost or fair value, which negatively impacted our provision for credit losses. The change in intent is aligned with our plan to complete additional sales of nonperforming loans by building these sales into a programmatic offering. Furthermore, we recognized foreclosed property expense in the second quarter and first half of 2015 compared with foreclosed property income in the second quarter and first half of 2014 primarily due to increased operating expenses relating to our foreclosed properties driven by an increase in property preservation and repair costs. Additionally, we recognized more income from the resolution of compensatory fees and representation and warranty matters in the first half of 2014 compared with the first half of 2015. See "Consolidated Results of Operations—Credit-Related (Expense) Income" for more information on the drivers of our credit-related (expense) income.

Guaranty fee income and our effective guaranty fee rate increased in the second quarter and first half of 2015 compared with the second quarter and first half of 2014 as loans with higher guaranty fees have become a larger part of our single-family guaranty book of business primarily due to the cumulative impact of guaranty fee price increases implemented in 2012.

TCCA fees increased in the second quarter and first half of 2015 compared with the second quarter and first half of 2014, as single-family loans acquired since the implementation of the TCCA-related guaranty fee increase constituted a larger portion of our single-family guaranty book of business in the second quarter and first half of 2015.

Our single-family acquisition volume and single-family Fannie Mae MBS issuances increased in the first half of 2015 compared with the first half of 2014, driven primarily by an increase in refinance activity. Higher refinance activity also drove an increase in liquidations of loans from our single-family guaranty book of business in the first half of 2015 compared with the first half of 2014. Accordingly, the size of our single-family guaranty book of business remained relatively flat.

Multifamily Business Results

Multifamily business results primarily reflect our multifamily guaranty business. Our Multifamily business results also include activity relating to our low-income housing tax credit ("LIHTC") investments and equity investments. Although we are not currently making new LIHTC or equity investments, we continue to make contractually required contributions for our legacy investments. Activity from multifamily products is also reflected in the Capital Markets group results, which include net interest income related to multifamily loans and securities held in our retained mortgage portfolio, gains and losses from the sale of multifamily Fannie Mae MBS, mortgage loans and re-securitizations, and other miscellaneous income.

Table 13 displays the financial results of our Multifamily business. The primary sources of revenue for our Multifamily business are guaranty fee income and fee and other income, which includes yield maintenance income. Other items that affect income or loss primarily include credit-related income and administrative expenses.

Table 13: Multifamily Business Results

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2015	2014	Variance	2015	2014	Variance
	(Dollars in millions)					
Guaranty fee income	$ 357	$ 317	$ 40	$ 697	$ 628	$ 69
Fee and other income	84	31	53	135	55	80
Gains from partnership investments[1]	43	34	9	255	79	176
Credit-related income[2]	23	72	(49)	90	106	(16)
Other expenses[3]	(100)	(69)	(31)	(217)	(162)	(55)
Income before federal income taxes	407	385	22	960	706	254
Provision for federal income taxes	(41)	(9)	(32)	(111)	—	(111)
Net income attributable to Fannie Mae	$ 366	$ 376	$ (10)	$ 849	$ 706	$ 143
Other key performance data:						
Securitization Activity/New Business						
Multifamily new business volume[4]	$ 14,632	$ 4,643		$ 24,996	$ 8,163	
Multifamily units financed from new business volume	181,000	93,000		315,000	165,000	
Multifamily Fannie Mae MBS issuances[5]	$ 14,979	$ 5,519		$ 26,397	$ 10,398	
Multifamily Fannie Mae structured securities issuances (issued by Capital Markets group)	$ 3,017	$ 3,161		$ 6,451	$ 6,423	
Multifamily Fannie Mae MBS outstanding, at end of period[6]	$ 181,992	$ 153,246		$ 181,992	$ 153,246	
Credit Guaranty Activity						
Average multifamily guaranty book of business[7]	$ 209,968	$ 198,302		$ 207,750	$ 199,074	
Multifamily effective guaranty fee rate (in basis points)[8]	68.0	63.9		67.1	63.1	
Multifamily credit loss ratio (in basis points)[9]	3.8	(5.6)		2.2	(2.2)	
Multifamily serious delinquency rate, at end of period	0.05 %	0.10 %		0.05 %	0.10 %	
Percentage of multifamily guaranty book of business with credit enhancement, at end of period	93 %	92 %		93 %	92 %	
Fannie Mae percentage of total multifamily mortgage debt outstanding, at end of period[10]	19 %	19 %		19 %	19 %	
Portfolio Data						
Average Fannie Mae multifamily mortgage loans and Fannie Mae MBS in Capital Markets group's portfolio[11]	$ 35,037	$ 50,934		$ 37,388	$ 53,870	
Additional net interest income and yield maintenance income earned on Fannie Mae multifamily mortgage loans and MBS (included in Capital Markets group's results)[12]	$ 222	$ 185		$ 392	$ 352	

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(1) Gains from partnership investments are included in other expenses in our condensed consolidated statements of operations and comprehensive income. Gains from partnership investments are reported using the equity method of accounting. As a result, net income attributable to noncontrolling interest from partnership investments is not included in income for the Multifamily segment.

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

(3) Consists of net interest loss, investment gains, net, administrative expenses and other expenses.

(4) Reflects unpaid principal balance of multifamily Fannie Mae MBS issued (excluding portfolio securitizations), multifamily loans purchased, and credit enhancements provided during the period.

(5) Reflects unpaid principal balance of multifamily Fannie Mae MBS issued during the period. Includes (a) issuances of new MBS, (b) Fannie Mae portfolio securitization transactions of $400 million and $905 million for the three months ended June 30, 2015 and 2014, respectively, and $1.5 billion and $2.3 billion for the six months ended June 30, 2015 and 2014, respectively, and (c) conversions of adjustable-rate loans to fixed-rate loans and MBS reissuances of $60 million for the three and six months ended June 30, 2015. We did not have any conversions of adjustable-rate loans to fixed-rate loans or MBS reissuances during the three and six months ended June 30, 2014.

(6) Includes $15.1 billion and $18.4 billion of Fannie Mae multifamily MBS held in the retained mortgage portfolio, the vast majority of which have been consolidated to loans in our condensed consolidated balance sheets, as of June 30, 2015 and 2014, respectively.

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

(8) Calculated based on annualized Multifamily segment guaranty fee income divided by the average multifamily guaranty book of business, expressed in basis points.

(9) Calculated based on annualized Multifamily segment credit losses divided by the average multifamily guaranty book of business, expressed in basis points.

(10) Includes mortgage loans and Fannie Mae MBS guaranteed by the Multifamily segment. Information labeled as of June 30, 2015 is as of March 31, 2015 and is based on the Federal Reserve's June 2015 mortgage debt outstanding release, the latest date for which the Federal Reserve has estimated mortgage debt outstanding for multifamily residences. Prior period amounts may have been changed to reflect revised historical data from the Federal Reserve.

(11) Based on unpaid principal balance.

(12) Interest expense estimate is based on allocated duration-matched funding costs. Net interest income was reduced by guaranty fees allocated to Multifamily from the Capital Markets group on multifamily loans in our retained mortgage portfolio. Yield maintenance income represents the investor portion of fees earned as a result of prepayments of multifamily loans and MBS in our retained mortgage portfolio. A portion of yield maintenance income is reported in Multifamily business results to the extent attributable to our multifamily guaranty business.

Pre-tax income increased in the second quarter of 2015 compared with the second quarter of 2014 primarily due to increases in fee and other income and guaranty fee income, partially offset by lower credit-related income. Pre-tax income increased in the first half of 2015 compared with the first half of 2014 primarily due to increases in gains from partnership investments, fee and other income and guaranty fee income.

Guaranty fee income increased in the second quarter and first half of 2015 compared with the second quarter and first half of 2014 as loans with higher guaranty fees have become a larger part of our multifamily guaranty book of business, while loans with lower guaranty fees continue to liquidate.

Fee and other income increased in the second quarter and first half of 2015 compared with the second quarter and first half of 2014 due to an increase in yield maintenance income as a result of higher prepayment volumes in the second quarter and first half of 2015 compared with the second quarter and first half of 2014.

Credit-related income decreased in the second quarter and first half of 2015 compared with the second quarter and first half of 2014 primarily driven by lower gains on the disposition of REO properties in the second quarter and first half of 2015.

Gains from partnership investments increased in the first half of 2015 compared with the first half of 2014 as a result of sales of investments in markets with strong multifamily fundamentals.

Capital Markets Group Results

Table 14 displays the financial results of our Capital Markets group. Following the table we discuss the Capital Markets group's financial results and describe the Capital Markets group's retained mortgage portfolio. For a discussion of the debt issued by the Capital Markets group to fund its investment activities, see "Liquidity and Capital Management." For a discussion of the derivative instruments that the Capital Markets group uses to manage interest rate risk, see "Risk Management—Market Risk Management, Including Interest Rate Risk Management—Measurement of Interest Rate Risk" in our 2014 Form 10-K and "Note 9, Derivative Instruments" in this report and our 2014 Form 10-K. The primary sources of revenue for our Capital Markets group are net interest income and fee and other income. Other items that impact income or loss primarily include fair value gains and losses, investment gains and losses, as well as allocated guaranty fee expense and administrative expenses.

Table 14: Capital Markets Group Results

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2015	2014	Variance	2015	2014	Variance
	(Dollars in millions)					
Net interest income[(1)]	$ 1,513	$ 1,917	$ (404)	$ 3,115	$ 3,747	$ (632)
Investment gains, net[(2)]	1,562	1,625	(63)	3,071	2,910	161
Fair value gains (losses), net[(3)]	2,555	(1,098)	3,653	585	(2,435)	3,020
Fee and other income	150	136	14	205	4,269	(4,064)
Other expenses[(4)]	(380)	(421)	41	(758)	(831)	73
Income before federal income taxes	5,400	2,159	3,241	6,218	7,660	(1,442)
Provision for federal income taxes	(1,750)	(610)	(1,140)	(1,969)	(2,276)	307
Net income attributable to Fannie Mae	$ 3,650	$ 1,549	$ 2,101	$ 4,249	$ 5,384	$ (1,135)

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(1) Includes contractual interest income, excluding recoveries, on nonaccrual loans received from the Single-Family segment of $518 million and $678 million for the three months ended June 30, 2015 and 2014, respectively, and $1.1 billion and $1.4 billion for the six months ended June 30, 2015 and 2014, respectively. The Capital Markets group's net interest income is reported based on the mortgage-related assets held in the segment's retained mortgage portfolio and excludes interest income on mortgage-related assets held by consolidated MBS trusts that are owned by third parties and the interest expense on the corresponding debt of such trusts.

(2) We include the securities that we own regardless of whether the trust has been consolidated in reporting of gains and losses on securitizations and sales of available-for-sale securities.

(3) Includes fair value gains or losses on derivatives and trading securities that we own, regardless of whether the trust has been consolidated.

(4) Includes allocated guaranty fee expense, debt extinguishment (losses) gains, net, administrative expenses, and other expenses. Gains or losses related to the extinguishment of debt issued by consolidated trusts are excluded from the Capital Markets group's results because purchases of securities are recognized as such.

Pre-tax income increased in the second quarter of 2015 compared with the second quarter of 2014 primarily due to fair value gains recognized in the second quarter of 2015 compared with fair value losses in the second quarter of 2014, partially offset by lower net interest income in the second quarter of 2015. Pre-tax income decreased in the first half of 2015 compared with the first half of 2014 primarily due to lower fee and other income and lower net interest income in the first half of 2015, partially offset by a shift to fair value gains in the first half of 2015 from fair value losses in the first half of 2014.

Fee and other income decreased in the first half of 2015 compared with the first half of 2014 due to revenue of $4.2 billion recognized in the first half of 2014 as a result of settlement agreements resolving certain lawsuits relating to PLS sold to us.

Fair value gains in the second quarter and first half of 2015 were primarily due to fair value gains on our risk management derivatives. The derivatives fair value gains and losses that are reported for the Capital Markets group are consistent with the amounts reported in our condensed consolidated statements of operations and comprehensive income. We discuss our derivatives fair value gains and losses in "Consolidated Results of Operations—Fair Value Gains (Losses), Net."

The decrease in net interest income in the second quarter and first half of 2015 compared with the second quarter and first half of 2014 was primarily due to a decline in the average balance of our retained mortgage portfolio as we continued to reduce this portfolio pursuant to the requirements of our senior preferred stock purchase agreement with Treasury and FHFA's additional portfolio cap.

We supplement our issuance of debt securities with derivative instruments to further reduce interest rate risk. The effect of these derivatives, in particular the periodic net interest expense accruals on interest rate swaps, is not reflected in the Capital Markets group's net interest income but is included in our results as a component of "Fair value gains (losses), net" and is displayed in "Table 6: Fair Value Gains (Losses), Net."

The Capital Markets Group's Mortgage Portfolio

The Capital Markets group's mortgage portfolio, which we also refer to as our retained mortgage portfolio, consists of mortgage loans and mortgage-related securities that we own. Mortgage-related securities held by the Capital Markets group include Fannie Mae MBS and non-Fannie Mae mortgage-related securities. The Fannie Mae MBS that we own are maintained as securities on the Capital Markets group's balance sheets. The portion of assets held by consolidated MBS trusts that back mortgage-related securities owned by third parties are not included in the Capital Markets group's mortgage portfolio.

The amount of mortgage assets that we may own is restricted by our senior preferred stock purchase agreement with Treasury. By December 31 of each year, we are required to reduce our mortgage assets to 85% of the maximum allowable amount that we were permitted to own as of December 31 of the immediately preceding calendar year, until the amount of our mortgage assets reaches $250 billion in 2018. Under the agreement, the maximum allowable amount of mortgage assets we are permitted to own as of December 31, 2015 is $399.2 billion.

In 2014, FHFA requested that we submit a revised portfolio plan outlining how we will reduce the portfolio each year to 90% of the annual limit under our senior preferred stock purchase agreement with Treasury. FHFA's request noted that we may seek FHFA permission to increase this cap up to 95% of the annual limit under our senior preferred stock purchase agreement with Treasury upon written request and with a documented basis for exception, such as changed market conditions. Accordingly, under our revised portfolio plan, we plan to reduce our mortgage portfolio to no more than $359.3 billion as of December 31, 2015, in compliance with both our senior preferred stock purchase agreement with Treasury and FHFA's request.

As we continue to reduce the size of our retained mortgage portfolio, our revenues generated by our retained mortgage portfolio will continue to decrease. As of June 30, 2015, we owned $390.3 billion in mortgage assets, compared with $413.3 billion as of December 31, 2014. For additional information on the terms of the senior preferred stock purchase agreement with Treasury, see "Business—Conservatorship and Treasury Agreements—Treasury Agreements" in our 2014 Form 10-K.

Table 15 displays our Capital Markets group's mortgage portfolio activity based on unpaid principal balance.

Table 15: Capital Markets Group's Mortgage Portfolio Activity

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Mortgage loans:				
Beginning balance	$ 281,402	$ 305,989	$ 285,610	$ 314,664
Purchases	57,220	36,346	106,008	67,246
Securitizations[(1)]	(55,629)	(30,598)	(98,386)	(57,141)
Sales	(633)	(1,879)	(633)	(1,879)
Liquidations[(2)]	(11,551)	(11,175)	(21,790)	(24,207)
Mortgage loans, ending balance	270,809	298,683	270,809	298,683
Mortgage securities:				
Beginning balance	130,282	161,723	127,703	176,037
Purchases[(3)]	12,508	4,516	21,198	8,046
Securitizations[(1)]	55,629	30,598	98,386	57,141
Sales	(73,364)	(35,845)	(117,032)	(73,087)
Liquidations[(2)]	(5,557)	(6,903)	(10,757)	(14,048)
Mortgage securities, ending balance	119,498	154,089	119,498	154,089
Total Capital Markets group's mortgage portfolio	$ 390,307	$ 452,772	$ 390,307	$ 452,772

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(1) Includes portfolio securitization transactions that do not qualify for sale treatment under GAAP.

(2) Includes scheduled repayments, prepayments, foreclosures, and lender repurchases.

(3) Includes purchases of Fannie Mae MBS issued by consolidated trusts.

Table 16 displays the composition of the unpaid principal balance of the Capital Markets group's mortgage portfolio and our assessment of the liquidity of these assets. Our assessment is based on the liquidity within the markets in which the assets are traded, the issuers of the assets and the nature of the collateral underlying the assets. Our unsecuritized mortgage loans, PLS and other non-agency securities are considered less liquid. Fannie Mae securities that are collateralized by non-agency mortgage-related securities are also considered to be less liquid.

Table 16: Capital Markets Group's Mortgage Portfolio Composition

	As of					
	June 30, 2015			December 31, 2014		
	More Liquid	Less Liquid	Total	More Liquid	Less Liquid	Total
	(Dollars in millions)					
Mortgage loans:						
Single-family loans:						
Government insured or guaranteed	$ —	$ 35,064	$ 35,064	$ —	$ 36,442	$ 36,442
Conventional	—	217,204	217,204	—	225,800	225,800
Total single-family loans	—	252,268	252,268	—	262,242	262,242
Multifamily loans:						
Government insured or guaranteed	—	235	235	—	243	243
Conventional	—	18,306	18,306	—	23,125	23,125
Total multifamily loans	—	18,541	18,541	—	23,368	23,368
Total mortgage loans	—	270,809	270,809	—	285,610	285,610
Mortgage-related securities:						
Fannie Mae	80,824	11,983	92,807	80,377	12,442	92,819
Freddie Mac	6,006	—	6,006	6,368	—	6,368
Ginnie Mae	607	—	607	572	—	572
Alt-A private-label securities	—	4,532	4,532	—	7,745	7,745
Subprime private-label securities	—	6,009	6,009	—	8,913	8,913
Commercial mortgage-backed securities ("CMBS")	—	3,599	3,599	—	3,686	3,686
Mortgage revenue bonds	—	3,607	3,607	—	4,556	4,556
Other mortgage-related securities	—	2,331	2,331	—	3,044	3,044
Total mortgage-related securities[1]	$ 87,437	$ 32,061	$ 119,498	$ 87,317	$ 40,386	$ 127,703
Total Capital Markets group's mortgage portfolio	$ 87,437	$ 302,870	$ 390,307	$ 87,317	$ 325,996	$ 413,313

[1] The fair value of these mortgage-related securities was $126.2 billion and $133.5 billion as of June 30, 2015 and December 31, 2014, respectively.

The Capital Markets group's mortgage portfolio decreased as of June 30, 2015 compared with December 31, 2014, as we reduce the size of our retained mortgage portfolio to comply with the requirement of our senior preferred stock purchase agreement with Treasury and FHFA's request to further cap our portfolio.

As described in "Executive Summary—Helping to Build a Sustainable Housing Finance System," we completed our first nonperforming loan sale in June 2015, selling loans with an aggregate unpaid principal balance of $633 million, which reduced our less liquid assets as of June 30, 2015, compared with as of December 31, 2014. During the second quarter and first half of 2014, we sold multifamily loans with an aggregate unpaid principal balance of $1.9 billion.

The loans we purchased in the first half of 2015 included $7.0 billion in delinquent loans we purchased from our single-family MBS trusts. We expect to continue purchasing loans from MBS trusts as they become four or more consecutive monthly payments delinquent subject to market conditions, economic benefit, servicer capacity and other factors, including the limit on the amount of mortgage assets that we may own pursuant to the senior preferred stock purchase agreement and FHFA's portfolio plan requirements. Table 17 displays the composition of loans restructured in a TDR that were on accrual status, loans on nonaccrual status and all other mortgage-related assets in our Capital Markets group's mortgage portfolio.

Table 17: Capital Markets Group's Mortgage Portfolio

	As of			
	June 30, 2015		December 31, 2014	
	Unpaid Principal Balance	Percent of total	Unpaid Principal Balance	Percent of total
	(Dollars in millions)			
TDRs on accrual status	$ 141,232	36%	$ 140,828	34%
Nonaccrual loans	51,459	13	58,597	14
All other mortgage-related assets	197,616	51	213,888	52
Total Capital Markets group's mortgage portfolio	$ 390,307	100%	$ 413,313	100%

CONSOLIDATED BALANCE SHEET ANALYSIS

This section provides a discussion of our condensed consolidated balance sheets and should be read together with our condensed consolidated financial statements, including the accompanying notes.

Table 18: Summary of Condensed Consolidated Balance Sheets

	As of		
	June 30, 2015	December 31, 2014	Variance
	(Dollars in millions)		
Assets			
Cash and cash equivalents and federal funds sold and securities purchased under agreements to resell or similar arrangements	$ 41,323	$ 52,973	$ (11,650)
Restricted cash	37,388	32,542	4,846
Investments in securities[1]	59,025	62,158	(3,133)
Mortgage loans:			
Of Fannie Mae	255,393	272,666	(17,273)
Of consolidated trusts	2,787,935	2,782,369	5,566
Allowance for loan losses	(31,150)	(35,541)	4,391
Mortgage loans, net of allowance for loan losses	3,012,178	3,019,494	(7,316)
Deferred tax assets, net	39,803	42,206	(2,403)
Other assets	35,683	38,803	(3,120)
Total assets	$ 3,225,400	$ 3,248,176	$ (22,776)
Liabilities and equity			
Debt:			
Of Fannie Mae	$ 425,085	$ 460,443	$ (35,358)
Of consolidated trusts	2,773,484	2,761,712	11,772
Other liabilities	20,672	22,301	(1,629)
Total liabilities	3,219,241	3,244,456	(25,215)
Total equity	6,159	3,720	2,439
Total liabilities and equity	$ 3,225,400	$ 3,248,176	$ (22,776)

(1) Includes $23.8 billion as of June 30, 2015 and $19.5 billion as of December 31, 2014 of U.S. Treasury securities that are included in our other investments portfolio, which we present in "Table 22: Cash and Other Investments Portfolio."

Cash and Other Investments Portfolio

Our cash and other investments portfolio consists of cash and cash equivalents, securities purchased under agreements to resell or similar arrangements, and investments in U.S. Treasury securities. See "Liquidity and Capital Management—Liquidity Management—Cash and Other Investments Portfolio" for additional information on our cash and other investments portfolio.

Restricted Cash

Restricted cash primarily includes unscheduled borrower payments received by servicers of loans backing consolidated trusts due to be remitted to the MBS certificateholders in the subsequent month. Our restricted cash increased as of June 30, 2015 compared with the balance as of December 31, 2014 primarily as a result of an increase in prepayments received on mortgage loans in June 2015 compared with prepayments received in December 2014.

Investments in Mortgage-Related Securities

Our investments in mortgage-related securities are classified in our condensed consolidated balance sheets as either trading or available-for-sale and are measured at fair value. Table 19 displays the fair value of our investments in mortgage-related securities, including trading and available-for-sale securities. We classify PLS as Alt-A, subprime or commercial mortgage-backed securities ("CMBS") if the securities were labeled as such when issued. We have also invested in subprime private-label mortgage-related securities that we have resecuritized to include our guaranty (which we refer to as "wraps").

Table 19: Summary of Mortgage-Related Securities at Fair Value

	As of	
	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Mortgage-related securities:		
Fannie Mae	$ 9,717	$ 10,579
Freddie Mac	6,484	6,897
Ginnie Mae	674	642
Alt-A private-label securities	4,105	6,598
Subprime private-label securities	4,555	6,547
CMBS	3,768	3,912
Mortgage revenue bonds	3,773	4,745
Other mortgage-related securities	2,159	2,772
Total	$ 35,235	$ 42,692

The decrease in mortgage-related securities at fair value from December 31, 2014 to June 30, 2015 was primarily driven by sales of PLS and mortgage revenue bonds in the first half of 2015.

Mortgage Loans

The decrease in mortgage loans from December 31, 2014 to June 30, 2015 was primarily due to liquidations outpacing acquisition volumes. For additional information on our mortgage loans, see "Note 3, Mortgage Loans." For additional information on the mortgage loan purchase and sale activities reported by our Capital Markets group, see "Business Segment Results—Capital Markets Group Results."

The decrease in our allowance for loan losses from December 31, 2014 to June 30, 2015 was primarily driven by our approach to adopting the charge-off provisions of the Advisory Bulletin on January 1, 2015, liquidations of mortgage loans and improvement in home prices, which was partially offset by an increase in mortgage interest rates. See "Note 1, Summary of Significant Accounting Policies" for more information concerning the adoption of the Advisory Bulletin.

Debt

Debt of Fannie Mae is the primary means of funding our mortgage investments. The decrease in debt of Fannie Mae from December 31, 2014 to June 30, 2015 was primarily driven by lower funding needs, as our retained mortgage portfolio decreased. We provide a summary of the activity of the debt of Fannie Mae and a comparison of the mix between our outstanding short-term and long-term debt in “Liquidity and Capital Management—Liquidity Management—Debt Funding.” Also see “Note 8, Short-Term Borrowings and Long-Term Debt” for additional information on our outstanding debt.

Debt of consolidated trusts represents the amount of Fannie Mae MBS issued from consolidated trusts and held by third-party certificateholders. The increase in debt of consolidated trusts from December 31, 2014 to June 30, 2015 was primarily driven by sales of Fannie Mae MBS, which are accounted for as reissuances of debt of consolidated trusts in our condensed consolidated balance sheets, since the MBS certificate ownership is transferred from us to a third party.

Total Equity

Total equity increased as of June 30, 2015 compared with December 31, 2014 due to our comprehensive income recognized during the first half of 2015, partially offset by our payments of senior preferred stock dividends to Treasury during the first half of 2015.

LIQUIDITY AND CAPITAL MANAGEMENT

Liquidity Management

Our business activities require that we maintain adequate liquidity to fund our operations. Our liquidity risk management framework is designed to address our liquidity risk. Liquidity risk is the risk that we will not be able to meet our funding obligations in a timely manner. Liquidity risk management involves forecasting funding requirements, maintaining sufficient capacity to meet our needs based on our ongoing assessment of financial market liquidity and adhering to our regulatory requirements.

Our treasury function is responsible for implementing our liquidity and contingency planning strategies. We hold a portfolio of highly liquid investments and maintain access to alternative sources of liquidity which are designed to provide near term availability of cash in the event that our access to the debt markets becomes limited. While our liquidity contingency planning attempts to address stressed market conditions, we believe that our liquidity contingency plan may be difficult or impossible to execute for a company of our size and in our circumstances.

Our liquidity position could be adversely affected by many factors, both internal and external to our business, including: actions taken by our conservator, the Federal Reserve, U.S. Treasury or other government agencies; legislation relating to us or our business; a U.S. government payment default on its debt obligations; a downgrade in the credit ratings of our senior unsecured debt or the U.S. government’s debt from the major ratings organizations; a systemic event leading to the withdrawal of liquidity from the market; an extreme market-wide widening of credit spreads; public statements by key policy makers; a significant decline in our net worth; potential investor concerns about the adequacy of funding available to us under the senior preferred stock purchase agreement; loss of demand for our debt, or certain types of our debt, from a major group of investors; a significant credit event involving one of our major institutional counterparties; a sudden catastrophic operational failure in the financial sector; or elimination of our GSE status.

This section supplements and updates information regarding liquidity risk management contained in our 2014 Form 10-K. See “MD&A—Liquidity and Capital Management—Liquidity Management” and “Risk Factors” in our 2014 Form 10-K for additional information, including discussions of our primary sources and uses of funds, our liquidity risk management practices and liquidity 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.

Debt Funding

We fund our business primarily through the issuance of short-term and long-term debt securities in the domestic and international capital markets. Because debt issuance is our primary funding source, we are subject to “roll over,” or refinancing, risk on our outstanding debt.

Our debt funding needs and debt funding activity may vary from quarter to quarter depending on market conditions and are influenced by anticipated liquidity needs, the size of our retained mortgage portfolio and our dividend payment obligations to Treasury. See “Business Segment Results—Capital Markets Group Results—The Capital Markets Group’s Mortgage

Portfolio" for information about our retained mortgage portfolio, our requirement to reduce the size of our retained mortgage portfolio and our portfolio reduction plan.

Fannie Mae Debt Funding Activity

Table 20 displays the activity in debt of Fannie Mae. This activity excludes the debt of consolidated trusts and intraday loans. The reported amounts of debt issued and paid off during the period represent the face amount of the debt at issuance and redemption, respectively. Activity for short-term debt of Fannie Mae relates to borrowings with an original contractual maturity of one year or less while activity for long-term debt of Fannie Mae relates to borrowings with an original contractual maturity of greater than one year.

Table 20: Activity in Debt of Fannie Mae

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Issued during the period:				
Short-term:				
Amount	$ 43,667	$ 62,274	$ 95,778	$ 94,712
Weighted-average interest rate	0.11%	0.06%	0.11%	0.06%
Long-term:(1)				
Amount	$ 16,518	$ 5,100	$ 33,241	$ 13,160
Weighted-average interest rate	1.60%	1.95%	1.62%	1.75%
Total issued:				
Amount	$ 60,185	$ 67,374	$ 129,019	$ 107,872
Weighted-average interest rate	0.52%	0.20%	0.50%	0.26%
Paid off during the period:(2)				
Short-term:				
Amount	$ 61,762	$ 36,826	$ 119,488	$ 76,098
Weighted-average interest rate	0.11%	0.08%	0.08%	0.08%
Long-term:				
Amount	$ 22,267	$ 35,282	$ 45,430	$ 84,399
Weighted-average interest rate	1.84%	1.68%	1.32%	1.78%
Total paid off:				
Amount	$ 84,029	$ 72,108	$ 164,918	$ 160,497
Weighted-average interest rate	0.57%	0.86%	0.42%	0.97%

(1) Includes credit risk-sharing securities issued under our CAS series. For additional information on our credit risk sharing transactions, see "Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards—Risk-Sharing Transactions."

(2) 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.

Outstanding Debt

Total outstanding debt of Fannie Mae includes short-term and long-term debt, excluding 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.

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, which is 120% of the amount of mortgage assets we were allowed to own under the senior preferred stock purchase agreement on December 31 of the immediately preceding calendar year. Our debt limit under the senior preferred stock purchase agreement was reduced to $563.6 billion in 2015. As of June 30, 2015, our aggregate indebtedness totaled $428.6 billion, which was $135.0 billion below our 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. Because of our debt limit, we may be restricted in the amount of debt we issue to fund our operations.

Table 21 displays information on our outstanding short-term and long-term debt based on its original contractual terms.

Table 21: Outstanding Short-Term Borrowings and Long-Term Debt[1]

	As of					
	June 30, 2015			December 31, 2014		
	Maturities	Outstanding	Weighted-Average Interest Rate	Maturities	Outstanding	Weighted-Average Interest Rate
	(Dollars in millions)					
Federal funds purchased and securities sold under agreements to repurchase [2]	—	$ —	—%	—	$ 50	—%
Short-term debt of Fannie Mae	—	$ 81,338	0.16%	—	$ 105,012	0.11%
Debt of consolidated trusts	—	1,409	0.12	—	1,560	0.09
Total short-term debt		$ 82,747	0.16%		$ 106,572	0.11%
Long-term debt:						
Senior fixed:						
Benchmark notes and bonds	2015 - 2030	$ 170,531	2.42%	2015 - 2030	$ 173,010	2.41%
Medium-term notes[3]	2015 - 2025	111,556	1.49	2015 - 2024	114,556	1.42
Foreign exchange notes and bonds	2021 - 2028	624	5.29	2021 - 2028	619	5.44
Other	2015 - 2038	29,545	4.74	2015 - 2038	32,322	4.63
Total senior fixed		312,256	2.31		320,507	2.29
Senior floating:						
Medium-term notes[3]	2015 - 2019	18,420	0.19	2015 - 2019	24,469	0.15
Connecticut Avenue Securities[4]	2023 - 2025	8,514	3.19	2023 - 2024	6,041	2.97
Other[5]	2020 - 2037	346	8.64	2020 - 2037	363	8.71
Total senior floating		27,280	1.22		30,873	0.81
Subordinated debentures	2019	4,034	9.93	2019	3,849	9.93
Secured borrowings[6]	2021 - 2022	177	1.92	2021 - 2022	202	1.90
Total long-term debt of Fannie Mae		343,747	2.31		355,431	2.24
Debt of consolidated trusts[5]	2015 - 2054	2,772,075	2.85	2015 - 2054	2,760,152	3.02
Total long-term debt		$ 3,115,822	2.79%		$ 3,115,583	2.93%
Outstanding callable debt of Fannie Mae[7]		$ 107,459	1.84%		$ 114,990	1.79%

(1) Outstanding debt amounts and weighted-average interest rates reported in this table include the effects of discounts, premiums and other cost basis adjustments. Reported outstanding amounts include fair value gains and losses associated with debt that we elected to carry at fair value. Reported amounts for total debt of Fannie Mae include unamortized discounts and premiums, other cost basis adjustments and fair value adjustments of $3.6 billion and $4.1 billion as of June 30, 2015 and December 31, 2014, respectively. The unpaid principal balance of outstanding debt of Fannie Mae, which excludes unamortized discounts, premiums and other cost basis adjustments, and debt of consolidated trusts, totaled $428.7 billion and $464.6 billion as of June 30, 2015 and December 31, 2014, respectively.

(2) Represents agreements to repurchase securities for a specified price, with repayment generally occurring on the following day.

(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) Credit risk-sharing securities that transfer a portion of the credit risk on specified pools of mortgage loans in our single-family guaranty book of business to the investors in these securities. Connecticut Avenue Securities are reported at fair value. For additional information on our credit risk sharing transactions, see “Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk

Management—Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards—Risk-Sharing Transactions."

(5) Includes a portion of structured debt instruments that is reported at fair value.

(6) Represents remaining liability resulting from the transfer of financial assets from our condensed consolidated balance sheets that did not qualify as a sale.

(7) Consists of the unpaid principal balance of long-term callable debt of Fannie Mae that can be paid off in whole or in part at our option at any time on or after a specified date.

Maturity Profile of Outstanding Debt of Fannie Mae

Our outstanding short-term debt, as a percentage of our total outstanding debt, was 19% as of June 30, 2015 compared with 23% as of December 31, 2014. The weighted-average interest rate on our long-term debt increased to 2.31% as of June 30, 2015 from 2.24% as of December 31, 2014.

Our outstanding debt maturing within one year, including the current portion of our long-term debt and amounts we have announced for early redemption, as a percentage of our total outstanding debt, excluding debt of consolidated trusts, was 33% as of June 30, 2015 and 37% as of December 31, 2014. The weighted-average maturity of our outstanding debt that is maturing within one year was 120 days as of June 30, 2015, compared with 131 days as of December 31, 2014. The weighted-average maturity of our outstanding debt maturing in more than one year was approximately 58 months as of June 30, 2015, compared with approximately 61 months as of December 31, 2014. We intend to repay our short-term and long-term debt obligations as they become due primarily through proceeds from the issuance of additional debt securities. We also may use proceeds from our mortgage assets to pay our debt obligations.

Cash and Other Investments Portfolio

Table 22 displays information on the composition of our cash and other investments portfolio. The balance of our cash and other investments portfolio fluctuates based on changes in our cash flows, overall liquidity in the fixed income markets and our liquidity risk management policies and practices. See "Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Counterparty Credit Exposure of Investments Held in our Cash and Other Investments Portfolio" for additional information on the risks associated with the assets in our cash and other investments portfolio.

Table 22: Cash and Other Investments Portfolio

	As of	
	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Cash and cash equivalents	$ 19,313	$ 22,023
Federal funds sold and securities purchased under agreements to resell or similar arrangements	22,010	30,950
U.S. Treasury securities	23,790	19,466
Total cash and other investments	$ 65,113	$ 72,439

Credit Ratings

As of June 30, 2015, our credit ratings have not changed since we filed our 2014 Form 10-K. For additional information on our credit ratings, see "MD&A—Liquidity and Capital Management—Fannie Mae Credit Ratings" in our 2014 Form 10-K.

Cash Flows

Six Months Ended June 30, 2015. Cash and cash equivalents decreased by $2.7 billion from $22.0 billion as of December 31, 2014 to $19.3 billion as of June 30, 2015. The decrease was primarily driven by cash outflows from (1) the redemption of funding debt, which outpaced issuances due to lower funding needs and (2) the acquisition of delinquent loans out of MBS trusts.

Partially offsetting these cash outflows were cash inflows from (1) proceeds from repayment of loans of Fannie Mae, (2) the sale of our acquired property and (3) proceeds from the sale and liquidation of mortgage-related securities.

Six Months Ended June 30, 2014. Cash and cash equivalents increased by $1.6 billion from $19.2 billion as of December 31, 2013 to $20.8 billion as of June 30, 2014. The increase was primarily driven by cash inflows from (1) the sale of our acquired property, (2) the sale of Fannie Mae MBS to third parties and (3) proceeds from repayment of loans of Fannie Mae.

Partially offsetting these cash inflows were cash outflows from (1) the redemption of funding debt, which outpaced issuances due to lower funding needs and (2) the payment of dividends to Treasury under our senior preferred stock purchase agreement.

Capital Management

Regulatory Capital

FHFA has announced that, during the conservatorship, our existing statutory and FHFA-directed regulatory capital requirements will not be binding and that FHFA will not issue quarterly capital classifications. We submit capital reports to FHFA and FHFA monitors our capital levels. The deficit of our core capital over statutory minimum capital was $138.7 billion as of June 30, 2015 and $142.2 billion as of December 31, 2014.

Under the terms of the senior preferred stock, we are required to pay Treasury each quarter a dividend, when, as and if declared, equal to the excess of our net worth as of the end of the preceding quarter over an applicable capital reserve amount. Therefore, we do not expect to eliminate our deficit of core capital over statutory minimum capital. We expect to pay Treasury a dividend of $4.4 billion by September 30, 2015.

Senior Preferred Stock Purchase Agreement

As a result of the covenants under the senior preferred stock purchase agreement, Treasury's ownership of the warrant to purchase up to 79.9% of the total shares of our common stock outstanding and the significant uncertainty regarding our future, we effectively no longer have access to equity funding except through draws under the senior preferred stock purchase agreement.

Under the senior preferred stock purchase agreement, Treasury made a commitment to provide funding, under certain conditions, to eliminate deficiencies in our net worth. We have received a total of $116.1 billion from Treasury pursuant to the senior preferred stock purchase agreement as of June 30, 2015. The aggregate liquidation preference of the senior preferred stock, including the initial aggregate liquidation preference of $1.0 billion, remains at $117.1 billion.

While we had a positive net worth as of June 30, 2015 and have not received funds from Treasury under the agreement since the first quarter of 2012, we will be required to obtain additional funding from Treasury pursuant to the senior preferred stock purchase agreement if we have a net worth deficit in future periods. As of the date of this filing, the amount of remaining available funding under the senior preferred stock purchase agreement is $117.6 billion. If we draw additional funds from Treasury under the agreement in a future period, the amount of remaining funding under the agreement would be reduced by the amount of our draw. Dividend payments we make to Treasury do not restore or increase the amount of funding available to us under the agreement. For additional information, see "Business—Conservatorship and Treasury Agreements—Treasury Agreements—Senior Preferred Stock Purchase Agreement and Related Issuance of Senior Preferred Stock and Common Stock Warrant—Senior Preferred Stock Purchase Agreement" in our 2014 Form 10-K.

Our second quarter 2015 dividend of $1.8 billion was declared by FHFA and subsequently paid by us on June 30, 2015. For each dividend period from January 1, 2013 through and including December 31, 2017, when, as and if declared, the dividend amount will be 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 capital reserve amount is $1.8 billion for dividend periods in 2015 and will continue to be reduced by $600 million each year until it reaches zero on January 1, 2018. For each dividend period beginning in 2018, the dividend amount will be the entire amount of our net worth, if any, as of the end of the immediately preceding fiscal quarter. Based on the terms of the senior preferred stock, we expect to pay Treasury a dividend for the third quarter of 2015 of $4.4 billion by September 30, 2015. The Director of FHFA directs us to make dividend payments on the senior preferred stock on a quarterly basis.

See "Risk Factors" in our 2014 Form 10-K for a discussion of the risks relating to our dividend obligations to Treasury on the senior preferred stock. See "Business—Conservatorship and Treasury Agreements—Treasury Agreements" in our 2014 Form 10-K for more information on the terms of the senior preferred stock and our senior preferred stock purchase agreement with Treasury.

OFF-BALANCE SHEET ARRANGEMENTS

Our maximum potential exposure to credit losses relating to our outstanding and unconsolidated Fannie Mae MBS and other financial guarantees is primarily represented by the unpaid principal balance of the mortgage loans underlying outstanding and unconsolidated Fannie Mae MBS and other financial guarantees of $29.5 billion as of June 30, 2015 and $31.7 billion as of December 31, 2014.

For a description of our off-balance sheet arrangements, see “MD&A—Off-Balance Sheet Arrangements” in our 2014 Form 10-K.

RISK MANAGEMENT

Our business activities expose us to the following three major categories of financial risk: credit risk, market risk (including interest rate and liquidity risk) and operational risk. We actively monitor and manage these risks by using an established risk management framework. In addition to our exposure to credit, market and operational risks, there is significant uncertainty regarding the future of our company, including how long we will continue to be in existence, which we discuss in more detail in “Risk Factors” and “Legislative and Regulatory Developments—Housing Finance Reform” in this report and in “Business—Housing Finance Reform” in our 2014 Form 10-K. This uncertainty, along with limitations on our employee compensation arising from our conservatorship, could affect our ability to retain and hire qualified employees.

We are also subject to a number of other risks that could adversely impact our business, financial condition, earnings and cash flow, including human capital, model, legal, regulatory and compliance, reputational, strategic and execution risks. These risks may arise due to a failure to comply with laws, regulations or ethical standards and codes of conduct applicable to our business activities and functions.

In this section we provide an update on our management of our major risk categories. For a more complete discussion of the primary risks we face and how we manage credit risk, market risk and operational risk, see “MD&A—Risk Management” in our 2014 Form 10-K and “Risk Factors” in this report and our 2014 Form 10-K.

Credit Risk Management

We are generally subject to two types of credit risk: mortgage credit risk and institutional counterparty credit risk. Mortgage credit risk is the risk that a borrower will fail to make required mortgage payments. Institutional counterparty credit risk is the risk that our institutional counterparties may fail to fulfill their contractual obligations to us.

Mortgage Credit Risk Management

We are exposed to credit risk on our mortgage credit book of business because we either hold mortgage assets, have issued a guaranty in connection with the creation of Fannie Mae MBS backed by mortgage assets or provided other credit enhancements on mortgage assets. While our mortgage credit book of business includes all of our mortgage-related assets, both on- and off-balance sheet, our guaranty book of business excludes non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio for which we do not provide a guaranty. We provide information on the performance of non-Fannie Mae mortgage-related securities held in our retained mortgage portfolio, including the impairment that we have recognized on these securities, in “Note 5, Investments in Securities.”

Mortgage Credit Book of Business

Table 23 displays the composition of our mortgage credit book of business based on unpaid principal balance. Our single-family mortgage credit book of business accounted for 93% of our mortgage credit book of business as of June 30, 2015 and December 31, 2014.

Table 23: Composition of Mortgage Credit Book of Business

	As of					
	June 30, 2015			December 31, 2014		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
	(Dollars in millions)					
Mortgage loans and Fannie Mae MBS[1]	$ 2,814,556	$ 197,652	$ 3,012,208	$ 2,837,211	$ 187,300	$ 3,024,511
Unconsolidated Fannie Mae MBS, held by third parties[2]	10,746	1,249	11,995	11,660	1,267	12,927
Other credit guarantees[3]	3,151	14,344	17,495	4,033	14,748	18,781
Guaranty book of business	$ 2,828,453	$ 213,245	$ 3,041,698	$ 2,852,904	$ 203,315	$ 3,056,219
Agency mortgage-related securities[4]	6,607	8	6,615	6,932	8	6,940
Other mortgage-related securities[5]	13,079	6,998	20,077	19,973	7,970	27,943
Mortgage credit book of business	$ 2,848,139	$ 220,251	$ 3,068,390	$ 2,879,809	$ 211,293	$ 3,091,102
Guaranty Book of Business Detail:						
Conventional Guaranty Book of Business[6]	$ 2,773,867	$ 211,771	$ 2,985,638	$ 2,795,666	$ 201,763	$ 2,997,429
Government Guaranty Book of Business[7]	$ 54,586	$ 1,474	$ 56,060	$ 57,238	$ 1,552	$ 58,790

(1) Consists of mortgage loans and Fannie Mae MBS recognized in our condensed consolidated balance sheets. The principal balance of resecuritized Fannie Mae MBS is included only once in the reported amount.

(2) The principal balance of resecuritized Fannie Mae MBS is included only once in the reported amount.

(3) Consists of single-family and multifamily credit enhancements that we have provided and that are not otherwise reflected in the table.

(4) Consists of mortgage-related securities issued by Freddie Mac and Ginnie Mae.

(5) Primarily includes mortgage revenue bonds, Alt-A and subprime PLS and CMBS.

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

(7) Refers to mortgage loans and mortgage-related securities guaranteed or insured, in whole or in part, by the U.S. government or one of its agencies.

The 2008 Reform Act requires us to set aside each year an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of our total new business purchases to fund the U.S. Department of Housing and Urban Development's Housing Trust Fund and Treasury's Capital Magnet Fund. New business purchases consist of single-family and multifamily whole mortgage loans purchased during the period and single-family and multifamily mortgage loans underlying Fannie Mae MBS issued during the period pursuant to lender swaps. New business purchases were $267.5 billion in the first half of 2015. We recognized an expense of $112 million related to this obligation in the first half of 2015 and we expect to pay these funds, plus additional amounts to be accrued based on our new business purchases in the second half of 2015, in February 2016. See "Business—Our Charter and Regulation of Our Activities—The GSE Act—Affordable Housing Allocations" in our 2014 Form 10-K for more information regarding this obligation.

In the following sections, we discuss the mortgage credit risk of the single-family and multifamily loans in our guaranty book of business. The credit statistics reported below, unless otherwise noted, pertain generally to the portion of our guaranty book of business for which we have access to detailed loan-level information, which constituted approximately 99% of each of our single-family conventional guaranty book of business and our multifamily guaranty book of business, excluding defeased loans, as of June 30, 2015 and December 31, 2014. We typically obtain this data from the sellers or servicers of the mortgage loans in our guaranty book of business and receive representations and warranties from them as to the accuracy of the information. While we perform various quality assurance checks by sampling loans to assess compliance with our underwriting and eligibility criteria, we do not independently verify all reported information and we rely on lender representations regarding the accuracy of the characteristics of loans in our guaranty book of business. See "Risk Factors" in our 2014 Form 10-K for a discussion of the risk that we could experience mortgage fraud as a result of this reliance on lender representations.

Single-Family Mortgage Credit Risk Management

Our strategy in managing single-family mortgage credit risk consists of four primary components: (1) our acquisition and servicing policies along with our underwriting and servicing standards, including the use of credit enhancements; (2) portfolio diversification and monitoring; (3) management of problem loans; and (4) REO management. These approaches may increase our expenses and may not be effective in reducing our credit-related expense or credit losses. We provide information on our credit-related income and credit losses in "Consolidated Results of Operations—Credit-Related (Expense) Income." For information on how we evaluate and factors that affect our single-family mortgage credit risk, see "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management" in our 2014 Form 10-K.

The single-family credit statistics we focus on and report in the sections below generally relate to our single-family conventional guaranty book of business, which represents the substantial majority of our total single-family guaranty book of business.

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

Our Single-Family business, with the oversight of our Enterprise Risk Management division, is responsible for pricing and managing credit risk relating to the portion of our single-family mortgage credit book of business consisting of single-family mortgage loans and Fannie Mae MBS backed by single-family mortgage loans (whether held in our portfolio or held by third parties). Desktop Underwriter, our proprietary automated underwriting system which measures credit risk by assessing the primary risk factors of a mortgage, is used to evaluate the majority of the loans we purchase or securitize.

We are undertaking various initiatives to better serve our customers' needs and improve our business efficiency. As part of these initiatives, we have implemented or announced a number of changes in 2015 that are designed to help our customers originate mortgages with increased certainty, efficiency and lower cost, including the following:

- in January 2015, we made Collateral Underwriter available at no cost to lenders, giving them access to the same appraisal review tool we use so that they can address potential appraisal issues prior to delivering a loan to us;
- in April 2015, we integrated Collateral Underwriter with Desktop Underwriter, which we believe will enhance our lenders' risk management and underwriting capabilities;
- effective June 2015, we no longer charge customers for using our Desktop Underwriter and Desktop Originator systems, which we expect will allow more lenders to access these systems in their underwriting process;
- beginning in the fall of 2015, we plan to enhance our Early Check loan verification tool with additional loan-level data integrity capabilities, to give lenders confidence that the loans they deliver to us meet our requirements; and
- in late 2015, we expect to make available a new loan delivery platform for lenders that is designed to help lenders deliver loans more efficiently and with greater transparency and certainty.

For information on our single-family acquisition and servicing policies and on our underwriting and servicing standards, see "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards" in our 2014 Form 10-K.

Table 24 below displays information regarding the credit characteristics of the loans in our single-family conventional guaranty book of business by acquisition period.

Table 24: Selected Credit Characteristics of Single-Family Conventional Guaranty Book of Business, by Acquisition Period

	As of June 30, 2015			
	% of Single-Family Conventional Guaranty Book of Business[(1)]	Current Estimated Mark-to-Market LTV Ratio[(2)]	Current Estimated Mark-to-Market LTV Ratio>100%[(3)]	Serious Delinquency Rate[(4)]
2009-2015 acquisitions, excluding HARP and other Refi Plus loans	64 %	59 %	* %	0.22 %
HARP loans[(5)]	10	83	16	1.07
Other Refi Plus loans[(6)]	8	49	*	0.39
2005-2008 acquisitions	12	78	19	7.51
2004 and prior acquisitions	6	46	1	3.12
Total single-family book of business	100 %	62 %	4 %	1.66 %

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* Represents less than 0.5%

(1) 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 June 30, 2015.

(2) The aggregate estimated mark-to-market LTV ratio is based on the unpaid principal balance of the loans as of the end of the period divided by the estimated current value of the properties, 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.

(3) The current estimated mark-to-market LTV ratio greater than 100% is based on the unpaid principal balance of the loans with mark-to-market LTV ratios greater than 100% for each category as of the end of the period divided by the aggregate unpaid principal balance of loans for each category in our single-family conventional guaranty book of business as of June 30, 2015.

(4) The serious delinquency rates for loans acquired in more recent years will be higher after the loans have aged, but we do not expect them to approach the levels of the June 30, 2015 serious delinquency rates of loans acquired in 2005 through 2008.

(5) HARP loans, which we began to acquire in 2009, have LTV ratios at origination in excess of 80%. In the fourth quarter of 2012, we revised our presentation of the data to reflect all loans under our Refi Plus program with LTV ratios at origination in excess of 80% as HARP loans. Previously we did not reflect loans that were backed by second homes or investor properties as HARP loans.

(6) Other Refi Plus loans, which we began to acquire in 2009, includes all other Refi Plus loans that are not HARP loans.

Beginning with loans delivered in 2013, and in conjunction with our new representation and warranty framework, we have made changes in our quality control process that move the primary focus of our quality control review from the time a loan defaults to shortly after the loan is delivered to us. We have implemented new tools to help identify loans delivered to us that may not have met our underwriting or eligibility guidelines and use these tools to help select discretionary samples of performing loans for quality control review shortly after delivery. We also select random samples of performing loans for quality control review shortly after delivery. For a discussion of our new representation and warranty framework, see “MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards” in our 2014 Form 10-K.

We derive an eligibility defect rate from our random reviews, which represents the proportion of loans in the sample population with underwriting defects that would make them potentially ineligible for delivery to us. The eligibility defect rate does not necessarily indicate how well the loans will ultimately perform. Instead, we use the eligibility defect rate to estimate the percentage of loans we acquired that potentially had a significant error in the underwriting process. As of June 30, 2015, the eligibility defect rate for our single-family non-Refi Plus loan acquisitions made during the twelve months ended May 31, 2014 was 1.30%. Because of enhancements to the sampling methodology of our random reviews that we implemented in 2013, the eligibility defect rate for our 2013 and 2014 loan acquisitions is not directly comparable to the “significant findings rate” we reported on our acquisitions in prior periods. We continue to work with lenders to reduce the number of defects identified.

If we determine that a mortgage loan did not meet our underwriting or eligibility requirements, loan representations or warranties were violated or a mortgage insurer rescinded coverage, then our mortgage sellers and/or servicers are obligated to either repurchase the loan or foreclosed property, reimburse us for our losses or provide other remedies, unless the loan is eligible for representation and warranty relief under our new representation and warranty framework described below. We refer to our demands that mortgage sellers and servicers meet these obligations collectively as repurchase requests. See "MD&A—Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Mortgage Sellers and Servicers" and "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards" in our 2014 Form 10-K for a discussion of our mortgage sellers and servicers' repurchase obligations. As of June 30, 2015, we have issued repurchase requests on approximately 0.47% of the $269.2 billion of unpaid principal balance of single-family loans delivered to us in the first nine months of 2014, for which reviews have been substantially completed.

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 lenders. In some cases, we allow lenders to remit payment equal to our loss, including imputed interest, on the loan after we have disposed of the related REO, which is substantially less than the unpaid principal balance of the loan. As a result, we expect our actual cash receipts relating to these outstanding repurchase requests to be significantly lower than the unpaid principal balance of the loans. Amounts relating to repurchase requests originating from missing documentation or loan files where a full file review could not be completed are excluded from the total requests outstanding until we receive the missing documentation or loan files and a full underwriting review is completed. Total outstanding repurchase requests as of June 30, 2015 were $1.2 billion, compared with $1.0 billion as of December 31, 2014.

Representation and Warranty Framework

Our representation and warranty framework for single-family mortgage loans delivered on or after January 1, 2013 seeks to provide lenders a higher degree of certainty and clarity regarding their repurchase exposure and liability on future deliveries, as well as consistency around repurchase timelines and remedies. Under the framework, lenders are relieved of repurchase liability for loans that meet specific payment history requirements and other eligibility requirements. For example, a lender would not be required to repurchase a mortgage loan in breach of certain underwriting and eligibility representations and warranties if the borrower has made timely payments for 36 months following the delivery date (or, for Refi Plus loans, including HARP loans, for 12 months following the delivery date), and the loan meets other specified eligibility requirements. For single-family loans delivered on or after July 1, 2014 the 36-month timely payment history requirement is relaxed to permit two instances of 30-day delinquency and adds an alternative path to relief if there is a satisfactory conclusion of a quality control review. For more information on our quality control process and our representation and warranty framework, see "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards" in our 2014 Form 10-K.

We continue to work with FHFA to identify opportunities to enhance our representation and warranty framework, providing the mortgage finance industry with more certainty and transparency regarding selling representation and warranty obligations.

As of June 30, 2015, approximately 34% of the outstanding loans in our single-family conventional guaranty book of business were acquired under the new representation and warranty framework. Table 25 below displays information regarding the relief status of single-family conventional loans, based on payment history, delivered to us beginning in 2013 under the new representation and warranty framework.

Table 25: Representation and Warranty Status of Single-Family Conventional Loans Acquired in 2013-2015

	As of June 30, 2015					
	Refi Plus		Non-Refi Plus		Total	
	Unpaid Principal Balance	Number of Loans	Unpaid Principal Balance	Number of Loans	Unpaid Principal Balance	Number of Loans
	(Dollars in millions)					
Single-family conventional loans that:						
Obtained relief	$ 157,057	1,058,267	$ —	—	$ 157,057	1,058,267
Remain eligible for relief	39,387	262,702	924,984	4,443,751	964,371	4,706,453
Are not eligible for relief	3,224	20,578	9,928	51,033	13,152	71,611
Total outstanding loans acquired under the new representation and warranty framework	$ 199,668	1,341,547	$ 934,912	4,494,784	$ 1,134,580	5,836,331

As of June 30, 2015, approximately 18% of loans acquired under the new representation and warranty framework had obtained relief. Providing lenders with relief from repurchasing loans for breaches of certain representations and warranties on loans acquired beginning in 2013 that meet specified eligibility requirements shifts some of the risk of non-compliance with our requirements back to us. However, we believe that we have taken appropriate steps to mitigate this risk, including moving the primary focus of our quality control reviews to shortly after the time the loans are delivered to us. We also retain the right to review any defaulted loans that were not previously reviewed and have not obtained relief, in addition to retaining the right to review all loans for any violations of life of loan representations and warranties.

Risk-Sharing Transactions

FHFA's 2015 conservatorship scorecard includes an objective that we transact credit risk transfers on reference pools of single-family mortgages with an unpaid principal balance of at least $150 billion, with this unpaid principal balance requirement to be reviewed periodically and adjusted as necessary to reflect market conditions. In meeting this target, we must utilize at least two types of risk transfer structures. Our primary method of achieving this objective has been through the issuance of CAS, which transfers a portion of the credit risk associated with losses on the reference pool of mortgage loans to investors in these securities. During the first half of 2015, we issued $2.9 billion in CAS, transferring a portion the credit risk on single-family mortgages with an unpaid principal balance of $95.2 billion. In July 2015, we issued an additional $1.6 billion in CAS, transferring a portion of the credit risk on single-family mortgages with an unpaid principal balance of approximately $48.3 billion. For information on credit insurance risk transfer, another type of credit risk transfer transaction, see "Institutional Counterparty Credit Risk Management—Credit Guarantors—Reinsurers."

In a CAS transaction, we create a reference pool consisting of recently acquired single-family mortgage loans included in our single-family guaranty book of business. We then create a hypothetical securitization structure with notional credit risk positions, or tranches (that is, first loss, mezzanine and senior). We receive cash and issue CAS (which relate to the mezzanine loss position) to investors, which we recognize as "Debt of Fannie Mae" in our condensed consolidated balance sheets.

We are obligated to make payments of principal and interest on the CAS, and we recognize the interest paid as "Long-term debt interest expense" in our condensed consolidated statements of operations and comprehensive income. The principal balance of the CAS is reduced as a result of principal liquidations of loans in the reference pool or when certain specified credit events (such as a loan becoming 180 days delinquent) occur on the loans in the reference pool. In turn, these credit events may reduce the total amount of payments we ultimately make on the CAS. However, principal reductions will first occur on the first loss position, which is retained by us, until it is fully reduced before the CAS begin participating in reductions to the principal balances. As the reference pools underlying CAS issued to date consist of recently acquired single-family mortgage loans, we have recognized minimal credit losses on loans in these reference pools to date.

Table 26 displays the credit risk transferred to third parties and retained by Fannie Mae pursuant to our CAS transactions from 2013 through June 30, 2015.

Table 26: Credit Risk Transferred Pursuant to CAS Issuances

	At Issuance					As of June 30, 2015
	Retained by Fannie Mae			Transferred to Third Parties		
	First Loss Position	Mezzanine Loss Position	Senior Loss Position	Mezzanine Loss Position	Total Reference Pool	Total Outstanding Reference Pool[(1)]
	(Dollars in millions)					
First half of 2015 CAS issuances:						
CAS 2015 C01	$ 257	$ 78	$ 48,389	$ 1,469	$ 50,193	$ 44,476
CAS 2015 C02	248	76	43,236	1,449	45,009	43,823
Total first half of 2015 CAS issuances	$ 505	$ 154	$ 91,625	$ 2,918	$ 95,202	$ 88,299
Prior CAS issuances:						
2014 issuances	$ 845	$ 355	$ 215,175	$ 5,849	$ 222,224	$ 202,389
2013 issuances	80	47	25,954	675	26,756	23,125
Total prior CAS issuances	$ 925	$ 402	$ 241,129	$ 6,524	$ 248,980	$ 225,514
Total CAS issuances	$ 1,430	$ 556	$ 332,754	$ 9,442	$ 344,182	$ 313,813
Total outstanding reference pool as a percentage of single-family conventional guaranty book of business						11.31 %

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(1) Includes $8.6 billion outstanding for the mezzanine loss tranche transferred to third parties as of June 30, 2015.

Single-Family Portfolio Diversification and Monitoring

Diversification within our single-family mortgage credit book of business by product type, loan characteristics and geography is an important factor that influences credit quality and performance and may reduce our credit risk. We monitor various loan attributes, in conjunction with housing market and economic conditions, to determine if our pricing, eligibility and underwriting criteria accurately reflect the risk associated with loans we acquire or guarantee. For additional information on key loan attributes, see "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Single-Family Portfolio Diversification and Monitoring" in our 2014 Form 10-K.

Table 27 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.

Table 27: Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business[1]

	Percent of Single-Family Conventional Business Volume[2]				Percent of Single-Family Conventional Guaranty Book of Business[3][4] As of	
	For the Three Months Ended June 30,		For the Six Months Ended June 30,			
	2015	2014	2015	2014	June 30, 2015	December 31, 2014
Original LTV ratio:[5]						
<= 60%	19 %	16 %	19 %	16 %	21 %	21 %
60.01% to 70%	14	12	14	12	14	14
70.01% to 80%	40	40	40	40	38	38
80.01% to 90%[6]	12	13	12	13	11	11
90.01% to 100%[6]	14	17	14	16	11	11
100.01% to 125%[6]	1	1	1	2	3	3
Greater than 125%[6]	*	1	*	1	2	2
Total	100 %	100 %	100 %	100 %	100 %	100 %
Weighted-average	74 %	77 %	74 %	77 %	75 %	75 %
Average loan amount	$ 223,320	$ 199,451	$ 222,548	$ 196,374	$ 160,084	$ 159,997
Estimated mark-to-market LTV ratio:[7]						
<= 60%					46 %	42 %
60.01% to 70%					19	19
70.01% to 80%					17	18
80.01% to 90%					9	10
90.01% to 100%					5	6
100.01% to 125%					3	4
Greater than 125%					1	1
Total					100 %	100 %
Weighted-average					62 %	64 %
Product type:						
Fixed-rate:[8]						
Long-term	81 %	76 %	81 %	75 %	74 %	74 %
Intermediate-term	17	19	17	20	17	17
Interest-only	—	—	—	—	1	1
Total fixed-rate	98	95	98	95	92	92
Adjustable-rate:						
Interest-only	—	*	—	*	2	2
Other ARMs	2	5	2	5	6	6
Total adjustable-rate	2	5	2	5	8	8
Total	100 %	100 %	100 %	100 %	100 %	100 %
Number of property units:						
1 unit	97 %	97 %	97 %	97 %	97 %	97 %
2-4 units	3	3	3	3	3	3
Total	100 %	100 %	100 %	100 %	100 %	100 %
Property type:						
Single-family homes	90 %	89 %	90 %	89 %	91 %	91 %
Condo/Co-op	10	11	10	11	9	9
Total	100 %	100 %	100 %	100 %	100 %	100 %

	Percent of Single-Family Conventional Business Volume[2]				Percent of Single-Family Conventional Guaranty Book of Business[3][4] As of	
	For the Three Months Ended June 30,		For the Six Months Ended June 30,			
	2015	2014	2015	2014	June 30, 2015	December 31, 2014
Occupancy type:						
Primary residence	88 %	87 %	88 %	86 %	88 %	88 %
Second/vacation home	4	4	4	4	4	4
Investor	8	9	8	10	8	8
Total	100 %	100 %	100 %	100 %	100 %	100 %
FICO credit score at origination:						
< 620[9]	1 %	1 %	1 %	2 %	2 %	3 %
620 to < 660	4	6	4	5	5	5
660 to < 700	11	13	11	14	12	12
700 to < 740	20	21	20	21	20	19
>= 740	64	59	64	58	61	61
Total	100 %	100 %	100 %	100 %	100 %	100 %
Weighted-average	750	744	749	743	744	744
Loan purpose:						
Purchase	40 %	54 %	39 %	50 %	31 %	31 %
Cash-out refinance	18	15	18	15	20	20
Other refinance	42	31	43	35	49	49
Total	100 %	100 %	100 %	100 %	100 %	100 %
Geographic concentration:[10]						
Midwest	14 %	14 %	14 %	14 %	15 %	15 %
Northeast	14	14	14	15	19	19
Southeast	20	21	19	21	22	22
Southwest	19	21	19	20	16	16
West	33	30	34	30	28	28
Total	100 %	100 %	100 %	100 %	100 %	100 %
Origination year:						
<= 2006					12 %	13 %
2007					4	4
2008					2	2
2009					5	6
2010					8	9
2011					9	10
2012					22	24
2013					19	21
2014					12	11
2015					7	—
Total					100 %	100 %

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

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

(2) Calculated based on 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) Our single-family conventional guaranty book of business includes jumbo-conforming and high-balance loans that represented approximately 5% of our single-family conventional guaranty book of business as of June 30, 2015 and December 31, 2014. See

"Business—Our Charter and Regulation of Our Activities—Charter Act—Loan Standards" and "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Credit Profile Summary—Jumbo Conforming and High-Balance Loans" in our 2014 Form 10-K for information on our loan limits.

(5) 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.

(6) We purchase loans with original LTV ratios above 80% as part of our mission to serve the primary mortgage market and provide liquidity to the housing finance system. Except as permitted under HARP, our charter generally requires primary mortgage insurance or other credit enhancement for loans that we acquire that have an LTV ratio over 80%.

(7) 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.

(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. Loans with interest-only terms are included in the interest-only category regardless of their maturities.

(9) Loans acquired after 2009 with FICO credit scores below 620 consist primarily of the refinance of existing loans under our Refi Plus initiative.

(10) 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.

Credit Profile Summary

Overview

Our acquisitions in the first half of 2015 continued to have a strong credit profile with a weighted average original LTV of 74% compared with 77% in the first half of 2014. Our acquisition of loans with original LTV ratios over 80% decreased to 27% in the first half of 2015, compared with 32% in the first half of 2014. This decrease was primarily due to an increase in our acquisitions of refinance loans, which increased to 61% in the first half of 2015, compared with 50% in the first half of 2014, and a decline in our acquisitions of home purchase loans and HARP loans. Home purchase loans and HARP loans typically have higher LTV ratios than non-HARP refinance loans. The weighted average FICO credit score of our acquisitions increased to 749 in the first half of 2015, compared with 743 in the first half of 2014. Our acquisitions of loans with FICO credit scores at origination of 740 or above increased to 64% in the first half of 2015, compared with 58% in the first half of 2014. Our acquisition of loans with FICO credit scores at origination of less than 700 decreased to 16% in the first half of 2015, compared with 21% in the first half of 2014.

The credit profile of our future acquisitions will depend on many factors, including: our future guaranty fee pricing and any impact of that pricing on the volume and mix of loans we acquire; our future eligibility standards and those of mortgage insurers, FHA and VA; the percentage of loan originations representing refinancings; changes in interest rates; our future objectives and activities in support of those objectives, including actions we may take to reach additional underserved creditworthy borrowers; government policy; market and competitive conditions; and the volume and characteristics of HARP loans we acquire in the future. We expect the ultimate performance of all our loans will be affected by borrower behavior, public policy and macroeconomic trends, including unemployment, the economy and home prices. In addition, if lender customers retain more of the higher-quality loans they originate, it could negatively affect the credit profile of our new single-family acquisitions. We discuss our efforts to increase access to mortgage credit for creditworthy borrowers in "Executive Summary—Single-Family Guaranty Book of Business—Providing Targeted Access to Credit Opportunities for Creditworthy Borrowers."

HARP and Refi Plus Loans

Since 2009, we have offered HARP under our Refi Plus initiative, which was designed to expand refinancing opportunities for borrowers who may otherwise be unable to refinance their mortgage loans due to a decline in home values. HARP offers refinancing flexibility to eligible borrowers who are current on their loans and whose loans are owned or guaranteed by us and meet certain additional criteria. Under HARP, we allow our borrowers who have mortgage loans that have note dates prior to June 2009 with current LTV ratios greater than 80% to refinance their mortgages without obtaining new mortgage insurance in excess of what is already in place. Accordingly, HARP loans have LTV ratios at origination in excess of 80%. HARP loans cannot (1) be an adjustable-rate mortgage loan, if the initial fixed period is less than five years; (2) have an interest only feature, which permits the payment of interest without a payment of principal; (3) be a balloon mortgage loan; or (4) have the potential for negative amortization. In May 2015, FHFA announced the extension of the ending date for HARP to December 31, 2016. In addition, we have extended our Refi Plus initiative until December 31, 2016.

The loans we acquire under HARP have higher LTV ratios than we would otherwise permit, greater than 100% in some cases. Since 2012, we have acquired HARP loans with LTV ratios greater than 125% for fixed-rate loans of eligible borrowers. In addition to the high LTV ratios that characterize HARP loans, some borrowers for HARP and Refi Plus loans may also have lower FICO credit scores and may provide less documentation than we would otherwise require. As of June 30, 2015, HARP loans, which constituted 10% of our single-family book of business, had a weighted average FICO credit score at origination of 730 compared with 744 for loans in our single-family book of business overall.

Loans we acquire under Refi Plus and HARP represent refinancings of loans that are already in our guaranty book of business. The credit risk associated with the newly acquired loans essentially replaces the credit risk on the loans that we already held prior to the refinancing. These loans have higher risk profiles and higher serious delinquency rates than the other loans we have acquired since the beginning of 2009. However, we expect these loans will perform better than the loans they replace because HARP and Refi Plus loans should either reduce the borrowers' monthly payments or provide more stable terms than the borrowers' old loans (for example, by refinancing into a mortgage with a fixed interest rate instead of an adjustable rate). HARP loans constituted approximately 3% of our total single-family acquisitions in the first half of 2015, compared with approximately 8% of total single-family acquisitions in the first half of 2014. We expect the volume of refinancings under HARP to continue to decline, due to a decrease in the population of borrowers with loans that have high LTV ratios who are willing to refinance and would benefit from refinancing.

For information on the serious delinquency rates and current mark-to-market LTV ratios as of June 30, 2015 of single-family loans we acquired under HARP and Refi Plus, compared with other single-family loans we have acquired, see "Table 24: Selected Credit Characteristics of Single-Family Conventional Guaranty Book of Business, by Acquisition Period."

Alt-A Loans

We classify certain loans as Alt-A so that we can discuss our exposure to Alt-A loans in this Form 10-Q and elsewhere. However, there is no universally accepted definition of Alt-A loans. Our single-family conventional guaranty book of business includes loans with some features that are similar to Alt-A loans that we have not classified as Alt-A because they do not meet our classification criteria.

We do not rely solely on our classifications of loans as Alt-A to evaluate the credit risk exposure relating to these loans in our single-family conventional guaranty book of business. For more information about the credit risk characteristics of loans in our single-family guaranty book of business, see "Table 27: Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business," "Note 3, Mortgage Loans," and "Note 13, Concentrations of Credit Risk."

Our exposure to Alt-A loans included in our single-family conventional guaranty book of business, based on the classification criteria described in this section, does not include (1) our investments in private-label mortgage-related securities backed by Alt-A loans or (2) resecuritizations, or wraps, of private-label mortgage-related securities backed by Alt-A mortgage loans that we have guaranteed. See "Note 5, Investments in Securities" for more information on our exposure to private label mortgage-related securities backed by Alt-A loans.

We have classified a mortgage loan as Alt-A if and only if the lender that delivered the loan to us classified the loan as Alt-A, based on documentation or other features. The unpaid principal balance of Alt-A loans included in our single-family conventional guaranty book of business of $109.7 billion as of June 30, 2015, represented approximately 4% of our single-family conventional guaranty book of business. Because we discontinued the purchase of newly originated Alt-A loans in 2009, except for those that represent the refinancing of a loan we acquired prior to 2009, we expect our acquisitions of Alt-A mortgage loans to continue to be minimal in future periods and the percentage of the book of business attributable to Alt-A to continue to decrease over time.

See "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Single-Family Portfolio Diversification and Monitoring" in our 2014 Form 10-K for a discussion of other types of loans, including jumbo conforming loans, high balance loans, adjustable-rate mortgages and fixed-rate interest only mortgages.

Problem Loan Management

Our problem loan management strategies are primarily focused on reducing defaults to avoid losses that would otherwise occur and pursuing foreclosure alternatives to attempt to minimize the severity of the losses we incur. If a borrower does not make required payments, or is in jeopardy of not making payments, we work with the servicers of our loans to offer workout solutions to minimize the likelihood of foreclosure as well as the severity of loss. Our loan workouts reflect our various types of home retention solutions, including loan modifications, repayment plans and forbearances, and foreclosure alternatives, including short sales and deeds-in-lieu of foreclosure. When appropriate, we seek to move to foreclosure expeditiously. See "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Problem

Loan Management” in our 2014 Form 10-K for a discussion on our work with mortgage servicers to implement our foreclosure prevention initiatives.

In the following section, we present statistics on our problem loans, describe efforts undertaken to manage these loans and prevent foreclosures, and provide metrics regarding the performance of our loan workout activities. Unless otherwise noted, single-family delinquency data is calculated based on number of loans. We include single-family conventional loans that we own and those that back Fannie Mae MBS in the calculation of the single-family delinquency rate. Seriously delinquent loans are loans that are 90 days or more past due or in the foreclosure process. Percentage of book outstanding calculations are based on the unpaid principal balance of loans for each category divided by the unpaid principal balance of our total single-family guaranty book of business for which we have detailed loan-level information.

Problem Loan Statistics

Table 28 displays the delinquency status of loans in our single-family conventional guaranty book of business (based on number of loans) and changes in the balance of seriously delinquent loans in our single-family conventional guaranty book of business.

Table 28: Delinquency Status and Activity of Single-Family Conventional Loans

	As of		
	June 30, 2015	December 31, 2014	June 30, 2014
Delinquency status:			
30 to 59 days delinquent	1.39%	1.47%	1.46%
60 to 89 days delinquent	0.38	0.43	0.42
Seriously delinquent (“SDQ”)	1.66	1.89	2.05
Percentage of SDQ loans that have been delinquent for more than 180 days	72%	70%	74%
Percentage of SDQ loans that have been delinquent for more than two years	33	34	37

	For the Six Months Ended June 30,	
	2015	2014
Single-family SDQ loans (number of loans):		
Beginning balance	329,590	418,837
Additions	130,406	152,496
Removals:		
Modifications and other loan workouts	(51,083)	(65,714)
Liquidations and sales	(60,249)	(82,088)
Cured or less than 90 days delinquent	(61,292)	(66,264)
Total removals	(172,624)	(214,066)
Ending balance	287,372	357,267

Our single-family serious delinquency rate has decreased each quarter since the first quarter of 2010. The decrease in our serious delinquency rate is primarily the result of home retention solutions, foreclosure alternatives and completed foreclosures, improved loan payment performance, as well as our acquisition of loans with stronger credit profiles since the beginning of 2009. Loans we acquired since 2009 comprised 82% of our single-family guaranty book of business and had a serious delinquency rate of 0.35% as of June 30, 2015.

Although our single-family serious delinquency rate has decreased and is expected to continue to decrease, we expect the number of single-family loans in our book of business that are seriously delinquent to remain above pre-2008 levels for years. Our single-family serious delinquency rate and the period of time that loans remain seriously delinquent continue to be negatively impacted by the length of time required to complete a foreclosure in some states. High levels of foreclosures, changes in state foreclosure laws, new federal and state servicing requirements imposed by regulatory actions and legal settlements, and the need for servicers to adapt to these changes have lengthened the time it takes to foreclose on a mortgage loan in a number of states, particularly in New York, Florida and New Jersey. Longer foreclosure timelines result in these loans remaining in our book of business for a longer time, which has caused our serious delinquency rate to decrease more slowly in the last few years than it would have if the pace of foreclosures had been faster. We believe the slow pace of foreclosures in certain areas of the country will continue to negatively affect our single-family serious delinquency rates, foreclosure timelines and credit-related income (expense). Other factors such as the pace of loan modifications, the timing and volume of future nonperforming loan sales we make, changes in home prices, unemployment levels and other macroeconomic conditions also influence serious delinquency rates.

Certain higher-risk loan categories, such as Alt-A loans and loans with higher mark-to-market LTV ratios, and our 2005 through 2008 loan vintages continue to exhibit higher than average delinquency rates and/or account for a higher share of our credit losses. Our 2005 to 2008 loan vintages represented approximately 48% of the loans added to our seriously delinquent loan population during the first half of 2015. In addition, loans in certain states such as Florida, Illinois, New Jersey and New York have exhibited higher than average delinquency rates and/or account for a higher share of our credit losses.

Table 29 displays the serious delinquency rates for, and the percentage of our total seriously delinquent single-family conventional loans represented by, the specified loan categories. We also include information for our loans in California, as this state accounts for a large share of our single-family conventional guaranty book of business. The reported categories are not mutually exclusive.

Table 29: Single-Family Conventional Seriously Delinquent Loan Concentration Analysis

	As of								
	June 30, 2015			December 31, 2014			June 30, 2014		
	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	20%	5%	0.62%	20%	5%	0.70%	20%	5%	0.77%
Florida	6	13	3.40	6	15	4.42	6	17	5.46
Illinois	4	6	2.03	4	6	2.36	4	6	2.60
New Jersey	4	10	5.35	4	10	5.78	4	9	5.94
New York	5	11	3.84	5	10	4.17	5	10	4.24
All other states	61	55	1.36	61	54	1.52	61	53	1.60
Product type:									
Alt-A	4	18	6.96	4	18	7.77	4	19	8.37
Vintages:									
2004 and prior	6	27	3.10	7	28	3.26	8	28	3.27
2005	3	12	5.72	3	12	6.18	3	13	6.47
2006	3	16	8.69	3	16	9.61	3	17	10.11
2007	4	22	9.89	4	23	10.79	4	24	11.08
2008	2	8	5.90	2	8	6.27	3	8	6.27
2009	5	3	1.00	6	3	1.00	7	3	0.95
2010	8	3	0.58	9	3	0.59	9	2	0.54
2011	9	2	0.42	10	2	0.42	11	2	0.36
2012	22	3	0.28	24	3	0.27	25	2	0.21
2013	19	3	0.27	21	2	0.22	22	1	0.12
2014	12	1	0.11	11	*	0.04	5	*	0.01
2015	7	*	*	—	—	—	—	—	—
Estimated mark-to-market LTV ratio:									
<= 60%	46	26	0.82	42	23	0.88	42	22	0.90
60.01% to 70%	19	13	1.30	19	12	1.36	20	12	1.39
70.01% to 80%	17	15	1.69	18	14	1.75	17	14	1.87
80.01% to 90%	9	14	2.84	10	14	3.04	10	14	3.31
90.01% to 100%	5	11	4.68	6	12	4.59	5	12	5.45
Greater than 100%	4	21	10.55	5	25	10.98	6	26	11.40
Credit enhancement(2):									
Credit enhanced	17	26	2.98	16	27	3.47	15	26	3.91
Non-credit enhanced	83	74	1.43	84	73	1.62	85	74	1.74

* Represents less than 0.5%

(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) Refers to loans included in an agreement used to reduce credit risk by requiring collateral, letters of credit, mortgage insurance, 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.

See “Table 11: Credit Loss Concentration Analysis” in “Consolidated Results of Operations—Credit-Related (Expense) Income—Credit Loss Performance Metrics” for information on concentrations of our single-family credit losses in recent periods based on geography, credit characteristics and loan vintages.

Loan Workout Metrics

Table 30 displays statistics on our single-family loan workouts that were completed, by type. These statistics include loan modifications but do not include trial modifications, loans to certain borrowers who have received bankruptcy relief that are classified as TDRs, or repayment or forbearance plans that have been initiated but not completed. As of June 30, 2015, there were approximately 34,000 loans in a trial modification period.

Table 30: Statistics on Single-Family Loan Workouts

	For the Six Months Ended June 30,			
	2015		2014	
	Unpaid Principal Balance	Number of Loans	Unpaid Principal Balance	Number of Loans
	(Dollars in millions)			
Home retention strategies:				
Modifications	$ 8,800	52,914	$ 11,584	68,054
Repayment plans and forbearances completed[1]	476	3,423	511	3,884
Total home retention strategies	9,276	56,337	12,095	71,938
Foreclosure alternatives:				
Short sales	1,610	7,781	2,760	13,347
Deeds-in-lieu of foreclosure	629	4,004	996	6,296
Total foreclosure alternatives	2,239	11,785	3,756	19,643
Total loan workouts	$ 11,515	68,122	$ 15,851	91,581
Loan workouts as a percentage of single-family guaranty book of business	0.81 %	0.79 %	1.11 %	1.05 %

(1) Repayment plans reflect only those plans associated with loans that were 60 days or more delinquent. Forbearances reflect loans that were 90 days or more delinquent.

The volume of home retention solutions completed in the first half of 2015 decreased compared with the first half of 2014, primarily due to a decline in the number of delinquent loans in the first half of 2015, compared with the first half of 2014.

We continue to work with our servicers to implement our home retention and foreclosure prevention initiatives. Our approach to workouts continues to focus on the large number of borrowers facing financial hardships. Accordingly, the vast majority of loan modifications we have completed since 2009 have been concentrated on deferring or lowering the borrowers’ monthly mortgage payments to allow borrowers to work through their hardships.

Our loan modifications can include a reduction in the borrower’s interest rate that is fixed for an initial period and may be followed by one or more annual interest rate increases. The majority of these rate reset modifications are performing loans that were modified under HAMP and have fixed interest rates for an initial five-year period followed by annual interest rate increases, of up to one percent per year, until the mortgage rate reaches the prevailing market rate at the time of modification. The outstanding unpaid principal balance of rate reset modifications in our guaranty book of business was $84.1 billion as of June 30, 2015. During the first half of 2015, approximately 27% of these modified loans experienced an interest rate reset to a weighted average interest rate of 3.21%. In anticipation of potential financial hardship related to interest rate increases, we have directed servicers to evaluate rate reset modifications for a re-modification if the loan is at imminent risk of default and the borrower requests a loan modification or if the loan becomes 60 days delinquent within the first 12 months after an interest rate adjustment. Additionally, for borrowers with HAMP modifications we extended “pay for performance” incentives, in the form of principal curtailment, to encourage borrowers to stay current on their mortgages after the initial interest rate reset and to reduce their monthly payments in cases where the borrower chooses to re-amortize their unpaid principal balance following receipt of the incentive. In May 2015, FHFA announced the extension of the ending date for HAMP to December 31, 2016. See “MD&A—Risk Management—Credit Profile Summary—Mortgage Rate Resets” in our 2014 Form 10-K for information on the timing of these initial interest rate resets.

There is significant uncertainty regarding the ultimate long term success of our modification efforts. We believe the performance of our workouts will be highly dependent on economic factors, such as unemployment rates, household wealth and income, and home prices. Modifications, even those with reduced monthly payments, may also not be sufficient to help borrowers with second liens and other significant non-mortgage debt obligations. FHFA, other agencies of the U.S. government or Congress may ask us to undertake new initiatives to support the housing and mortgage markets should our current modification efforts ultimately not perform in a manner that results in the stabilization of these markets. See “Risk Factors” in our 2014 Form 10-K for a discussion of efforts we may be required or asked to undertake and their potential effect on us.

REO Management

Foreclosure and REO activity affect the amount of credit losses we realize in a given period. Table 31 displays our foreclosure activity, by region. Regional REO acquisition and charge-off trends generally follow a pattern that is similar to, but lags, that of regional delinquency trends.

Table 31: Single-Family Foreclosed Properties

	For the Six Months Ended June 30,	
	2015	2014
Single-family foreclosed properties (number of properties):		
Beginning of period inventory of single-family foreclosed properties (REO)[1]	87,063	103,229
Acquisitions by geographic area:[2]		
Midwest	9,587	14,544
Northeast	7,974	7,368
Southeast	17,785	26,403
Southwest	4,466	7,969
West	4,349	7,290
Total properties acquired through foreclosure[1]	44,161	63,574
Dispositions of REO	(62,507)	(70,007)
End of period inventory of single-family foreclosed properties (REO)[1]	68,717	96,796
Carrying value of single-family foreclosed properties (dollars in millions)	$ 7,997	$ 10,347
Single-family foreclosure rate[3]	0.51 %	0.73 %

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(1) Includes acquisitions through deeds-in-lieu of foreclosure. Also includes held for use properties, which are reported in our condensed consolidated balance sheets as a component of “Other assets.”

(2) See footnote 10 to “Table 27: Risk Characteristics of Single-Family Conventional Business Volume and Guaranty Book of Business” 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 guaranty book of business as of the end of each respective period.

The continued decrease in the number of our seriously delinquent single-family loans has resulted in a reduction in the number of REO acquisitions in the first half of 2015 as compared with the first half of 2014.

We continue to manage our REO inventory to appropriately manage costs and maximize sales proceeds. However, we are unable to market and sell a large portion of our inventory, primarily due to occupancy and state or local redemption or confirmation periods, which extends the amount of time it takes to bring our properties to a marketable state and eventually dispose of them. This results in higher foreclosed property expenses, which include costs related to maintaining the property and ensuring that the property is vacant. Additionally, before we market our foreclosed properties, we may choose to repair them in order to maximize the sales price and increase the likelihood that an owner occupant will purchase. The percent of properties we repair prior to marketing has increased as a result of market demand and our continued focus on stabilizing neighborhoods and increasing opportunities for owner occupants to purchase.

Table 32 displays the current status of our single-family foreclosed property inventory, including the percentage of our inventory that we are unable to market.

Table 32: Single-Family Foreclosed Property Status

	Percent of Single-Family Foreclosed Properties As of			
	June 30, 2015		December 31, 2014	
Available-for-sale	27	%	28	%
Offer accepted[(1)]	20		17	
Appraisal stage[(2)]	13		13	
Unable to market:				
Occupied status[(3)]	15		14	
Redemption status[(4)]	7		7	
Properties being repaired	10		13	
Other	8		8	
Total unable to market	40		42	
Total	100	%	100	%

(1) Properties for which an offer has been accepted, but the property has not yet been sold.

(2) Properties that are pending appraisals and being prepared to be listed for sale.

(3) Properties that are still occupied, including those properties for which the eviction process is not yet complete and those with a tenant living in the home under our tenant in place or deed for lease programs.

(4) Properties that are within the period during which state laws allow the former mortgagor and second lien holders to redeem the property.

Multifamily Mortgage Credit Risk Management

The credit risk profile of our multifamily mortgage credit book of business is influenced by the structure of the financing, the type and location of the property, the condition and value of the property, the financial strength of the borrower, market and sub-market trends and growth, the current and anticipated cash flows from the property, as well as the financial strength of the lender. These and other factors affect both the amount of expected credit loss on a given loan and the sensitivity of that loss to changes in the economic environment. We provide information on our credit-related income and credit losses in "Business Segment Results—Multifamily Business Results."

Multifamily Acquisition Policy and Underwriting Standards

Our Multifamily business is responsible for pricing and managing the credit risk on multifamily mortgage loans we purchase and on Fannie Mae MBS backed by multifamily loans (whether held in our retained mortgage portfolio or held by third parties), with oversight from our Enterprise Risk Management division. Our primary multifamily delivery channel is the Delegated Underwriting and Servicing, or DUS®, program, which consists of large financial institutions and independent mortgage lenders. Multifamily loans that we purchase or that back Fannie Mae MBS are either underwritten by a Fannie Mae-approved lender or subject to our underwriting review prior to closing, depending on the product type, loan size, market and/or other factors. Loans delivered to us by DUS lenders and their affiliates represented 95% of our multifamily guaranty book of business as of June 30, 2015, compared with 94% as of December 31, 2014.

We use various types of credit enhancement arrangements for our multifamily loans including lender risk-sharing, lender repurchase agreements, pool insurance, subordinated participations in mortgage loans or structured pools, cash and letter of credit collateral agreements, and cross-collateralization/cross-default provisions. The most prevalent form of credit enhancement on multifamily loans is lender risk-sharing. Lenders in the DUS program typically share in loan-level credit losses in one of two ways: (1) they bear losses up to the first 5% of the unpaid principal balance of the loan and share in remaining losses up to a prescribed limit; or (2) they share up to one-third of the credit losses on a pro rata basis with us. Non-DUS lenders typically share or absorb credit losses based on a negotiated percentage of the loan or the pool balance.

Table 33 displays the percentage of the unpaid principal balance of loans in our multifamily guaranty book of business with lender risk-sharing and with no recourse to the lender.

Table 33: Multifamily Lender Risk-Sharing

	As of	
	June 30, 2015	December 31, 2014
Lender risk-sharing:		
DUS	87%	85%
Non-DUS negotiated	3	3
No recourse to the lender	10	12

Our maximum potential loss recovery from lenders under current risk-sharing agreements represents over 20% of the unpaid principal balance of our multifamily guaranty book of business as of June 30, 2015. These risk-sharing agreements not only transfer credit risk, but also better align our interest with that of the lender.

At the time of our purchase or guarantee of multifamily mortgage loans, we and our lenders rely on sound underwriting standards, which generally include third-party appraisals and cash flow analysis. 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.

Table 34 displays original LTV ratio and DSCR metrics for our multifamily guaranty book of business.

Table 34: Multifamily Guaranty Book of Business Key Risk Characteristics

	As of		
	June 30, 2015	December 31, 2014	June 30, 2014
Weighted average original LTV ratio	66%	66%	66%
Original LTV ratio greater than 80%	3	3	3
Original DSCR less than or equal to 1.10	10	8	7

Multifamily Portfolio Diversification and Monitoring

Diversification within our multifamily mortgage credit book of business by geographic concentration, term to maturity, interest rate structure, borrower concentration, loan size, and credit enhancement coverage are important factors that influence credit performance and help reduce our credit risk.

We and our lenders monitor the performance and risk characteristics of our multifamily loans and the underlying properties on an ongoing basis throughout the life of the loan at the loan, property, and portfolio levels. 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 June 30, 2015 and December 31, 2014. Our estimates of current DSCRs are based on the latest available income information for these properties. Although we use the most recently available results from our multifamily borrowers, there is a lag in reporting, which typically can range from 3 to 6 months but in some cases may be longer.

Multifamily Problem Loan Management and Foreclosure Prevention

We periodically refine our underwriting standards in response to market conditions and implement proactive portfolio management and monitoring which are each designed to keep credit losses and delinquencies to a low level relative to our multifamily guaranty book of business. The multifamily serious delinquency rate was 0.05% as of June 30, 2015 and December 31, 2014. We classify multifamily loans as seriously delinquent when payment is 60 days or more past due.

REO Management

Table 35 displays our held-for-sale multifamily REO activity.

Table 35: Multifamily Foreclosed Properties

	For the Six Months Ended June 30, 2015	2014
Multifamily foreclosed properties held for sale (number of properties):		
Beginning of period inventory of multifamily foreclosed properties (REO)	62	118
Total properties acquired through foreclosure	16	28
Transfers from held for sale, net[1]	(2)	(1)
Dispositions of REO	(24)	(40)
End of period inventory of multifamily foreclosed properties (REO)	52	105
Carrying value of multifamily foreclosed properties (dollars in millions)	$ 361	$ 512

(1) Represents the transfer of properties between held for use and held for sale. Held for use properties are reported in our condensed consolidated balance sheets as a component of "Other assets."

Institutional Counterparty Credit Risk Management

Institutional counterparty credit risk is the risk that our institutional counterparties may fail to fulfill their contractual obligations to us. Defaults by a counterparty with significant obligations to us could result in significant financial losses to us.

See "MD&A—Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management" and "Risk Factors" in our 2014 Form 10-K for additional information about institutional counterparty risk, including counterparty risk we face from mortgage originators, investors and dealers, from debt security dealers, from document custodians and from mortgage fraud.

Mortgage Sellers and Servicers

One of our primary exposures to institutional counterparty risk is with mortgage servicers that service the loans we hold in our retained mortgage portfolio or that back our Fannie Mae MBS, as well as mortgage sellers and servicers that are obligated to repurchase loans from us or reimburse us for losses in certain circumstances. We rely on mortgage servicers to meet our servicing standards and fulfill their servicing obligations. We also rely on mortgage sellers and servicers to fulfill their repurchase obligations.

Our five largest single-family mortgage servicers, including their affiliates, serviced approximately 45% of our single-family guaranty book of business as of June 30, 2015, compared with approximately 46% as of December 31, 2014. Our largest mortgage servicer is Wells Fargo Bank, N.A., which, together with its affiliates, serviced approximately 18% of our single-family guaranty book of business as of June 30, 2015 and December 31, 2014. As of June 30, 2015 and December 31, 2014, one additional mortgage servicer, JPMorgan Chase Bank, N.A., with its affiliates, serviced over 10% of our single-family guaranty book of business.

Our ten largest multifamily mortgage servicers, including their affiliates, serviced approximately 68% of our multifamily guaranty book of business as of June 30, 2015, compared with approximately 67% as of December 31, 2014. Wells Fargo Bank, N.A. and Walker & Dunlop, LLC each serviced over 10% of our multifamily guaranty book of business as of June 30, 2015 and December 31, 2014.

In recent years, we have seen a shift in some of our single-family servicing book from depository financial institution servicers to non-depository servicers. As of June 30, 2015, 18% of our total single-family guaranty book of business, including 55% of our delinquent single-family loans, were serviced by our five largest non-depository servicers, compared with 18% of our total single-family guaranty book of business, including 49% of our delinquent single-family loans, as of December 31, 2014. Certain of these servicers' growth in recent years is due to acquisitions from both depository and other non-depository servicers. The shift from depository to non-depository servicers poses additional risks to us because non-depository servicers may have a greater reliance on third-party sources of liquidity and may, in the event of significant increases in delinquent loan volumes, have less financial capacity to advance funds on our behalf or satisfy repurchase requests or compensatory fee obligations. In addition, the rapid expansion of these servicers' servicing portfolios results in increased operational risk, which could negatively impact their ability to effectively manage their servicing portfolios. In addition, regulatory bodies have been reviewing the activities of some of our largest non-depository servicers. See "Risk Factors" in our 2014 Form 10-K for a discussion of the risk of our reliance on servicers.

Some of our loans are serviced by subsidiaries and/or affiliates of Ocwen Financial Corporation ("Ocwen"). Ocwen has been the subject of regulatory scrutiny and actions, as well as rating agency downgrades. We continue to work with Ocwen on the orderly transfer of a substantial portion of the servicing of our loans. As of June 30, 2015, approximately 2% of our total single-family guaranty book of business was serviced by Ocwen, compared with 3% as of December 31, 2014.

Our five largest single-family mortgage sellers, including their affiliates, accounted for approximately 30% of our single-family business acquisition volume in the first half of 2015, compared with approximately 34% in the first half of 2014. Our largest mortgage seller is Wells Fargo Bank, N.A., which, together with its affiliates, accounted for approximately 13% of our single-family business acquisition volume in the first half of 2015 and 2014. A number of our largest single-family mortgage seller counterparties have reduced or eliminated their purchases of mortgage loans from mortgage brokers and correspondent lenders in recent years, resulting in a decline in our single-family mortgage seller concentration. As a result, we are acquiring a greater portion of our business volume directly from non-depository and smaller depository financial institutions that may not have the same financial strength or operational capacity as our largest mortgage seller counterparties. We could be required to absorb losses on defaulted loans that a failed mortgage seller is obligated to repurchase from us if we determine there was an underwriting eligibility breach. See "Risk Factors" in our 2014 Form 10-K for a discussion of the risks to our business due to changes in the mortgage industry.

In May 2015, we and Freddie Mac issued new operational and financial eligibility requirements for single-family mortgage seller-servicers pursuant to FHFA's 2015 conservatorship scorecard objective relating to enhancing servicer eligibility standards. The operational requirements become effective September 1, 2015 and the financial requirements become effective December 31, 2015. The updated eligibility requirements for servicers are designed to better address the unique risks associated with emerging servicer business models. Key changes to the eligibility requirements include updating the minimum net worth requirement for servicers so that it is based on all of the single-family mortgage loans serviced by the servicer, rather than only the loans it services for Fannie Mae, and a new minimum liquidity requirement for non-depository servicers.

If we determine that a mortgage loan did not meet our underwriting or eligibility requirements, loan representations or warranties were violated or a mortgage insurer rescinded coverage, then our mortgage sellers and/or servicers are obligated to either repurchase the loan or foreclosed property, reimburse us for our losses or provide other remedies unless the loan has become eligible for relief under our new representation and warranty framework. We refer to our demands that mortgage sellers and servicers meet these obligations collectively as repurchase requests. See "MD&A—Risk Management—Credit Risk Management—Institutional Counterparty Credit Risk Management—Mortgage Sellers and Servicers" and "MD&A—Risk Management—Credit Risk Management—Single-Family Mortgage Credit Risk Management—Single-Family Acquisition and Servicing Policies and Underwriting and Servicing Standards" in our 2014 Form 10-K for a discussion of our mortgage sellers and servicers' repurchase obligations.

Mortgage sellers and servicers may not meet the terms of their repurchase obligations, and we may be unable to recover on all outstanding loan repurchase obligations resulting from their breaches of contractual obligations. Failure by a significant mortgage seller or servicer, or a number of mortgage sellers or servicers, to fulfill repurchase obligations to us could result in an increase in our credit losses and credit-related expense, and have an adverse effect on our results of operations and financial condition. In addition, actions we take to pursue our contractual remedies could increase our costs, reduce our revenues, or otherwise have an adverse effect on our results of operations or financial condition. The unpaid principal balance of our outstanding repurchase requests was $1.2 billion as of June 30, 2015, compared with $1.0 billion as of December 31, 2014.

Credit Guarantors

We use various types of credit guarantors to manage our single-family mortgage credit risk, including mortgage insurers, financial guarantors, reinsurers and lenders with risk sharing.

Mortgage Insurers

We are generally required, pursuant to our charter, to obtain credit enhancements on single-family conventional mortgage loans that we purchase or securitize with LTV ratios over 80% at the time of purchase. We use several types of credit enhancements to manage our single-family mortgage credit risk, including primary and pool mortgage insurance coverage. Table 36 displays our risk in force for mortgage insurance coverage on single-family loans in our guaranty book of business and our insurance in force for our mortgage insurer counterparties. The table includes our top ten mortgage insurer counterparties, which provided over 99% of our total mortgage insurance coverage on single-family loans in our guaranty book of business as of June 30, 2015 and December 31, 2014. In addition, for our mortgage insurer counterparties not approved to write new business, we have provided the percentage of their claims payments that the counterparties are currently deferring based on the direction of their state regulators, referred to as their deferred payment obligation. As of June 30, 2015 and December 31, 2014, approximately 1% of our total risk in force mortgage insurance coverage and approximately 2% of our total insurance in force mortgage insurance coverage was pool insurance.

Table 36: Mortgage Insurance Coverage

	Risk in Force[1]		Insurance in Force[2]		
	As of		As of		Deferred Payment Obligation %[3]
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	
	(Dollars in millions)				
Counterparty:[4]					
Approved:[5]					
United Guaranty Residential Insurance Co.	$ 25,959	$ 25,018	$ 100,417	$ 96,906	
Radian Guaranty, Inc.	24,529	24,284	96,278	95,845	
Mortgage Guaranty Insurance Corp.	22,794	22,184	88,103	86,069	
Genworth Mortgage Insurance Corp.	15,830	15,477	62,644	61,408	
Essent Guaranty, Inc.	7,512	6,637	30,942	27,679	
Arch Mortgage Insurance Co.	3,338	3,049	13,451	12,267	
National Mortgage Insurance Corp.	958	468	8,099	6,286	
Others	209	185	1,252	1,092	
Total approved	101,129	97,302	401,186	387,552	
Not approved:[5]					
PMI Mortgage Insurance Co.[6]	5,336	5,895	21,359	23,655	30% [7]
Republic Mortgage Insurance Co.[6][8]	4,333	4,796	17,382	19,393	— [8]
Triad Guaranty Insurance Corp.[6]	1,472	1,585	5,329	5,858	25%
Others	17	12	53	57	
Total not approved	11,158	12,288	44,123	48,963	
Total	$ 112,287	$ 109,590	$ 445,309	$ 436,515	
Total as a percentage of single-family guaranty book of business	4 %	4 %	16 %	15 %	

(1) Risk in force is generally the maximum potential loss recovery under the applicable mortgage insurance policies in force and is based on the loan level insurance coverage percentage and, if applicable, any aggregate pool loss limit, as specified in the policy.

(2) Insurance in force represents the unpaid principal balance of single-family loans in our guaranty book of business covered under the applicable mortgage insurance policies.

(3) Deferred payment obligation represents the percentage of cash payments on policyholder claims being deferred as directed by the insurer's respective regulator in the state of domicile as of August 6, 2015.

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

(5) "Approved" mortgage insurers are counterparties approved to write new insurance with us. "Not approved" mortgage insurers are counterparties that are no longer approved to write new insurance with us.

(6) These mortgage insurers are under various forms of supervised control by their state regulators and are in run-off.

(7) In April 2015, PMI increased its cash payments on policyholder claims from 67% to 70%, and subsequently paid sufficient amounts of its outstanding deferred payment obligations to bring payment on those claims to 70%. It is uncertain whether PMI will be permitted in the future to pay any remaining deferred policyholder claims or increase or decrease the amount of cash they pay on claims.

(8) Effective July 1, 2014, the terms of RMIC's order regarding its deferred payment arrangements changed to no longer defer payments on policyholder claims and to increase its cash payments to 100%. In addition, RMIC paid us amounts equivalent to its outstanding deferred payment obligations to bring payment on our claims to 100%.

In April 2015 (with a subsequent update in June 2015), Fannie Mae published revised eligibility standards for approved private mortgage insurers, pursuant to a directive issued by FHFA to both Fannie Mae and Freddie Mac. The new standards, effective immediately for new applicants and on December 31, 2015 for existing approved insurers, include enhanced financial requirements, including risk-based and minimum asset standards, and are designed to ensure that mortgage insurers have sufficient liquid assets to pay all claims under a hypothetical future stress scenario. The new standards also set forth enhanced operational performance expectations and define remedial actions that may be imposed should an approved mortgage insurer fail to comply with the revised requirements. In addition, Fannie Mae and Freddie Mac established a framework and timelines for existing approved mortgage insurers to come into compliance with the new standards while they continue to insure new business eligible for delivery to us.

Although the financial condition of our primary mortgage insurer counterparties currently approved to write new business has improved in recent years, there is still risk that these counterparties may fail to fulfill their obligations to pay our claims under insurance policies. In addition, as shown in "Table 36: Mortgage Insurance Coverage," three of our top mortgage insurer counterparties—PMI, RMIC and Triad—are currently under various forms of supervised control by their state regulators and are in run-off, which increases the risk that these counterparties will pay claims only in part or fail to pay claims at all under existing insurance policies.

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 will receive on primary mortgage insurance, as mortgage insurance recoveries would reduce the severity of the loss associated with defaulted loans. We evaluate the financial condition of our mortgage insurer counterparties and adjust the contractually due recovery amounts to ensure that only probable 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 result in an increase in our loss reserves. The amount by which our estimated benefit from mortgage insurance reduced our total loss reserves was $2.7 billion as of June 30, 2015 and $4.1 billion as of December 31, 2014.

When an insured loan held in our retained mortgage portfolio subsequently goes into foreclosure, we charge off the loan, eliminating any previously-recorded loss reserves, and record REO and a mortgage insurance receivable for the claim proceeds deemed probable of recovery, as appropriate. However, if a mortgage insurer rescinds, cancels or denies insurance coverage, the initial receivable becomes due from the mortgage seller or servicer. We had outstanding receivables of $1.3 billion recorded in "Other assets" in our condensed consolidated balance sheets as of June 30, 2015 and $1.4 billion as of December 31, 2014 related to amounts claimed on insured, defaulted loans excluding government insured loans. Of this amount, $301 million as of June 30, 2015 and $269 million as of December 31, 2014 was due from our mortgage sellers or servicers. We assessed the total outstanding receivables for collectibility, and they are recorded net of a valuation allowance of $809 million as of June 30, 2015 and $799 million as of December 31, 2014. The valuation allowance reduces our claim receivable to the amount considered probable of collection as of June 30, 2015 and December 31, 2014.

Financial Guarantors

We are the beneficiary of non-governmental financial guarantees on non-agency securities held in our retained mortgage portfolio and on non-agency securities that have been resecuritized to include a Fannie Mae guaranty and sold to third parties. The total unpaid principal balance of guaranteed non-agency securities in our retained mortgage portfolio was $3.7 billion as of June 30, 2015 and $4.6 billion as of December 31, 2014. See "Note 16, Concentrations of Credit Risk" in our 2014 Form 10-K for a further discussion of our exposure to financial guarantors.

We are also the beneficiary of financial guarantees included in securities issued by Freddie Mac, the federal government and its agencies that totaled $18.1 billion as of June 30, 2015 and $19.2 billion as of December 31, 2014.

Reinsurers

In July 2015, we executed a credit insurance risk transfer transaction that shifted a portion of the credit risk on a reference pool of single-family mortgage loans with an unpaid principal balance of approximately $4.7 billion to a panel of reinsurers. In this transaction, Fannie Mae retains the risk on the initial $23 million of losses on the loans and the reinsurers assume the risk for any additional losses up to approximately $117 million in excess of the losses retained by Fannie Mae. A portion of the reinsurers' obligations are collateralized with highly-rated liquid assets held in a trust account.

We expect this transaction will count towards FHFA's 2015 conservatorship scorecard objective relating to credit risk sharing transactions. This was our second credit insurance risk transfer transaction to date, and we expect to enter into additional credit insurance risk transfer transactions in the future.

Lenders with Risk Sharing

We enter into risk sharing agreements with lenders pursuant to which the lenders agree to bear all or some portion of the credit losses on the covered loans. Our maximum potential loss recovery from lenders under these risk sharing agreements on single-family loans was $8.5 billion as of June 30, 2015, compared with $8.9 billion as of December 31, 2014. As of June 30, 2015, 46% of our maximum potential loss recovery on single-family loans was from three lenders, compared with 47% as of December 31, 2014. Our maximum potential loss recovery from lenders under risk sharing agreements on DUS and non-DUS multifamily loans was $44.8 billion as of June 30, 2015, compared with $41.7 billion as of December 31, 2014. As of June 30, 2015 and December 31, 2014, 32% of our maximum potential loss recovery on multifamily loans was from three DUS lenders.

The percentage of single-family recourse obligations from lenders with investment grade credit ratings (based on the lowest of S&P, Moody's and Fitch ratings) was 49% as of June 30, 2015 and December 31, 2014. The percentage of recourse obligations from lender counterparties rated below investment grade was 20% as of June 30, 2015, compared with 23% as of December 31, 2014. The percentage of remaining recourse obligations from lender counterparties that were not rated by rating agencies was 31% as of June 30, 2015, compared with 28% as of December 31, 2014. Given the stressed financial condition of some of our single-family lenders, we expect in some cases we will recover less than the amount the lender is obligated to provide us under our risk sharing arrangement with them. Depending on the financial strength of the counterparty, we may require a lender to pledge collateral to secure its recourse obligations.

As noted above in "Multifamily Mortgage Credit Risk Management—Multifamily Acquisition Policy and Underwriting Standards," our primary multifamily delivery channel is our DUS program, which consists of lenders that range from large depositories to independent non-bank financial institutions. As of June 30, 2015, approximately 35% of the unpaid principal balance of loans in our multifamily guaranty book of business serviced by our DUS lenders was from institutions with an external investment grade credit rating or a guaranty from an affiliate with an external investment grade credit rating, compared with approximately 36% as of December 31, 2014. Given the risk-sharing nature of the DUS program, the lenders are bound by eligibility standards that dictate, among other items, minimum capital and liquidity levels, and the posting of collateral at a highly rated custodian to secure a portion of the lenders' future obligations. We actively monitor the financial condition of these lenders to help ensure the level of risk remains within our standards and to ensure required capital levels are maintained and are in alignment with actual and modeled loss projections.

Custodial Depository Institutions

A total of $40.8 billion in deposits for single-family payments were received and held by 265 institutions during the month of June 2015 and a total of $33.2 billion in deposits for single-family payments were received and held by 269 institutions during the month of December 2014. Of these total deposits, 93% as of June 30, 2015 and December 31, 2014, were held by institutions rated as investment grade by S&P, Moody's and Fitch. Our transactions with custodial depository institutions are concentrated. Our six largest custodial depository institutions held 84% of these deposits as of June 30, 2015, compared with 83% as of December 31, 2014.

We evaluate our custodial depository institutions to determine whether they are eligible to hold deposits on our behalf based on requirements specified in our Servicing Guide. If a custodial depository institution were to fail while holding remittances of borrower payments of principal and interest due to us in our custodial account, we would be an unsecured creditor of the depository for balances in excess of the deposit insurance protection and might not be able to recover all of the principal and interest payments being held by the depository on our behalf, or there might be a substantial delay in receiving these amounts. If this were to occur, we would be required to replace these amounts with our own funds to make payments that are due to Fannie Mae MBS certificateholders. Accordingly, the insolvency of one of our principal custodial depository counterparties could result in significant financial losses to us. During the month of June 2015, approximately $3.4 billion, or 8%, of our total deposits for single-family payments received and held by these institutions was in excess of the deposit insurance protection limit compared with approximately $2.4 billion, or 7%, during the month of December 2014. These amounts can vary as they are calculated based on individual payments of mortgage borrowers and we must estimate which borrowers are paying their regular principal and interest payments and other types of payments, such as prepayments from refinancing or sales.

Counterparty Credit Exposure of Investments Held in our Cash and Other Investments Portfolio

Our cash and other investments portfolio consists of cash and cash equivalents, securities purchased under agreements to resell or similar arrangements and U.S. Treasury securities. Our cash and other investment counterparties are primarily financial institutions and the Federal Reserve Bank. As of June 30, 2015 and December 31, 2014, we held $2.0 billion in short-term unsecured deposits with two financial institutions that had short-term credit rating of A-1 from S&P (or its equivalent), based on the lowest credit rating issued by S&P, Moody's and Fitch, and no other unsecured positions other than U.S. Treasury securities. See "Liquidity and Capital Management—Liquidity Management—Cash and Other Investments Portfolio" for more detailed information on our cash and other investments portfolio.

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. Historically, our risk management derivative transactions have been made pursuant to bilateral contracts with a specific counterparty governed by the terms of an International Swaps and Derivatives Association Inc. master agreement. Pursuant to regulations implementing the Dodd-Frank Act that became effective in June 2013, we are required to submit certain categories of new interest rate swaps to a derivatives clearing organization. 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 manage our derivative counterparty credit exposure relating to our OTC derivative transactions through enforceable master netting arrangements. These arrangements allow us to net derivative assets and liabilities with the same counterparty. We also manage our derivative counterparty exposure relating to our OTC derivative transactions by requiring counterparties to post collateral, which includes cash, U.S. Treasury securities, agency debt and agency mortgage-related securities.

Our cleared derivative transactions are submitted to a derivatives clearing organization on our behalf through a clearing member of the organization. A contract accepted by a derivatives clearing organization is governed by the terms of the clearing organization’s rules and arrangements between us and the clearing member of the clearing organization. As a result, we are exposed to the institutional credit risk of both the derivatives clearing organization and the member who is acting on our behalf. We manage our credit exposure relating to our cleared derivative transactions through enforceable master netting arrangements. These arrangements allow us to net our exposure to cleared derivatives by clearing organization and by clearing member.

Our institutional credit risk exposure to derivatives clearing organizations and certain of their members will increase substantially in the future as cleared derivative contracts comprise a larger percentage of our derivative instruments. We estimate our exposure to credit loss on derivative instruments by calculating the replacement cost, on a present value basis, to settle at current market prices all outstanding derivative contracts in a net gain position at the counterparty level where the right of legal offset exists.

The fair value of derivatives in a gain position is included in our condensed consolidated balance sheets in “Other assets.” Total exposure represents our exposure to credit loss on derivative instruments less the cash and non-cash collateral posted by our counterparties to us. This does not include collateral held in excess of exposure. Our total exposure was $34 million as of June 30, 2015 and $27 million as of December 31, 2014. The majority of our total exposure as of each date consisted of mortgage insurance contracts accounted for as derivatives.

As of June 30, 2015 and December 31, 2014, we had sixteen counterparties with which we may transact OTC derivative transactions, all of which were subject to enforceable master netting arrangements. We had outstanding notional amounts with all of these counterparties, and the highest concentration by our total outstanding notional amount was approximately 9% as of June 30, 2015 and 11% as of December 31, 2014.

See “Note 9, Derivative Instruments” and “Note 14, Netting Arrangements” for additional information on our derivative contracts as of June 30, 2015 and December 31, 2014.

Other

We filed claims as a creditor in the bankruptcy case of Lehman Brothers, which filed for bankruptcy in September 2008. In January 2014, we resolved our remaining outstanding unsecured bankruptcy claims against Lehman Brothers. We received distributions of $700 million pursuant to the Lehman Brothers plan of reorganization in 2014 and the first half of 2015.

In June 2015, we sold our remaining unsecured bankruptcy claims against Lehman Brothers and its subsidiaries to a third-party for $227 million and recorded the amount as a gain in “Fee and other income” in our condensed consolidated statement of operations and comprehensive income.

Market Risk Management, Including Interest Rate Risk Management

We are subject to market risk, which includes interest rate risk, spread risk and liquidity risk. These risks arise from our mortgage asset investments. Interest rate risk is the risk of loss in value or expected future earnings that may result from changes to interest rates. Spread risk or basis risk is the resulting impact of changes in the spread between our mortgage assets and our debt and derivatives we use to hedge our position. Liquidity risk is the risk that we will not be able to meet our funding obligations in a timely manner. We describe our sources of interest rate risk exposure, business risks posed by changes in interest rates, and our strategy for managing interest rate risk and spread risk in "MD&A—Risk Management—Market Risk Management, Including Interest Rate Risk Management" and "Risk Factors" in our 2014 Form 10-K.

Measurement of Interest Rate Risk

Below we present two quantitative metrics that provide estimates of our interest rate risk exposure: (1) fair value sensitivity of our net portfolio to changes in interest rate levels and slope of yield curve; and (2) duration gap. Our net portfolio consists of our retained mortgage portfolio assets; cash and other investment portfolio; our outstanding debt of Fannie Mae that is used to fund the retained mortgage portfolio assets and cash and other investment portfolio; mortgage commitments and risk management derivatives. Risk management derivatives along with our debt instruments are used to manage interest rate risk.

The metrics presented are calculated using internal models that require standard assumptions regarding interest rates and future prepayments of principal over the remaining life of our securities. These assumptions are derived based on the characteristics of the underlying structure of the securities and historical prepayment rates experienced at specified interest rate levels, taking into account current market conditions, the current mortgage rates of our existing outstanding loans, loan age and other factors. On a continuous basis, management makes judgments about the appropriateness of the risk assessments and will make adjustments as necessary to properly assess our interest rate exposure and manage our interest rate risk. The methodologies used to calculate risk estimates are periodically changed on a prospective basis to reflect improvements in the underlying estimation process.

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

Pursuant to a disclosure commitment with FHFA, we disclose on a monthly basis the estimated adverse impact on the fair value of our net portfolio that would result from the following hypothetical situations:

- A 50 basis point shift in interest rates.
- A 25 basis point change in the slope of the yield curve.

In measuring the estimated impact of changes in the level of interest rates, we assume a parallel shift in all maturities of the U.S. LIBOR interest rate swap curve.

In measuring the estimated impact of changes in the slope of the yield curve, we assume a constant 7-year rate and a shift of 16.7 basis points for the 1-year rate and 8.3 basis points for the 30-year rate. We believe the aforementioned interest rate shocks for our monthly disclosures represent moderate movements in interest rates over a one-month period.

Duration Gap

Duration gap measures the price sensitivity of our assets and liabilities in our net portfolio to changes in interest rates by quantifying the difference between the estimated durations of our assets and liabilities. Our duration gap analysis reflects the extent to which the estimated maturity and repricing cash flows for our assets are matched, on average, over time and across interest rate scenarios to those of our liabilities. A positive duration gap indicates that the duration of our assets exceeds the duration of our liabilities. We disclose duration gap on a monthly basis under the caption "Interest Rate Risk Disclosures" in our Monthly Summary, which is available on our Web site and announced in a press release.

While our goal is to reduce the price sensitivity of our net portfolio to movements in interest rates, various factors can contribute to a duration gap that is either positive or negative. For example, changes in the market environment can increase or decrease the price sensitivity of our mortgage assets relative to the price sensitivity of our liabilities because of prepayment uncertainty associated with our assets. In a declining interest rate environment, prepayment rates tend to accelerate, thereby shortening the duration and average life of the fixed rate mortgage assets we hold in our net portfolio. Conversely, when interest rates increase, prepayment rates generally slow, which extends the duration and average life of our mortgage assets. Our debt and derivative instrument positions are used to manage the interest rate sensitivity of our retained mortgage portfolio and our investments in non-mortgage securities. As a result, the degree to which the interest rate sensitivity of our retained mortgage portfolio and our investments in non-mortgage securities is offset will be dependent upon, among other factors, the mix of funding and other risk management derivative instruments we use at any given point in time.

The market value sensitivities of our net portfolio are a function of both the duration and the convexity of our net portfolio. Duration provides a measure of the price sensitivity of a financial instrument to changes in interest rates while convexity reflects the degree to which the duration of the assets and liabilities in our net portfolio changes in response to a given change in interest rates. We use convexity measures to provide us with information about how quickly and by how much our net portfolio's duration may change in different interest rate environments. The market value sensitivity of our net portfolio will depend on a number of factors, including the interest rate environment, modeling assumptions and the composition of assets and liabilities in our net portfolio, which vary over time.

Results of Interest Rate Sensitivity Measures

The interest rate risk measures discussed below exclude the impact of changes in the fair value of our guaranty assets and liabilities resulting from changes in interest rates. We exclude our guaranty business from these sensitivity measures based on our current assumption that the guaranty fee income generated from future business activity will largely replace guaranty fee income lost due to mortgage prepayments.

Table 37 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. Table 37 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 June 30, 2015 and 2014.

The sensitivity measures displayed in Table 37, which we disclose on a quarterly basis pursuant to a disclosure commitment with FHFA, are an extension of our monthly sensitivity measures. There are three primary differences between our monthly sensitivity disclosure and the quarterly sensitivity disclosure presented below: (1) the quarterly disclosure is expanded to include the sensitivity results for larger rate level shocks of plus or minus 100 basis points; (2) the monthly disclosure reflects the estimated pre-tax impact on the market value of our net portfolio calculated based on a daily average, while the quarterly disclosure reflects the estimated pre-tax impact calculated based on the estimated financial position of our net portfolio and the market environment as of the last business day of the quarter; and (3) the monthly disclosure shows the most adverse pre-tax impact on the market value of our net portfolio from the hypothetical interest rate shocks, while the quarterly disclosure includes the estimated pre-tax impact of both up and down interest rate shocks.

Table 37: Interest Rate Sensitivity of Net Portfolio to Changes in Interest Rate Level and Slope of Yield Curve(1)

	As of	
	June 30, 2015(2)	December 31, 2014(2)
	(Dollars in billions)	
Rate level shock:		
-100 basis points	$ 0.4	$ 0.4
-50 basis points	0.1	0.1
+50 basis points	(0.1)	(0.1)
+100 basis points	(0.2)	(0.1)
Rate slope shock:		
-25 basis points (flattening)	0.0	0.0
+25 basis points (steepening)	(0.0)	(0.0)

	For the Three Months Ended June 30, 2015(3)		
	Duration Gap	Rate Slope Shock 25 Bps	Rate Level Shock 50 Bps
		Exposure	
	(In months)	(Dollars in billions)	
Average	0.3	$ 0.0	$ 0.0
Minimum	(0.2)	0.0	—
Maximum	1.1	0.1	0.2
Standard deviation	0.3	0.0	0.0

	For the Three Months Ended June 30, 2014(3)		
	Duration Gap	Rate Slope Shock 25 Bps	Rate Level Shock 50 Bps
		Exposure	
	(In months)	(Dollars in billions)	
Average	(0.1)	$ 0.0	$ 0.0
Minimum	(0.5)	0.0	—
Maximum	0.2	0.1	0.2
Standard deviation	0.2	0.0	0.1

(1) Computed based on changes in U.S. LIBOR interest rates swap curve.

(2) Measured on the last 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. Because the effective duration gap of our net portfolio was close to zero months in the periods presented, convexity risk was the primary driver of the market value sensitivity of our net portfolio in those periods.

A majority of the interest rate risk associated with our mortgage-related securities and loans is hedged with our debt issuances, which include callable debt. We use derivatives to help manage the residual interest rate risk exposure between our assets and liabilities. Derivatives have enabled us to keep our interest rate risk exposure at consistently low levels in a wide range of interest-rate environments. Table 38 displays an example of how derivatives impacted the net market value exposure for a 50 basis point parallel interest rate shock.

Table 38: Derivative Impact on Interest Rate Risk (50 Basis Points)(1)

	As of	
	June 30, 2015	December 31, 2014
	(Dollars in billions)	
Before Derivatives	$ (1.7)	$ (1.9)
After Derivatives	(0.1)	(0.1)
Effect of Derivatives	1.6	1.8

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

Liquidity Risk Management

See "MD&A—Liquidity and Capital Management—Liquidity Management" in our 2014 Form 10-K and in this report for a discussion of how we manage liquidity risk.

Operational Risk Management

See "MD&A—Risk Management—Operational Risk Management" in our 2014 Form 10-K for information on operational risks that we face and our framework for managing operational risk.

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, our senior management may from time to time make forward-looking statements 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.

Among the forward-looking statements in this report are statements relating to:

- Our expectation that we will remain profitable on an annual basis for the foreseeable future;
- Our expectation that our earnings in 2015 and future years will be substantially lower than our earnings for 2014, primarily due to our expectation of substantially lower income from resolution agreements, continued declines in net interest income from our retained mortgage portfolio assets and lower credit-related income or a shift to credit-related expense;

- Our expectation that certain factors, such as changes in interest rates or home prices, could result in significant volatility in our financial results from quarter to quarter or year to year;
- Our expectation that our future financial results also will be affected by a number of other factors, including: our guaranty fee rates; the volume of single-family mortgage originations in the future; the size, composition and quality of our retained mortgage portfolio and guaranty book of business; and economic and housing market conditions;
- Our expectation of volatility from period to period in our financial results from a number of factors, particularly changes in market conditions that result in fluctuations in the estimated fair value of the financial instruments that we mark to market through our earnings;
- Our expectation that we will continue engaging in economically sensible ways to expand our offerings of credit risk transfer transactions in the future;
- Our expectation that we will pay Treasury a senior preferred stock dividend of $4.4 billion by September 30, 2015 for the third quarter of 2015;
- Our expectation that we will retain only a limited amount of any future net worth because we are required by the dividend provisions of the senior preferred stock and quarterly directives from our conservator to pay Treasury each quarter 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;
- Our expectation that our acquisition of single-family loans with 95.01% to 97% LTV ratios will not materially affect our overall credit risk because of our expectations that (1) these loans will constitute a small portion of our acquisitions overall, and (2) our eligibility requirements for these loans will limit their effect on our overall credit risk;

- Our expectation that the volume of single-family loans we acquire with 95.01% to 97% LTV ratios will increase, but will continue to constitute only a small portion of our overall acquisitions;
- Our expectation that our single-family acquisitions will continue to have a strong overall credit risk profile given our current underwriting and eligibility standards and product design;
- Our belief that Collateral Underwriter's integration with Desktop Underwriter will enhance our lenders' risk management and underwriting capabilities;
- Our expectation that our elimination of fees charged to customers for using Desktop Underwriter and Desktop Originator will allow more lenders to access these systems in their underwriting process and will result in lower technology fees in future periods;
- Our plan to enhance our EarlyCheck loan verification tool beginning in the fall of 2015 with additional loan-level data integrity capabilities;
- Our expectation that our new loan delivery platform will be available to lenders in late 2015;
- Our expectation that the development of the single security will be a multi-year initiative;
- Our belief that implementation of a single security would likely reduce, and could eliminate, the trading advantage that Fannie Mae MBS have over Freddie Mac PCs and that, if this occurs, it would negatively affect our ability to compete for mortgage assets in the secondary market and could adversely affect our results of operations;
- The expectation that, with the enhanced requirements FHFA announced in March 2015, nonperforming loan sales will result in favorable outcomes for borrowers and local communities;
- Our plan to complete additional nonperforming loan sales by building these sales into a programmatic offering;
- The expectation that there will be approximately 332,000 new multifamily units completed in 2015;
- Our belief that the increase in the supply of multifamily units concentrated in a limited number of metropolitan areas in 2015 will result in a temporary slowdown in net absorption rates, occupancy levels and effective rents in those areas throughout 2015;
- Our expectation that overall national rental market supply and demand will remain in balance over the longer term, based on expected construction completions, expected obsolescence, positive rental household formation trends and expected increases in the population of 25- to 34-year olds, which is the primary age group that tends to rent multifamily housing;
- Our expectation that significant uncertainty regarding the future of our company and the housing finance system will continue;

- Our expectation that the guaranty fees we receive for managing the credit risk on loans underlying Fannie Mae MBS held by third parties will continue to account for an increasing portion of our net interest income;
- Our expectation that continued decreases in the size of our retained mortgage portfolio will continue to negatively impact our net interest income and net revenues;
- Our expectation that increases in our guaranty fee revenues will partially offset the negative impact of the decline in our retained mortgage portfolio;
- Our expectation that our guaranty fee revenues will increase over the next several years, as loans with lower guaranty fees liquidate from our book of business and are replaced with new loans with higher guaranty fees;
- Our expectation that the extent to which the positive impact of increased guaranty fee revenues will offset the negative impact of the decline in the size of our retained mortgage portfolio will depend on many factors, including: changes to guaranty fee pricing we may make in the future and their impact on our competitive environment and guaranty fee revenues; the size, composition and quality of our guaranty book of business; the life of the loans in our guaranty book of business; the size, composition and quality of our retained mortgage portfolio, including the pace at which we are required by our conservator to reduce the size of our portfolio and the types of assets we are required to sell; economic and housing market conditions, including changes in interest rates; our market share; and legislative and regulatory changes;
- Our expectation that single-family mortgage loan serious delinquency and severity rates will continue their downward trend, but at a slower pace than in recent years;
- Our expectation that single-family serious delinquency and severity rates will remain high compared with pre-housing crisis levels because it will take some time for the remaining delinquent loans with high mark-to-market LTV ratios originated prior to 2009 to work their way through the foreclosure process;
- Our expectation that, despite steady demand and stable fundamentals at the national level, the multifamily sector may continue to exhibit below average fundamentals in certain local markets and with certain properties;
- Our forecast that total originations in the U.S. single-family mortgage market in 2015 will increase from 2014 levels by approximately 24%, from an estimated $1.2 trillion in 2014 to $1.5 trillion in 2015;
- Our forecast that the amount of originations in the U.S. single-family mortgage market that are refinancings will increase from an estimated $508 billion in 2014 to $689 billion in 2015;
- Our expectation that the rate of home price appreciation in 2015 will be similar to the rate in 2014;
- Our expectation of significant regional variation in the timing and rate of home price growth;
- Our expectation that our credit losses generally will continue to decline in future quarters;
- Our expectation that, although our loss reserves have declined substantially from their peak and are expected to decline further, our loss reserves will remain elevated relative to the levels experienced prior to the 2008 housing crisis for an extended period because (1) we expect future defaults on loans that we acquired prior to 2009 and the resulting charge-offs will occur over a period of years and (2) a significant portion of our reserves represents concessions granted to borrowers upon modification of their loans and our reserves will continue to reflect these concessions until the loans are fully repaid or default;
- Our expectation that we will pay $112 million that we accrued in the first half of 2015, plus additional amounts to be accrued based on our new business purchases in the second half of 2015, in February 2016 to the U.S. Department of Housing and Urban Development’s Housing Trust Fund and Treasury’s Capital Magnet Fund;
- Our expectation that guaranty fees collected and expenses incurred under the TCCA will continue to increase in the future;
- Our plan to reduce our mortgage portfolio to no more than $359.3 billion as of December 31, 2015, in compliance with both our senior preferred stock purchase agreement with Treasury and FHFA’s request;
- Our expectation that we will continue purchasing loans from MBS trusts as they become four or more consecutive monthly payments delinquent subject to market conditions, economic benefit, servicer capacity and other factors, including the limit on the amount of mortgage assets that we may own pursuant to the senior preferred stock purchase agreement and FHFA’s portfolio plan requirements;
- Our belief that our liquidity contingency plan may be difficult or impossible to execute for a company of our size and in our circumstances;

- Our intention to repay our short-term and long-term debt obligations as they become due primarily through proceeds from the issuance of additional debt securities;
- Our expectation that we may also use proceeds from our mortgage assets to pay our debt obligations;
- Our expectation that we will not eliminate our deficit of core capital over statutory minimum capital;
- Our belief that we have taken appropriate steps to mitigate the risk associated with providing lenders with relief from repurchasing certain loans for breaches of certain representations and warranties;
- Our expectation that our acquisition of Alt-A mortgage loans will continue to be minimal in future periods and the percentage of the book of business attributable to Alt-A will continue to decrease over time;
- Our expectation that the serious delinquency rates for single-family loans acquired in more recent years will be higher after the loans have aged, but will not approach the June 30, 2015 serious delinquency rates of loans acquired in 2005 through 2008;
- Our expectation that the ultimate performance of all our loans will be affected by borrower behavior, public policy and macroeconomic trends, including unemployment, the economy and home prices;
- Our expectation that loans we acquire under Refi Plus and HARP will perform better than the loans they replace because they should either reduce the borrowers' monthly payments or provide more stable terms than the borrowers' old loans (for example, by refinancing into a mortgage with a fixed interest rate instead of an adjustable rate);
- Our expectation that the volume of refinancings under HARP will continue to decline, due to a decrease in the population of borrowers with loans that have high LTV ratios who are willing to refinance and would benefit from refinancing;
- Our belief that the slow pace of single-family foreclosures in certain areas of the country will continue to negatively affect our single-family serious delinquency rates, foreclosure timelines and credit-related income (expense), and that other factors such as the pace of loan modifications, the timing and volume of future nonperforming loan sales we make, changes in home prices, unemployment levels and other macroeconomic conditions also influence serious delinquency rates;
- Our expectation that, as a result of our various loss mitigation and foreclosure prevention efforts, a portion of the loans in the process of formal foreclosure proceedings will not ultimately foreclose;
- Our expectation that our single-family serious delinquency rate will continue to decrease, but that the number of single-family loans in our book of business that are seriously delinquent will remain above pre-2008 levels for years;
- Our belief that the performance of our loan workouts will be highly dependent on economic factors, such as unemployment rates, household wealth and income, and home prices;
- Our expectation that, as a result of allowing lenders to remit payment equal to our losses on loans after we have disposed of the related REO, our actual cash receipts relating to our outstanding repurchase requests will be significantly lower than the unpaid principal balance of the loans;
- Our expectation that we will enter into additional credit insurance risk transfer transactions in the future;
- Our expectation, given the stressed financial condition of some of our single-family lenders, that in some cases we will recover less than the amount the lender is obligated to provide us under our risk sharing arrangement with them;
- Our expectation that we will not remediate the material weakness relating to our disclosure controls and procedures while we are under conservatorship;
- Our belief that the changes to our mortgage securities transaction processing and accounting systems described in this report will allow us to be more efficient and further enhance and strengthen our internal control over financial reporting;
- Our expectation that Congress will continue to hold hearings and consider legislation on the future status of Fannie Mae and Freddie Mac, including proposals that would result in Fannie Mae's liquidation or dissolution;
- Our expectation that Congress will continue to consider housing finance reform in the current congressional session; and

- Our belief that continued federal government support of our business, as well as our status as a GSE, are essential to maintaining our access to debt funding and that changes or perceived changes in federal government support of our business or our status as a GSE could materially and adversely affect our liquidity, financial condition and results of operations.

Forward-looking statements reflect our management's or in some cases FHFA's 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, as well as our business plans. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. 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 the forward-looking statements contained in this report, including, but not limited to, the following: the uncertainty of our future; legislative and regulatory changes affecting us; the timing and level of, as well as regional variation in, home price changes; changes in interest rates, unemployment rates and other macroeconomic and housing market variables; our future guaranty fee pricing and the impact of that pricing on our competitive environment and guaranty fee revenues; challenges we face in retaining and hiring qualified employees; our future serious delinquency rates; the deteriorated credit performance of many loans in our guaranty book of business; the conservatorship and its effect on our business; the investment by Treasury and its effect on our business; adverse effects from activities we undertake to support the mortgage market and help borrowers; actions we may be required to take by FHFA, as our conservator or as our regulator, such as changes in the type of business we do or implementation of a single GSE security; our future objectives and activities in support of those objectives, including actions we may take to reach additional underserved creditworthy borrowers; a decrease in our credit ratings; limitations on our ability to access the debt capital markets; disruptions in the housing and credit markets; significant changes in modification and foreclosure activity; the volume and pace of future nonperforming loan sales and their impact on our results and serious delinquency rates; changes in borrower behavior; 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 ("FASB"); future changes to our accounting policies; changes in the fair value of our assets and liabilities; operational control weaknesses; our reliance on models; future updates to our models, including the assumptions used by these models; the level and volatility of interest rates and credit spreads; changes in the fiscal and monetary policies of the Federal Reserve; changes in the structure and regulation of the financial services industry; credit availability; global political risks; natural disasters, terrorist attacks, pandemics or other major disruptive events; information security breaches; and those factors described in "Risk Factors" in this report and in our 2014 Form 10-K, as well as the factors described in "Executive Summary—Outlook—Factors that Could Cause Actual Results to be Materially Different from Our Estimates and Expectations" in this report.

Readers are cautioned to place forward-looking statements in this report or that we make from time to time into proper context by carefully considering the factors discussed in "Risk Factors" in our 2014 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, except share amounts)

	As of	
	June 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$ 19,313	$ 22,023
Restricted cash (includes $33,047 and $27,515, respectively, related to consolidated trusts)	37,388	32,542
Federal funds sold and securities purchased under agreements to resell or similar arrangements	22,010	30,950
Investments in securities:		
Trading, at fair value	34,864	31,504
Available-for-sale, at fair value (includes $419 and $596, respectively, related to consolidated trusts)	24,161	30,654
Total investments in securities	59,025	62,158
Mortgage loans:		
Loans held for sale, at lower of cost or fair value	4,563	331
Loans held for investment, at amortized cost:		
Of Fannie Mae	250,872	272,360
Of consolidated trusts (includes $14,981 and $15,629, respectively, at fair value)	2,787,893	2,782,344
Total loans held for investment	3,038,765	3,054,704
Allowance for loan losses	(31,150)	(35,541)
Total loans held for investment, net of allowance	3,007,615	3,019,163
Total mortgage loans	3,012,178	3,019,494
Accrued interest receivable, net (includes $7,306 and $7,169, respectively, related to consolidated trusts)	8,039	8,193
Acquired property, net	8,506	10,618
Deferred tax assets, net	39,803	42,206
Other assets	19,138	19,992
Total assets	$ 3,225,400	$ 3,248,176
LIABILITIES AND EQUITY		
Liabilities:		
Accrued interest payable (includes $8,160 and $8,282, respectively, related to consolidated trusts)	$ 10,011	$ 10,232
Federal funds purchased and securities sold under agreements to repurchase	—	50
Debt:		
Of Fannie Mae (includes $8,861 and $6,403, respectively, at fair value)	425,085	460,443
Of consolidated trusts (includes $22,885 and $19,483, respectively, at fair value)	2,773,484	2,761,712
Other liabilities (includes $445 and $503, respectively, related to consolidated trusts)	10,661	12,019
Total liabilities	3,219,241	3,244,456
Commitments and contingencies (Note 16)	—	—
Fannie Mae stockholders' equity:		
Senior preferred stock, 1,000,000 shares issued and outstanding	117,149	117,149
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 1,158,082,750 shares outstanding	687	687
Accumulated deficit	(124,807)	(127,618)
Accumulated other comprehensive income	1,360	1,733
Treasury stock, at cost, 150,679,953 shares	(7,401)	(7,401)
Total Fannie Mae stockholders' equity	6,118	3,680
Noncontrolling interest	41	40
Total equity (See Note 1: *Impact of U.S. Government Support* for information on our dividend obligation to Treasury)	6,159	3,720
Total liabilities and equity	$ 3,225,400	$ 3,248,176

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 June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income:				
Trading securities	$ 116	$ 143	$ 231	$ 270
Available-for-sale securities	294	414	670	854
Mortgage loans (includes $24,267 and $25,533, respectively, for the three months ended and $48,889 and $51,487, respectively, for the six months ended related to consolidated trusts)	26,682	28,165	53,726	56,753
Other	34	24	67	48
Total interest income	27,126	28,746	54,694	57,925
Interest expense:				
Short-term debt	33	21	62	41
Long-term debt (includes $19,528 and $21,692, respectively, for the three months ended and $40,043 and $43,768, respectively, for the six months ended related to consolidated trusts)	21,416	23,821	43,888	48,242
Total interest expense	21,449	23,842	43,950	48,283
Net interest income	5,677	4,904	10,744	9,642
(Provision) benefit for credit losses	(1,033)	1,639	(500)	2,413
Net interest income after (provision) benefit for credit losses	4,644	6,543	10,244	12,055
Investment gains, net	514	483	856	578
Fair value gains (losses), net	2,606	(934)	687	(2,124)
Debt extinguishment gains, net	3	38	11	38
Fee and other income	556	383	864	4,738
Non-interest income (loss)	3,679	(30)	2,418	3,230
Administrative expenses:				
Salaries and employee benefits	331	319	682	644
Professional services	251	275	522	517
Occupancy expenses	43	47	86	97
Other administrative expenses	64	56	122	111
Total administrative expenses	689	697	1,412	1,369
Foreclosed property expense (income)	182	(214)	655	(476)
Temporary Payroll Tax Cut Continuation Act of 2011 (“TCCA”) fees	397	335	779	657
Other expenses, net	205	276	208	407
Total expenses	1,473	1,094	3,054	1,957
Income before federal income taxes	6,850	5,419	9,608	13,328
Provision for federal income taxes	(2,210)	(1,752)	(3,080)	(4,336)
Net income	4,640	3,667	6,528	8,992
Other comprehensive (loss) income:				
Changes in unrealized gains on available-for-sale securities, net of reclassification adjustments and taxes	(280)	45	(371)	417
Other	(1)	—	(2)	—
Total other comprehensive (loss) income	(281)	45	(373)	417
Total comprehensive income	4,359	3,712	6,155	9,409
Less: Comprehensive income attributable to noncontrolling interest	—	(1)	—	(1)
Total comprehensive income attributable to Fannie Mae	$ 4,359	$ 3,711	$ 6,155	$ 9,408
Net income	$ 4,640	$ 3,667	$ 6,528	$ 8,992
Less: Net income attributable to noncontrolling interest	—	(1)	—	(1)
Net income attributable to Fannie Mae	4,640	3,666	6,528	8,991
Dividends distributed or available for distribution to senior preferred stockholder (Note 10)	(4,359)	(3,712)	(6,155)	(9,404)
Net income (loss) attributable to common stockholders (Note 10)	$ 281	$ (46)	$ 373	$ (413)
Earnings (loss) per share:				
Basic	$ 0.05	$ (0.01)	$ 0.06	$ (0.07)
Diluted	0.05	(0.01)	0.06	(0.07)
Weighted-average common shares outstanding:				
Basic	5,762	5,762	5,762	5,762
Diluted	5,893	5,762	5,893	5,762

FANNIE MAE
(In conservatorship)
Condensed Consolidated Statements of Cash Flows — (Unaudited)
(Dollars in millions)

	For the Six Months Ended June 30,	
	2015	**2014**
Net cash (used in) provided by operating activities	$ (1,506)	$ 3,420
Cash flows provided by investing activities:		
Proceeds from maturities and paydowns of trading securities held for investment	484	681
Proceeds from sales of trading securities held for investment	992	1,188
Proceeds from maturities and paydowns of available-for-sale securities	2,279	3,022
Proceeds from sales of available-for-sale securities	5,311	1,740
Purchases of loans held for investment	(98,042)	(55,843)
Proceeds from repayments and sales of loans acquired as held for investment of Fannie Mae	12,853	12,840
Proceeds from repayments and sales of loans acquired as held for investment of consolidated trusts	259,429	177,527
Net change in restricted cash	(4,846)	(592)
Advances to lenders	(62,110)	(42,545)
Proceeds from disposition of acquired property and preforeclosure sales	11,384	13,471
Net change in federal funds sold and securities purchased under agreements to resell or similar arrangements	8,940	22,275
Other, net	(65)	(349)
Net cash provided by investing activities	136,609	133,415
Cash flows used in financing activities:		
Proceeds from issuance of debt of Fannie Mae	213,648	165,337
Payments to redeem debt of Fannie Mae	(249,610)	(217,988)
Proceeds from issuance of debt of consolidated trusts	167,880	113,448
Payments to redeem debt of consolidated trusts	(265,969)	(183,124)
Payments of cash dividends on senior preferred stock to Treasury	(3,716)	(12,882)
Other, net	(46)	(7)
Net cash used in financing activities	(137,813)	(135,216)
Net (decrease) increase in cash and cash equivalents	(2,710)	1,619
Cash and cash equivalents at beginning of period	22,023	19,228
Cash and cash equivalents at end of period	$ 19,313	$ 20,847
Cash paid during the period for:		
Interest	$ 52,679	$ 53,594
Income taxes	370	2,475

See Notes to Condensed Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Organization

We are a stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (the "Charter Act" or our "charter"). We are a government-sponsored enterprise ("GSE") and we are subject to government oversight and regulation. 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.

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, 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 by the Federal Housing Finance Regulatory Reform 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 has since delegated specified authorities to our Board of Directors and has delegated to management the authority to conduct our day-to-day operations. The conservator retains the authority to withdraw its delegations 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, what form we will have, 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, FHFA must place us into receivership if the Director of FHFA makes 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 in receivership at his 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 could lead to substantially different financial results. We are not aware of any plans of FHFA to fundamentally change our business model or capital structure in the near term.

Impact of U.S. Government Support

We continue to rely on support from Treasury to eliminate any net worth deficits we may experience in the future, which would otherwise trigger our being placed into receivership. Based on consideration of all the relevant conditions and events affecting our operations, including our reliance on the U.S. government, we continue to operate as a going concern and in accordance with our delegation of authority from FHFA.

We believe that continued federal government support of our business, as well as our status as a GSE, are essential to maintaining our access to debt funding. Changes or perceived changes in federal government support of our business or our status as a GSE could materially and adversely affect our liquidity, financial condition and results of operations.

Pursuant to the senior preferred stock purchase agreement, Treasury has committed to provide us with funding to help us maintain a positive net worth thereby avoiding the mandatory receivership trigger described above. We have received a total of $116.1 billion from Treasury pursuant to the senior preferred stock purchase agreement as of June 30, 2015. The aggregate liquidation preference of the senior preferred stock, including the initial aggregate liquidation preference of $1.0 billion, was $117.1 billion as of June 30, 2015. As of June 30, 2015, the amount of remaining funding available to us under the senior preferred stock purchase agreement was $117.6 billion.

Based on the terms of the senior preferred stock, we paid Treasury a dividend of $1.8 billion on June 30, 2015 based on our net worth of $3.6 billion as of March 31, 2015 less the applicable capital reserve of $1.8 billion. We expect to pay Treasury an additional dividend of $4.4 billion by September 30, 2015 based on our net worth of $6.2 billion as of June 30, 2015 less the applicable capital reserve amount of $1.8 billion. The capital reserve amount was $2.4 billion for dividend periods in 2014. The capital reserve amount will continue to be reduced by $600 million each year until it reaches zero on January 1, 2018.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted 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. To conform to our current period presentation, we have reclassified certain amounts reported in our prior periods' condensed consolidated financial statements. Results for the six months ended June 30, 2015 may not necessarily be indicative of the results for the year ending December 31, 2015. The unaudited interim condensed consolidated financial statements as of and for the six months ended June 30, 2015 should be read in conjunction with our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2014 ("2014 Form 10-K"), filed with the SEC on February 20, 2015.

Changes in Accounting Principle—Nonaccrual Loans

Effective January 1, 2015, we changed our policy for the treatment of interest previously accrued but not collected at the date both single-family and multifamily loans are placed on nonaccrual status. Specifically, interest previously accrued but not collected will be reversed through interest income at the date a loan is placed on nonaccrual status. Previously, when a loan was placed on nonaccrual status, interest previously accrued but not collected became part of each loan's recorded investment and was reviewed either individually or collectively for impairment.

We also changed our policy for when a non-modified single-family loan is returned to accrual status. Effective January 1, 2015, a non-modified single-family loan will be returned to accrual status at the point that the borrower brings the loan current. Previously, a non-modified single-family loan was returned to accrual status at the point that the borrower had made sufficient payments to reduce the delinquency status below our nonaccrual threshold of 60 days past due.

We have concluded that these changes in accounting principle are preferable as we align our nonaccrual policy with industry practice. This alignment increases comparability of our financial statements to these entities, resulting in improved financial reporting.

As these changes to our nonaccrual policy were not material to our financial statements, we wrote off the accrued interest receivable balance on our nonaccrual loans, as well as the corresponding allowance that related to that interest, as an adjustment to the 2015 provision for loan losses and did not retrospectively adjust the condensed consolidated financial statements for this change.

Change in Accounting Principle—Loans Held for Sale

Effective January 1, 2015, we changed our policy for calculating the lower of cost or fair value adjustment on loans that have been designated as held for sale ("HFS"). Specifically, our lower of cost or fair value calculation will be performed at an individual loan level on the date of redesignation, if previously held for investment ("HFI"), and for all subsequent periods in which a loan is classified as HFS. Previously, the initial lower of cost or fair value adjustment on the date of re-designation was calculated at a loan level whereas the subsequent lower of cost or fair value adjustments were calculated at a pool level.

We have concluded that this change in accounting policy is preferable as it will align the unit of account that is used for both the initial and subsequent lower of cost or market measurements on our HFS portfolio. Additionally, by performing the lower of cost or fair value calculation at the loan level, the adjustment will be calculated on a more disaggregated basis.

As this change in accounting policy is not material to our financial statements, we recorded the impact of this change in accounting principle as an adjustment to 2015 fair value gains (losses), net and did not retrospectively adjust the consolidated financial statements for this change.

Regulatory Capital

FHFA has announced that, during the conservatorship, our existing statutory and FHFA-directed regulatory capital requirements will not be binding and that FHFA will not issue quarterly capital classifications. We submit capital reports to FHFA, and FHFA monitors our capital levels. The deficit of core capital over statutory minimum capital was $138.7 billion as of June 30, 2015 and $142.2 billion as of December 31, 2014.

Under the terms of the senior preferred stock, we are required to pay Treasury a dividend each quarter, when, as and if declared, equal to the excess of our net worth as of the end of the preceding quarter over an applicable capital reserve amount. The Director of FHFA directs us to make dividend payments on the senior preferred stock on a quarterly basis. Therefore, we do not expect to eliminate our deficit of core capital over statutory minimum capital.

Related Parties

As a result of our issuance to Treasury of the 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. As of June 30, 2015, Treasury held an investment in our senior preferred stock with an aggregate liquidation preference of $117.1 billion. FHFA's control of Fannie Mae and Freddie Mac has caused us, FHFA and Freddie Mac to be deemed related parties.

Our administrative expenses were reduced by $16 million and $20 million for the three months ended June 30, 2015 and 2014, respectively, and $32 million and $37 million for the six months ended June 30, 2015 and 2014, respectively, due to reimbursements from Treasury and Freddie Mac for expenses incurred as program administrator for Treasury's Home Affordable Modification Program ("HAMP") and other initiatives under Treasury's Making Home Affordable Program.

During the three and six months ended June 30, 2015, we made tax payments of $370 million to the Internal Revenue Service ("IRS"), a bureau of Treasury. We made tax payments of $2.1 billion and $2.5 billion during the three and six months ended June 30, 2014, respectively. We received a refund of $135 million from the IRS during the six months ended June 30, 2015 for income tax adjustments related to tax years 2004 through 2006. In addition, in July 2015, we received a refund of $142 million from the IRS related to the closing of the 2007 through 2010 tax years.

Under the temporary credit and liquidity facilities ("TCLF") program, we had $272 million and $390 million outstanding, which includes principal and interest, of standby credit and liquidity support as of June 30, 2015 and December 31, 2014, respectively. Under the new issue bond ("NIB") program, we had $3.9 billion and $4.2 billion outstanding of pass-through securities backed by single-family and multifamily housing bonds issued by housing finance agencies ("HFAs") as of June 30, 2015 and December 31, 2014, respectively. Treasury will bear the initial losses of principal under the TCLF program and the NIB program up to 35% of the total original principal on a combined program-wide basis, and thereafter we will bear the losses of principal that are attributable to the TCLF and the securities we have issued. Treasury will also bear any losses of unpaid interest under the two programs. As of June 30, 2015, there had been no losses of principal or interest under the TCLF program or the NIB program.

The fee revenue and expense related to the Temporary Payroll Tax Cut Continuation Act of 2011 ("TCCA") are recorded in "Mortgage loans interest income" and "TCCA fees," respectively, in our condensed consolidated statements of operations and comprehensive income. We recognized $397 million and $335 million in TCCA fees during the three months ended June 30, 2015 and 2014, respectively, and $779 million and $657 million for the six months ended June 30, 2015 and 2014, respectively, of which $397 million have not been remitted to Treasury as of June 30, 2015.

For the three and six months ended June 30, 2015, we accrued, but have not yet paid, $60 million and $112 million, respectively, in expenses in connection with certain funding obligations under the GSE Act, a portion of which is attributable to Treasury's Capital Magnet Fund. These expenses, recognized in "Other expenses, net" in our condensed consolidated statements of operations and comprehensive income, were measured as the product of 4.2 basis points and the unpaid principal balance of total new business purchases for the three and six months ended June 30, 2015.

As of June 30, 2015 and December 31, 2014, we held Freddie Mac mortgage-related securities with a fair value of $6.5 billion and $6.9 billion, respectively. We recognized interest income on these securities held by us of $58 million and $73 million for the three months ended June 30, 2015 and 2014, respectively, and $119 million and $151 million for the six months ended June 30, 2015 and 2014, respectively. In addition, Freddie Mac may be an investor in variable interest entities that we have consolidated, and we may be an investor in variable interest entities that Freddie Mac has consolidated.

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 $28 million and $26 million for the three months ended June 30, 2015 and 2014, respectively, and $56 million and $54 million for the six months ended June 30, 2015 and 2014, respectively.

Fannie Mae and Freddie Mac established Common Securitization Solutions, LLC ("CSS"), a jointly owned limited liability company, to operate a common securitization platform. During the three and six months ended June 30, 2015, we contributed $17 million and $30 million, respectively, of capital into CSS, and we made no contributions for the three and six months ended June 30, 2014. No other transactions outside of normal business activities have occurred between us and Freddie Mac during the six months ended June 30, 2015 or 2014.

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, valuation of certain financial instruments and other assets and liabilities, recoverability of our deferred tax assets and allowance for loan losses. Actual results could be different from these estimates.

In April 2012, FHFA issued Advisory Bulletin AB 2012-02, "Framework for Adversely Classifying Loans, Other Real Estate Owned, and Other Assets and Listing Assets for Special Mention" (the "Advisory Bulletin"), which prescribes, among other things, classification of loans by risk category and provides guidance on when a loan should be charged off. The provisions of the Advisory Bulletin led us to re-evaluate our estimate of when a loan is deemed uncollectible. For the vast majority of our delinquent single-family loans, we will continue to charge off the loan at the date of foreclosure or other liquidation event (such as a deed-in-lieu of foreclosure or a short sale). For a relatively small subset of delinquent loans deemed to be uncollectible prior to foreclosure based upon our historical data, we charge off the portion of the loan (including preforeclosure property taxes and insurance receivable that pertain to such loans) deemed to be uncollectible prior to the date of foreclosure or other liquidation event, which given our current credit analytics and historical data, is when the loans are excessively delinquent and the outstanding loan balance exceeds the fair value of the underlying property. This change in estimate resulted in the recognition on January 1, 2015 of (1) $1.8 billion in charge-offs of HFI loans, (2) $724 million in charge-offs of preforeclosure property taxes and insurance receivable and (3) a reduction to our allowance for loan losses and our allowance for preforeclosure property taxes and insurance receivable in amounts equal to charge-offs recognized in connection with HFI loans and preforeclosure property taxes and insurance receivable. We continue to enhance our data collection and analysis efforts to further refine our loss estimates as we obtain incremental information on the performance of our loans.

Fee and Other Income

Fee and other income includes transaction fees, multifamily fees, technology fees and other miscellaneous income. During the six months ended June 30, 2014, we recognized $4.2 billion in "Fee and other income" in our condensed consolidated statement of operations and comprehensive income resulting from settlement agreements resolving certain lawsuits relating to private-label mortgage-related securities ("PLS") sold to us. There were no settlement agreements resolving PLS lawsuits during the six months ended June 30, 2015.

Employee Retirement Benefits

In 2013, our defined benefit pension plans were amended to cease the accrual of benefits for all employees and the plans were subsequently terminated, effective December 31, 2013. The additional cost of the termination, including the estimated premium required to purchase annuity contracts, was recognized in “Other comprehensive income” in our condensed consolidated statement of operations and comprehensive income for the year ended December 31, 2013.

In July 2015, we settled our defined pension benefit obligations. We transferred plan assets to an annuity provider and distributed lump sum payments to participants based on their elections. We made a cash contribution of $102 million to settle the plans. The actuarial losses and associated tax provision, previously recorded in “Accumulated other comprehensive income,” will be recognized in “Administrative expenses” and “Provision for federal income taxes,” respectively, in our condensed consolidated statement of operations and comprehensive income for the three months ended September 30, 2015. The impact of the settlement of the pension plans is not material to our condensed consolidated financial statements.

New Accounting Guidance

Effective January 1, 2015, we prospectively adopted guidance issued by the Financial Accounting Standards Board (“FASB”) clarifying when a creditor is considered to have received physical possession of residential real estate property collateralized by a consumer mortgage loan. The adoption of this guidance resulted in a clarification to our policy to align our definition of when we have taken physical possession of real estate with the new guidance; however it did not impact the timing of derecognition of loan receivable and recognition of real estate property in our financial statements. The new guidance also requires us to disclose the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. See “Note 3, Mortgage Loans” for additional information regarding the disclosure required upon adoption of this guidance.

Effective January 1, 2015, we prospectively adopted guidance issued by the FASB related to the classification of government guaranteed mortgage loans upon foreclosure. The impact of the adoption was not material to the condensed consolidated balance sheets.

In February 2015, the FASB issued guidance regarding consolidation of legal entities such as limited partnerships, limited liability corporations and securitization structures. The guidance removes the specialized consolidation model surrounding limited partnerships and similar entities and amends the requirements that such entities must meet to qualify as voting interest entities. In addition, the guidance eliminates certain of the conditions for evaluating whether fees paid to a decision maker or service provider represent a variable interest. The new guidance is effective for us on January 1, 2016 with early adoption permitted. We are currently evaluating the potential impact of the new guidance on our consolidated 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 trusts guaranteed by us via lender swap and portfolio securitization transactions and mortgage-backed trusts that were not created by us, as well as housing partnerships that are established to finance the acquisition, construction, development or rehabilitation of affordable multifamily and single-family housing. 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.

Unconsolidated VIEs

We do not consolidate VIEs when we are not deemed to be the primary beneficiary. Our unconsolidated VIEs include securitization trusts and limited partnerships. The following table displays the carrying amount and classification of our assets and liabilities that relate to our involvement with unconsolidated mortgage-backed trusts, as well as our maximum exposure to loss and the total assets of these unconsolidated mortgage-backed trusts.

	As of	
	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Assets and liabilities recorded in our condensed consolidated balance sheets related to mortgage-backed trusts:		
Assets:		
Trading securities:		
Fannie Mae securities	$ 4,948	$ 4,790
Non-Fannie Mae securities	5,974	7,073
Total trading securities	10,922	11,863
Available-for-sale securities:		
Fannie Mae securities	4,219	5,043
Non-Fannie Mae securities	17,850	22,776
Total available-for-sale securities	22,069	27,819
Other assets	106	111
Other liabilities	(856)	(1,440)
Net carrying amount	$ 32,241	$ 38,353
Maximum exposure to loss	$ 38,586	$ 45,311
Total assets of unconsolidated mortgage-backed trusts	$ 234,062	$ 253,554

Our maximum exposure to loss generally represents the greater of our recorded investment in the entity or the unpaid principal balance of the assets covered by our guaranty. However, our securities issued by Fannie Mae multi-class resecuritization trusts that are not consolidated do not give rise to any additional exposure to loss as we already consolidate the underlying collateral.

The total assets of our unconsolidated limited partnership investments were $5.2 billion and $5.8 billion as of June 30, 2015 and December 31, 2014, respectively.

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 June 30, 2015 and 2014, the unpaid principal balance of portfolio securitizations was $62.0 billion and $36.4 billion, respectively. For the six months ended June 30, 2015 and 2014, the unpaid principal balance of portfolio securitizations was $110.9 billion and $68.9 billion, respectively.

We retain interests from the transfer and sale of mortgage-related securities to unconsolidated single-class and multi-class portfolio securitization trusts. As of June 30, 2015, the unpaid principal balance of retained interests was $5.5 billion and its related fair value was $7.1 billion. The unpaid principal balance of retained interests was $6.3 billion and its related fair value was $7.6 billion as of December 31, 2014. For the three months ended June 30, 2015 and 2014, the principal and interest received on retained interests was $296 million and $373 million, respectively. For the six months ended June 30, 2015 and 2014, the principal and interest received on retained interests was $646 million and $713 million, respectively.

Managed Loans

Managed loans are on-balance sheet mortgage loans, as well as mortgage loans that we have securitized in unconsolidated portfolio securitization trusts. The unpaid principal balance of securitized loans in unconsolidated portfolio securitization trusts, which are primarily loans that are guaranteed or insured, in whole or in part, by the U.S. government, was $1.7 billion and $1.8 billion as of June 30, 2015 and December 31, 2014, respectively. For information on our on-balance sheet mortgage loans, see "Note 3, Mortgage Loans."

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 HFI or HFS. We report the carrying value of HFI loans at the unpaid principal balance, net of unamortized premiums and discounts, other cost basis adjustments, and an allowance for loan losses. We report the carrying value of HFS loans at the lower of cost or fair value and record valuation changes in our condensed consolidated statements of operations and comprehensive income. We report the recorded investment of HFI loans at the unpaid principal balance, net of unamortized premiums and discounts, other cost basis adjustments, and accrued interest receivable.

For purposes of the single-family mortgage loan disclosures below, we define "primary" class as mortgage loans that are not included in other loan classes; "government" class as mortgage loans guaranteed or insured, in whole or in part, by the U.S. government or one of its agencies, that are not Alt-A; and "other" class as loans with higher-risk characteristics, such as interest-only loans and negative-amortizing loans, that are neither government nor Alt-A.

The following table displays the carrying value of our mortgage loans.

	As of					
	June 30, 2015			December 31, 2014		
	Of Fannie Mae	Of Consolidated Trusts	Total	Of Fannie Mae	Of Consolidated Trusts	Total
	(Dollars in millions)					
Single-family	$ 250,100	$ 2,559,480	$ 2,809,580	$ 262,116	$ 2,569,884	$ 2,832,000
Multifamily	18,394	179,258	197,652	23,255	164,045	187,300
Total unpaid principal balance of mortgage loans	268,494	2,738,738	3,007,232	285,371	2,733,929	3,019,300
Cost basis and fair value adjustments, net	(13,101)	49,197	36,096	(12,705)	48,440	35,735
Allowance for loan losses for loans held for investment	(29,724)	(1,426)	(31,150)	(33,117)	(2,424)	(35,541)
Total mortgage loans	$ 225,669	$ 2,786,509	$ 3,012,178	$ 239,549	$ 2,779,945	$ 3,019,494

During the three months ended June 30, 2015 and 2014, we redesignated loans with a carrying value of $4.3 billion and $19 million, respectively, from HFI to HFS. During the six months ended June 30, 2015 and 2014, we redesignated loans with a carrying value of $4.6 billion and $2.2 billion, respectively, from HFI to HFS. We sold loans with an unpaid principal balance of $633 million during the three and six months ended June 30, 2015. We sold loans with an unpaid principal balance of $862 million and $1.9 billion during the three and six months ended June 30, 2014, respectively.

The recorded investment of single-family mortgage loans for which formal foreclosure proceedings are in process was $28.8 billion as of June 30, 2015. 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.

Nonaccrual Policy

We discontinue accruing interest on loans when we believe collectability of principal or 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. We generally place a multifamily loan on nonaccrual status when the loan is deemed to be individually impaired, unless the loan is well secured such that collectability of principal and accrued interest is reasonably assured.

Effective January 1, 2015, we changed our policy for the treatment of interest previously accrued but not collected at the date both single-family and multifamily loans are placed on nonaccrual status. Specifically, interest previously accrued but not collected will be reversed through interest income at the date a loan is placed on nonaccrual status. Previously, when a loan was placed on nonaccrual status, interest previously accrued but not collected became part of the loan's recorded investment and was reviewed either individually or collectively for impairment.

We also changed our policy for when a non-modified single-family loan is returned to accrual status. Effective January 1, 2015, a non-modified single-family loan will be returned to accrual status at the point that the borrower brings the loan current. Previously, a non-modified single-family loan was returned to accrual status at the point that the borrower had made sufficient payments to reduce their delinquency status below our nonaccrual threshold of 60 days past due. We did not change our policy for returning modified single-family loans to accrual status. We return modified single-family loans to accrual status at the point that the borrower successfully makes all required payments during the trial period (generally three to four months) and modification is made permanent. See "Note 1, Summary of Significant Accounting Policies" for additional information on such changes in accounting policy.

Changes to our nonaccrual policy were limited to those described above. For most single-family loans, we continue to recognize interest income for loans on nonaccrual status when cash is received. However, if a single-family loan was charged off prior to foreclosure, all payments received are applied on a cost recovery basis to reduce principal on the mortgage loan. We stop applying the cost recovery approach on those single-family loans when they are brought current either through borrower payments or modification and there has been a sufficient performance period to demonstrate that the borrower has the ability and intent to make the remaining payments on their mortgage loans.

For multifamily loans, we apply any payment received on a cost recovery basis to reduce principal on the mortgage loan unless the loan is determined to be well secured. We generally return a multifamily loan to accrual status and stop applying the cost recovery approach when the borrower cures the delinquency of the loan or we otherwise determine that the loan is well secured such that collectability is reasonably assured.

Aging Analysis

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

	As of June 30, 2015							
	30 - 59 Days Delinquent	60 - 89 Days Delinquent	Seriously Delinquent[1]	Total Delinquent	Current	Total	Recorded Investment in Loans 90 Days or More Delinquent and Accruing Interest	Recorded Investment in Nonaccrual Loans
	(Dollars in millions)							
Single-family:								
Primary	$ 27,698	$ 7,352	$ 29,566	$ 64,616	$ 2,581,112	$ 2,645,728	$ 56	$ 36,842
Government[2]	54	26	287	367	43,192	43,559	287	—
Alt-A	4,003	1,284	7,918	13,205	90,821	104,026	7	9,195
Other	1,495	486	2,603	4,584	35,503	40,087	5	3,075
Total single-family	33,250	9,148	40,374	82,772	2,750,628	2,833,400	355	49,112
Multifamily[3]	57	N/A	90	147	198,102	198,249	—	809
Total	$ 33,307	$ 9,148	$ 40,464	$ 82,919	$ 2,948,730	$ 3,031,649	$ 355	$ 49,921

	As of December 31, 2014							
	30 - 59 Days Delinquent	60 - 89 Days Delinquent	Seriously Delinquent[(1)]	Total Delinquent	Current	Total	Recorded Investment in Loans 90 Days or More Delinquent and Accruing Interest	Recorded Investment in Nonaccrual Loans
	(Dollars in millions)							
Single-family:								
Primary	$ 29,130	$ 8,396	$ 38,248	$ 75,774	$ 2,580,446	$ 2,656,220	$ 55	$ 46,556
Government[(2)]	63	26	305	394	44,927	45,321	305	—
Alt-A	4,094	1,414	11,603	17,111	95,650	112,761	8	13,007
Other	1,520	516	3,763	5,799	38,460	44,259	6	4,259
Total single-family	34,807	10,352	53,919	99,078	2,759,483	2,858,561	374	63,822
Multifamily[(3)]	60	N/A	89	149	189,084	189,233	—	823
Total	$ 34,867	$ 10,352	$ 54,008	$ 99,227	$ 2,948,567	$ 3,047,794	$ 374	$ 64,645

(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) Primarily consists of reverse mortgages which, due to their nature, are not aged 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 table displays the total recorded investment in our single-family HFI loans by class and credit quality indicator, excluding loans for which we have elected the fair value option.

	As of					
	June 30, 2015[(1)]			December 31, 2014[(1)]		
	Primary	Alt-A	Other	Primary	Alt-A	Other
	(Dollars in millions)					
Estimated mark-to-market loan-to-value ratio:[(2)]						
Less than or equal to 80%	$ 2,199,656	$ 60,418	$ 22,119	$ 2,156,165	$ 60,851	$ 22,558
Greater than 80% and less than or equal to 90%	249,031	13,849	5,459	261,709	15,151	6,046
Greater than 90% and less than or equal to 100%	120,779	10,811	4,424	140,778	12,490	5,236
Greater than 100% and less than or equal to 110%	34,295	7,353	3,193	43,014	8,998	3,900
Greater than 110% and less than or equal to 120%	18,373	4,794	2,039	23,439	6,033	2,615
Greater than 120% and less than or equal to 125%	5,811	1,564	671	7,529	2,114	904
Greater than 125%	17,783	5,237	2,182	23,586	7,124	3,000
Total	$ 2,645,728	$ 104,026	$ 40,087	$ 2,656,220	$ 112,761	$ 44,259

(1) Excludes $43.6 billion and $45.3 billion as of June 30, 2015 and December 31, 2014, respectively, of mortgage loans guaranteed or insured, in whole or in part, by the U.S. government or one of its agencies, that are not Alt-A loans. The segment class is primarily reverse mortgages for which we do not calculate an estimated mark-to-market loan-to-value ("LTV") ratio.

(2) 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.

The following table displays the total recorded investment in our multifamily HFI loans by credit quality indicator, excluding loans for which we have elected the fair value option.

	As of	
	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Credit risk profile by internally assigned grade:[1]		
Pass	$ 192,044	$ 182,079
Special Mention	2,769	3,070
Substandard	3,414	3,842
Doubtful	22	242
Total	$ 198,249	$ 189,233

[1] Pass (loan is current and adequately protected by the current financial strength and debt service capacity of the borrower); special mention (loan with signs of potential weakness); substandard (loan with a well defined weakness that jeopardizes the timely full repayment); and doubtful (loan with a weakness that makes collection or liquidation in full highly questionable and improbable based on existing conditions and values).

Individually Impaired Loans

Individually impaired loans include troubled debt restructurings ("TDRs"), acquired credit-impaired loans and multifamily loans that we have assessed as probable that we will not collect all contractual amounts due, regardless of whether we are currently accruing interest. The following tables display the total unpaid principal balance, recorded investment, related allowance, average recorded investment and interest income recognized for individually impaired loans.

	As of						
	June 30, 2015			December 31, 2014			
	Unpaid Principal Balance	Total Recorded Investment	Related Allowance for Loan Losses	Unpaid Principal Balance	Total Recorded Investment	Related Allowance for Loan Losses	Related Allowance for Accrued Interest Receivable
	(Dollars in millions)						
Individually impaired loans:							
With related allowance recorded:							
Single-family:							
Primary	$ 120,954	$ 114,898	$ 18,825	$ 125,960	$ 120,221	$ 20,327	$ 309
Government	287	291	60	281	285	46	12
Alt-A	33,132	30,321	6,976	35,492	32,816	7,778	136
Other	13,548	12,810	2,759	14,667	13,947	3,049	38
Total single-family	167,921	158,320	28,620	176,400	167,269	31,200	495
Multifamily	959	963	125	1,230	1,241	175	6
Total individually impaired loans with related allowance recorded	168,880	159,283	28,745	177,630	168,510	31,375	501
With no related allowance recorded:[1]							
Single-family:							
Primary	16,789	15,274	—	16,704	14,876	—	—
Government	55	50	—	61	57	—	—
Alt-A	4,332	3,609	—	3,993	3,119	—	—
Other	1,404	1,251	—	1,240	1,056	—	—
Total single-family	22,580	20,184	—	21,998	19,108	—	—
Multifamily	404	406	—	565	568	—	—
Total individually impaired loans with no related allowance recorded	22,984	20,590	—	22,563	19,676	—	—
Total individually impaired loans[2]	$ 191,864	$ 179,873	$ 28,745	$ 200,193	$ 188,186	$ 31,375	$ 501

	For the Three Months Ended June 30,					
	2015			2014		
	Average Recorded Investment	Total Interest Income Recognized[3]	Interest Income Recognized on a Cash Basis	Average Recorded Investment	Total Interest Income Recognized[3]	Interest Income Recognized on a Cash Basis
	(Dollars in millions)					
Individually impaired loans:						
With related allowance recorded:						
Single-family:						
Primary	$ 115,856	$ 1,028	$ 73	$ 122,791	$ 1,093	$ 121
Government	288	3	—	281	3	—
Alt-A	30,642	251	10	34,029	267	22
Other	12,994	93	2	14,669	102	9
Total single-family	159,780	1,375	85	171,770	1,465	152
Multifamily	1,090	3	—	1,813	23	—
Total individually impaired loans with related allowance recorded	160,870	1,378	85	173,583	1,488	152
With no related allowance recorded:[1]						
Single-family:						
Primary	16,453	253	19	13,413	205	53
Government	54	1	—	56	2	—
Alt-A	4,010	50	—	2,636	43	10
Other	1,378	17	—	927	13	3
Total single-family	21,895	321	19	17,032	263	66
Multifamily	460	2	—	1,668	20	—
Total individually impaired loans with no related allowance recorded	22,355	323	19	18,700	283	66
Total individually impaired loans[2]	$ 183,225	$ 1,701	$ 104	$ 192,283	$ 1,771	$ 218

	For the Six Months Ended June 30,					
	2015			2014		
	Average Recorded Investment	Total Interest Income Recognized[3]	Interest Income Recognized on a Cash Basis	Average Recorded Investment	Total Interest Income Recognized[3]	Interest Income Recognized on a Cash Basis
	(Dollars in millions)					
Individually impaired loans:						
With related allowance recorded:						
Single-family:						
Primary	$ 116,811	$ 2,062	$ 177	$ 123,066	$ 2,187	$ 261
Government	285	6	—	257	6	—
Alt-A	31,094	502	27	34,178	537	50
Other	13,216	187	9	14,787	205	20
Total single-family	161,406	2,757	213	172,288	2,935	331
Multifamily	1,140	6	—	1,967	46	—
Total individually impaired loans with related allowance recorded	162,546	2,763	213	174,255	2,981	331
With no related allowance recorded:[1]						
Single-family:						
Primary	16,178	500	60	13,055	390	101
Government	56	2	—	76	3	—
Alt-A	3,775	94	7	2,576	84	20
Other	1,311	35	2	910	24	5
Total single-family	21,320	631	69	16,617	501	126
Multifamily	496	3	—	1,758	40	—
Total individually impaired loans with no related allowance recorded	21,816	634	69	18,375	541	126
Total individually impaired loans[2]	$ 184,362	$ 3,397	$ 282	$ 192,630	$ 3,522	$ 457

(1) The discounted cash flows or collateral value equals or exceeds the carrying value of the loan and, as such, no valuation allowance is required.

(2) Includes single-family loans restructured in a TDR with a recorded investment of $177.5 billion and $185.2 billion as of June 30, 2015 and December 31, 2014, respectively. Includes multifamily loans restructured in a TDR with a recorded investment of $525 million and $716 million as of June 30, 2015 and December 31, 2014, respectively.

(3) Total single-family interest income recognized of $1.7 billion for the three months ended June 30, 2015 and 2014 consists of $1.4 billion of contractual interest for both periods and $304 million and $285 million of effective yield adjustments, respectively. Total single-family interest income recognized of $3.4 billion for the six months ended June 30, 2015 and 2014 consists of $2.8 billion and $2.9 billion of contractual interest, respectively, and $580 million and $560 million of effective yield adjustments, respectively.

Troubled Debt Restructurings

A modification to the contractual terms of a loan that results in granting a concession to a borrower experiencing financial difficulties is considered a TDR. In addition to formal loan modifications, we also engage in other loss mitigation activities with troubled borrowers, which include repayment plans and forbearance arrangements, both of which represent informal agreements with the borrower that do not result in the legal modification of the loan's contractual terms. We account for these informal restructurings as a TDR if we defer more than three missed payments. We also classify loans to certain borrowers who have received bankruptcy relief as TDRs.

The substantial majority of the loan modifications we complete result in term extensions, interest rate reductions or a combination of both. During the three months ended June 30, 2015 and 2014, the average term extension of a single-family modified loan was 162 months for both periods and the average interest rate reduction was 0.77 and 0.99 percentage points, respectively. During the six months ended June 30, 2015 and 2014, the average extension of a single-family modified loan was 162 months and 161 months, respectively, and the average interest rate reduction was 0.77 and 1.12 percentage points, respectively.

The following tables display the number of loans and recorded investment in loans restructured in a TDR.

	For the Three Months Ended June 30,			
	2015		2014	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(Dollars in millions)			
Single-family:				
Primary	17,951	$ 2,477	24,932	$ 3,564
Government	64	8	111	13
Alt-A	2,533	395	3,660	614
Other	539	100	872	179
Total single-family	21,087	2,980	29,575	4,370
Multifamily	1	1	3	4
Total troubled debt restructurings	21,088	$ 2,981	29,578	$ 4,374

	For the Six Months Ended June 30,			
	2015		2014	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(Dollars in millions)			
Single-family:				
Primary	39,358	$ 5,422	53,774	$ 7,674
Government	138	16	173	21
Alt-A	5,322	833	8,056	1,354
Other	1,129	208	1,910	398
Total single-family	45,947	6,479	63,913	9,447
Multifamily	4	6	9	38
Total troubled debt restructurings	45,951	$ 6,485	63,922	$ 9,485

The following tables display the number of loans and our recorded investment in these loans at the time of payment default for loans that were restructured in a TDR in the twelve months prior to the payment default. For purposes of this disclosure, we define loans that had a payment default as: single-family and multifamily loans with completed TDRs 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 June 30,			
	2015		2014	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(Dollars in millions)			
Single-family:				
Primary	6,156	$ 864	8,190	$ 1,251
Government	37	6	18	1
Alt-A	963	151	1,396	252
Other	290	55	420	89
Total single-family	7,446	1,076	10,024	1,593
Multifamily	1	2	1	3
Total TDRs that subsequently defaulted	7,447	$ 1,078	10,025	$ 1,596

	For the Six Months Ended June 30,			
	2015		2014	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(Dollars in millions)			
Single-family:				
Primary	12,879	$ 1,867	16,788	$ 2,561
Government	57	9	36	3
Alt-A	2,116	354	2,840	512
Other	594	121	924	204
Total single-family	15,646	2,351	20,588	3,280
Multifamily	3	6	5	17
Total TDRs that subsequently defaulted	15,649	$ 2,357	20,593	$ 3,297

4. Allowance for Loan Losses

Our allowance for loan losses is a valuation allowance that reflects an estimate of incurred credit losses related to our recorded investment in both single-family and multifamily HFI loans. This population includes both HFI loans held by Fannie Mae and by consolidated Fannie Mae MBS trusts. When calculating our allowance for loan losses, we consider only our net recorded investment in the loan at the balance sheet date, which includes the loan's unpaid principal balance and any applicable cost basis adjustments. We record charge-offs as a reduction to the allowance for loan losses when losses are confirmed through the receipt of assets in full satisfaction of a loan, such as the underlying collateral upon foreclosure or cash upon completion of a short sale. Additionally, we record charge-offs as a reduction to our allowance for loan losses upon the redesignation of nonperforming loans from HFI to HFS.

We aggregate single-family HFI loans that are not individually impaired based on similar risk characteristics for purposes of estimating incurred credit losses and establishing a collective single-family loss reserve using an econometric model that derives an overall loss reserve estimate. We base our allowance methodology on historical events and trends, such as loss severity (in event of default), default rates, and recoveries from mortgage insurance contracts and other credit enhancements. In addition, management performs a review of the observable data used in its estimate to ensure it is representative of prevailing economic conditions and other events existing as of the balance sheet date.

Individually impaired single-family loans currently include those restructured in a TDR and acquired credit-impaired loans. When a loan has been restructured, we measure impairment using a cash flow analysis discounted at the loan's original effective interest rate. However, if we expect to recover our recorded investment in an individually impaired loan through probable foreclosure of the underlying collateral, we measure impairment based on the fair value of the collateral, reduced by estimated disposal costs and adjusted for estimated proceeds from mortgage, flood, or hazard insurance and other credit enhancements.

We identify multifamily loans for evaluation for impairment through a credit risk assessment process. If we determine that a multifamily loan is individually impaired, we generally measure impairment on that loan based on the fair value of the underlying collateral less estimated costs to sell the property. We establish a collective loss reserve for all loans in our multifamily guaranty book of business that are not individually impaired using an internal model that applies loss factors to loans in similar risk categories. Our loss factors are developed based on our historical default and loss severity experience.

The following tables display changes in single-family, multifamily and total allowance for loan losses.

	For the Three Months Ended June 30,					
	2015			2014		
	Of Fannie Mae	Of Consolidated Trusts	Total	Of Fannie Mae	Of Consolidated Trusts	Total
	(Dollars in millions)					
Single-family allowance for loan losses:						
Beginning balance	$ 29,759	$ 1,755	$ 31,514	$ 38,746	$ 2,702	$ 41,448
Provision (benefit) for loan losses(1)	1,268	(227)	1,041	(1,288)	(240)	(1,528)
Charge-offs(2)	(2,032)	(23)	(2,055)	(1,861)	(42)	(1,903)
Recoveries	257	4	261	311	147	458
Transfers(3)	256	(256)	—	337	(337)	—
Other(4)	116	(1)	115	155	13	168
Ending balance	$ 29,624	$ 1,252	$ 30,876	$ 36,400	$ 2,243	$ 38,643
Multifamily allowance for loan losses:						
Beginning balance	$ 114	$ 192	$ 306	$ 258	$ 205	$ 463
Provision (benefit) for loan losses(1)	6	(18)	(12)	(8)	(22)	(30)
Charge-offs(2)	(19)	—	(19)	(8)	—	(8)
Transfers(3)	—	—	—	2	(2)	—
Other(4)	(1)	—	(1)	(1)	—	(1)
Ending balance	$ 100	$ 174	$ 274	$ 243	$ 181	$ 424
Total allowance for loan losses:						
Beginning balance	$ 29,873	$ 1,947	$ 31,820	$ 39,004	$ 2,907	$ 41,911
Provision (benefit) for loan losses(1)	1,274	(245)	1,029	(1,296)	(262)	(1,558)
Charge-offs(2)	(2,051)	(23)	(2,074)	(1,869)	(42)	(1,911)
Recoveries	257	4	261	311	147	458
Transfers(3)	256	(256)	—	339	(339)	—
Other(4)	115	(1)	114	154	13	167
Ending balance	$ 29,724	$ 1,426	$ 31,150	$ 36,643	$ 2,424	$ 39,067

	For the Six Months Ended June 30,					
	2015			2014		
	Of Fannie Mae	Of Consolidated Trusts	Total	Of Fannie Mae	Of Consolidated Trusts	Total
	(Dollars in millions)					
Single-family allowance for loan losses:						
Beginning balance	$ 32,956	$ 2,221	$ 35,177	$ 40,202	$ 3,105	$ 43,307
Provision (benefit) for loan losses[1]	1,473	(374)	1,099	(2,170)	(202)	(2,372)
Charge-offs[2][5]	(7,360)	(42)	(7,402)	(3,308)	(143)	(3,451)
Recoveries	871	12	883	631	218	849
Transfers[3]	615	(615)	—	757	(757)	—
Other[4]	1,069	50	1,119	288	22	310
Ending balance	$ 29,624	$ 1,252	$ 30,876	$ 36,400	$ 2,243	$ 38,643
Multifamily allowance for loan losses:						
Beginning balance	$ 161	$ 203	$ 364	$ 319	$ 220	$ 539
Benefit for loan losses[1]	(31)	(31)	(62)	(20)	(38)	(58)
Charge-offs[2][5]	(34)	—	(34)	(59)	—	(59)
Transfers[3]	—	—	—	2	(2)	—
Other[4]	4	2	6	1	1	2
Ending balance	$ 100	$ 174	$ 274	$ 243	$ 181	$ 424
Total allowance for loan losses:						
Beginning balance	$ 33,117	$ 2,424	$ 35,541	$ 40,521	$ 3,325	$ 43,846
Provision (benefit) for loan losses[1]	1,442	(405)	1,037	(2,190)	(240)	(2,430)
Charge-offs[2][5]	(7,394)	(42)	(7,436)	(3,367)	(143)	(3,510)
Recoveries	871	12	883	631	218	849
Transfers[3]	615	(615)	—	759	(759)	—
Other[4]	1,073	52	1,125	289	23	312
Ending balance	$ 29,724	$ 1,426	$ 31,150	$ 36,643	$ 2,424	$ 39,067

(1) Provision (benefit) for loan losses is included in "Provision (benefit) for credit losses" in our condensed consolidated statements of operations and comprehensive income.

(2) While we purchase the substantial majority of loans that are four or more months delinquent from our MBS trusts, we do not exercise this option to purchase loans during a forbearance period. Charge-offs of consolidated trusts generally represent loans that remained in our consolidated trusts at the time of default.

(3) Includes transfers from trusts for delinquent loan purchases.

(4) Amounts represent changes in other loss reserves which are offset by amounts reflected in provision (benefit) for credit losses, charge-offs and recoveries.

(5) Includes for the six months ended June 30, 2015 charge-offs of (1) $1.8 billion in HFI loans and $724 million in preforeclosure property taxes and insurance receivable in connection with our adoption of the Advisory Bulletin on January 1, 2015 and (2) $1.1 billion in accrued interest receivable that were charged-off in connection with the our adoption of a change in accounting principle on January 1, 2015 related to the treatment of interest previously accrued, but not collected, at the date that loans are placed on nonaccrual status.

The following table displays the allowance for loan losses and total recorded investment in our HFI loans, excluding loans for which we have elected the fair value option, by impairment or reserve methodology and portfolio segment.

	As of					
	June 30, 2015			December 31, 2014		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
	(Dollars in millions)					
Allowance for loan losses by segment:						
Individually impaired loans[1]	$ 28,620	$ 125	$ 28,745	$ 31,200	$ 175	$ 31,375
Collectively reserved loans	2,256	149	2,405	3,977	189	4,166
Total allowance for loan losses	$ 30,876	$ 274	$ 31,150	$ 35,177	$ 364	$ 35,541
Recorded investment in loans by segment:						
Individually impaired loans[1]	$ 178,504	$ 1,369	$ 179,873	$ 186,377	$ 1,809	$ 188,186
Collectively reserved loans	2,654,896	196,880	2,851,776	2,672,184	187,424	2,859,608
Total recorded investment in loans	$ 2,833,400	$ 198,249	$ 3,031,649	$ 2,858,561	$ 189,233	$ 3,047,794

(1) Includes acquired credit-impaired loans.

5. Investments in Securities

Trading Securities

Trading securities are recorded at fair value with subsequent changes in fair value recorded as "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	
	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Mortgage-related securities:		
Fannie Mae	$ 5,079	$ 4,940
Freddie Mac	1,537	1,369
Ginnie Mae	239	166
Alt-A private-label securities	475	920
Subprime private-label securities	718	1,307
CMBS	2,424	2,515
Mortgage revenue bonds	602	722
Other mortgage-related securities	—	99
Total mortgage-related securities	11,074	12,038
U.S. Treasury securities	23,790	19,466
Total trading securities	$ 34,864	$ 31,504

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

	For the Three Months Ended June 30, 2015	For the Three Months Ended June 30, 2014	For the Six Months Ended June 30, 2015	For the Six Months Ended June 30, 2014
	(Dollars in millions)			
Net trading gains	$ 20	$ 249	$ 56	$ 394
Net trading (losses) gains recognized in the period related to securities still held at period end	(1)	233	(3)	353

Available-for-Sale Securities

We measure available-for-sale ("AFS") securities at fair value with unrealized gains and losses, recorded net of tax, as a component of "Other comprehensive (loss) income" and we recognize realized gains and losses from the sale of AFS securities in "Investment gains, net" in our condensed consolidated statements of operations and comprehensive income.

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

	For the Three Months Ended June 30, 2015	For the Three Months Ended June 30, 2014	For the Six Months Ended June 30, 2015	For the Six Months Ended June 30, 2014
	(Dollars in millions)			
Gross realized gains	$ 413	$ 396	$ 813	$ 399
Gross realized losses	50	—	57	2
Total proceeds[1]	3,096	1,705	5,208	1,740

(1) Excludes proceeds from the initial sale of securities from new portfolio securitizations.

The following tables display the amortized cost, gross unrealized gains and losses, and fair value by major security type for AFS securities.

	As of June 30, 2015				
	Total Amortized Cost[1]	Gross Unrealized Gains	Gross Unrealized Losses - OTTI[2]	Gross Unrealized Losses - Other[3]	Total Fair Value
	(Dollars in millions)				
Fannie Mae	$ 4,376	$ 284	$ —	$ (22)	$ 4,638
Freddie Mac	4,565	382	—	—	4,947
Ginnie Mae	380	55	—	—	435
Alt-A private-label securities	2,877	756	(3)	—	3,630
Subprime private-label securities	2,932	911	(1)	(5)	3,837
CMBS	1,301	43	—	—	1,344
Mortgage revenue bonds	3,032	157	(14)	(4)	3,171
Other mortgage-related securities	2,028	131	—	—	2,159
Total	$ 21,491	$ 2,719	$ (18)	$ (31)	$ 24,161

	As of December 31, 2014				
	Total Amortized Cost[(1)]	Gross Unrealized Gains	Gross Unrealized Losses - OTTI[(2)]	Gross Unrealized Losses - Other[(3)]	Total Fair Value
	(Dollars in millions)				
Fannie Mae	$ 5,330	$ 328	$ —	$ (19)	$ 5,639
Freddie Mac	5,100	428	—	—	5,528
Ginnie Mae	416	60	—	—	476
Alt-A private-label securities	4,638	1,055	(15)	—	5,678
Subprime private-label securities	4,103	1,161	(9)	(15)	5,240
CMBS	1,341	56	—	—	1,397
Mortgage revenue bonds	3,859	177	(8)	(5)	4,023
Other mortgage-related securities	2,626	183	(23)	(113)	2,673
Total	$ 27,413	$ 3,448	$ (55)	$ (152)	$ 30,654

(1) Amortized cost consists of unpaid principal balance, unamortized premiums, discounts and other cost basis adjustments as well as net other-than-temporary impairments ("OTTI") recognized in "Investment gains, net" in our condensed consolidated statements of operations and comprehensive income.

(2) Represents the noncredit component of OTTI losses recorded in "Accumulated other comprehensive income" in our condensed consolidated balance sheets, as well as cumulative changes in fair value of securities for which we previously recognized the credit component of OTTI.

(3) Represents the gross unrealized losses on securities for which we have not recognized OTTI.

The following tables display additional information regarding gross unrealized losses and fair value by major security type for AFS securities in an unrealized loss position.

	As of June 30, 2015			
	Less Than 12 Consecutive Months		12 Consecutive Months or Longer	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
Fannie Mae	$ (5)	$ 332	$ (17)	$ 557
Alt-A private-label securities	—	33	(3)	29
Subprime private-label securities	(1)	53	(5)	102
Mortgage revenue bonds	(14)	488	(4)	20
Total	$ (20)	$ 906	$ (29)	$ 708

	As of December 31, 2014			
	Less Than 12 Consecutive Months		12 Consecutive Months or Longer	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
Fannie Mae	$ —	$ 113	$ (19)	$ 627
Alt-A private-label securities	(2)	171	(13)	112
Subprime private-label securities	—	—	(24)	460
Mortgage revenue bonds	(2)	47	(11)	155
Other mortgage-related securities	—	8	(136)	1,021
Total	$ (4)	$ 339	$ (203)	$ 2,375

Other-Than-Temporary Impairments

We recognized $12 million and $23 million of OTTI for the three months ended June 30, 2015 and 2014, respectively, and $182 million and $74 million of OTTI for the six months ended June 30, 2015 and 2014, respectively, which are included in “Investment gains, net” in our condensed consolidated statements of operations and comprehensive income. During the first six months ended June 30, 2015, OTTI was primarily driven by a change in our intent to sell certain securities. As a result, we recognized the entire difference between the amortized cost basis of these securities and their fair value as OTTI.

The following table displays the modeled attributes, including default rates and severities, which were used to determine as of June 30, 2015 whether our senior interests in certain non-agency mortgage-related securities (including those we intend to sell) will experience a cash shortfall. An estimate of voluntary prepayment rates is also an input to the present value of expected losses.

	As of June 30, 2015				
		Alt-A			
	Subprime	Option ARM	Fixed Rate	Variable Rate	Hybrid Rate
	(Dollars in millions)				
Vintage Year					
2004 & Prior:					
Unpaid principal balance	$ 99	$ 12	$ 711	$ 109	$ 268
Weighted average collateral default[(1)]	25.1 %	22.8 %	7.8 %	15.8 %	10.6 %
Weighted average collateral severities[(2)]	53.5	57.2	42.6	35.9	29.9
Weighted average voluntary prepayment rates[(3)]	8.0	10.7	13.5	9.5	10.7
Average credit enhancement[(4)]	38.8	16.6	11.0	25.4	10.6
2005:					
Unpaid principal balance	$ 7	$ 197	$ 312	$ 124	$ 324
Weighted average collateral default[(1)]	43.0 %	29.3 %	12.2 %	25.0 %	14.4 %
Weighted average collateral severities[(2)]	61.8	53.0	47.9	52.9	37.1
Weighted average voluntary prepayment rates[(3)]	4.1	7.0	11.9	8.6	10.1
Average credit enhancement[(4)]	57.2	8.6	1.3	29.0	8.7
2006:					
Unpaid principal balance	$ 4,765	$ 307	$ 352	$ 637	$ 705
Weighted average collateral default[(1)]	44.8 %	34.2 %	19.7 %	22.6 %	8.6 %
Weighted average collateral severities[(2)]	61.9	32.5	50.7	35.7	34.2
Weighted average voluntary prepayment rates[(3)]	2.6	6.6	8.0	8.0	12.8
Average credit enhancement[(4)]	16.8	—	—	1.5	—
2007 & After:					
Unpaid principal balance	$ 193	$ —	$ —	$ —	$ —
Weighted average collateral default[(1)]	40.1 %	N/A	N/A	N/A	N/A
Weighted average collateral severities[(2)]	12.4	N/A	N/A	N/A	N/A
Weighted average voluntary prepayment rates[(3)]	1.6	N/A	N/A	N/A	N/A
Average credit enhancement[(4)]	27.7	N/A	N/A	N/A	N/A
Total:					
Unpaid principal balance	$ 5,064	$ 516	$ 1,375	$ 870	$ 1,297
Weighted average collateral default[(1)]	44.2 %	32.1 %	11.8 %	22.1 %	10.4 %
Weighted average collateral severities[(2)]	60.1	40.0	47.3	38.5	34.3
Weighted average voluntary prepayment rates[(3)]	2.6	6.9	11.7	8.3	11.7
Average credit enhancement[(4)]	17.7	3.7	6.0	8.4	4.4

(1) The expected remaining cumulative default rate of the collateral pool backing the securities, as a percentage of the current collateral unpaid principal balance, weighted by security unpaid principal balance.

(2) The expected remaining loss given default of the collateral pool backing the securities, calculated as the ratio of remaining cumulative loss divided by cumulative defaults, weighted by security unpaid principal balance.

(3) The average monthly voluntary prepayment rate, weighted by security unpaid principal balance.

(4) The average percent current credit enhancement provided by subordination of other securities. Excludes excess interest projections and monoline bond insurance.

The following table displays activity related to the unrealized credit loss component on debt securities held by us and recognized in our condensed consolidated statements of operations and comprehensive income.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Balance, beginning of period	$ 2,744	$ 7,096	$ 5,260	$ 7,904
Additions for the credit component on debt securities for which OTTI was not previously recognized	—	—	—	1
Additions for the credit component on debt securities for which OTTI was previously recognized	—	8	4	47
Reductions for securities no longer in portfolio at period end	(72)	(384)	(1,165)	(437)
Reductions for securities which we intend to sell or it is more likely than not that we will be required to sell before recovery of amortized cost basis	(70)	(755)	(1,439)	(1,453)
Reductions for amortization resulting from changes in cash flows expected to be collected over the remaining life of the securities	(45)	(94)	(103)	(191)
Balance, end of period	$ 2,557	$ 5,871	$ 2,557	$ 5,871

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 June 30, 2015									
			One Year or Less		After One Year Through Five Years		After Five Years Through Ten Years		After Ten Years	
	Total Amortized Cost	Total Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in millions)									
Fannie Mae	$ 4,376	$ 4,638	$ —	$ —	$ 220	$ 228	$ 190	$ 205	$ 3,966	$ 4,205
Freddie Mac	4,565	4,947	1	1	269	282	370	404	3,925	4,260
Ginnie Mae	380	435	—	—	1	1	56	63	323	371
Alt-A private-label securities	2,877	3,630	—	—	—	—	—	—	2,877	3,630
Subprime private-label securities	2,932	3,837	—	—	—	—	—	—	2,932	3,837
CMBS	1,301	1,344	187	190	1,043	1,082	—	—	71	72
Mortgage revenue bonds	3,032	3,171	13	13	100	101	250	253	2,669	2,804
Other mortgage-related securities	2,028	2,159	—	—	—	—	33	36	1,995	2,123
Total	$ 21,491	$ 24,161	$ 201	$ 204	$ 1,633	$ 1,694	$ 899	$ 961	$ 18,758	$ 21,302

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 guarantees expose us to credit losses on the mortgage loans or, in the case of mortgage-related securities, the underlying mortgage loans of the related securities. The remaining contractual terms of our guarantees range from 1 day to 37 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.

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

	As of					
	June 30, 2015			December 31, 2014		
	Maximum Exposure[1]	Guaranty Obligation	Maximum Recovery[2]	Maximum Exposure[1]	Guaranty Obligation	Maximum Recovery[2]
	(Dollars in millions)					
Unconsolidated Fannie Mae MBS	$ 16,066	$ 203	$ 9,315	$ 17,184	$ 214	$ 9,775
Other guaranty arrangements[3]	17,495	152	4,406	18,781	168	4,447
Total	$ 33,561	$ 355	$ 13,721	$ 35,965	$ 382	$ 14,222

(1) Primarily consists of the unpaid principal balance of the underlying mortgage loans.

(2) Recoverability of such credit enhancements and recourse is subject to, among other factors, our mortgage insurers' and financial guarantors' ability to meet their obligations to us. For information on our mortgage insurers, see "Note 13, Concentrations of Credit Risk."

(3) Primarily consists of credit enhancements, long-term standby commitments, and our commitment under the TCLF program.

The fair value of our guaranty obligations associated with the Fannie Mae MBS included in "Investments in securities" in our condensed consolidated balance sheets was $679 million and $797 million as of June 30, 2015 and December 31, 2014, respectively. These Fannie Mae MBS consist primarily of private-label wraps where our guaranty arrangement is with an unconsolidated MBS trust.

7. Acquired Property, Net

Acquired property, net consists of held-for-sale foreclosed property received in satisfaction of a loan, net of a valuation allowance for declines in the fair value of the properties after initial acquisition. We classify properties as held for sale when we intend to sell the property and are actively marketing it for sale. The following table displays the activity in acquired property, and the related valuation allowance.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Beginning balance — Acquired property	$ 10,348	$ 12,744	$ 11,442	$ 12,307
Additions	2,431	3,425	5,366	7,197
Disposals	(3,580)	(3,873)	(7,609)	(7,208)
Ending balance — Acquired property	9,199	12,296	9,199	12,296
Beginning balance — Valuation allowance	(830)	(784)	(824)	(686)
Decrease (increase) in valuation allowance	137	48	131	(50)
Ending balance — Valuation allowance	(693)	(736)	(693)	(736)
Ending balance — Acquired property, net	$ 8,506	$ 11,560	$ 8,506	$ 11,560

8. Short-Term Borrowings and Long-Term Debt

Short-Term Borrowings

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

	As of			
	June 30, 2015		December 31, 2014	
	Outstanding	Weighted- Average Interest Rate[1]	Outstanding	Weighted- Average Interest Rate[1]
	(Dollars in millions)			
Federal funds purchased and securities sold under agreements to repurchase[2]	$ —	—%	$ 50	—%
Short-term debt of Fannie Mae	$ 81,338	0.16%	$ 105,012	0.11%
Debt of consolidated trusts	1,409	0.12	1,560	0.09
Total short-term debt	$ 82,747	0.16%	$ 106,572	0.11%

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

(2) Represents agreements to repurchase securities for a specified price, with repayment generally occurring on the following day.

Intraday Line of Credit

We periodically use a secured intraday funding line of credit provided by a large financial institution. We post collateral which, in some circumstances, the secured party has the right to repledge to third parties. As this line of credit is an uncommitted intraday loan facility, we may be unable to draw on it if and when needed. The line of credit under this facility was $15.0 billion as of June 30, 2015 and December 31, 2014. We had no borrowings outstanding from this line of credit as of June 30, 2015.

Long-Term Debt

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

	As of					
	June 30, 2015			December 31, 2014		
	Maturities	Outstanding	Weighted-Average Interest Rate[1]	Maturities	Outstanding	Weighted-Average Interest Rate[1]
	(Dollars in millions)					
Senior fixed:						
Benchmark notes and bonds	2015 - 2030	$ 170,531	2.42%	2015 - 2030	$ 173,010	2.41%
Medium-term notes[2]	2015 - 2025	111,556	1.49	2015 - 2024	114,556	1.42
Foreign exchange notes and bonds	2021 - 2028	624	5.29	2021 - 2028	619	5.44
Other	2015 - 2038	29,545	4.74	2015 - 2038	32,322	4.63
Total senior fixed		312,256	2.31		320,507	2.29
Senior floating:						
Medium-term notes[2]	2015 - 2019	18,420	0.19	2015 - 2019	24,469	0.15
Connecticut Avenue Securities[3]	2023 - 2025	8,514	3.19	2023 - 2024	6,041	2.97
Other[4]	2020 - 2037	346	8.64	2020 - 2037	363	8.71
Total senior floating		27,280	1.22		30,873	0.81
Subordinated debentures	2019	4,034	9.93	2019	3,849	9.93
Secured borrowings[5]	2021 - 2022	177	1.92	2021 - 2022	202	1.90
Total long-term debt of Fannie Mae[6]		343,747	2.31		355,431	2.24
Debt of consolidated trusts[4]	2015 - 2054	2,772,075	2.85	2015 - 2054	2,760,152	3.02
Total long-term debt		$ 3,115,822	2.79%		$ 3,115,583	2.93%

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

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

(3) Credit risk sharing securities that transfer a portion of the credit risk on specified pools of mortgage loans to the investors in these securities. Connecticut Avenue Securities are reported at fair value.

(4) Represents structured debt instruments that are reported at fair value.

(5) Represents our remaining liability resulting from the transfer of financial assets from our condensed consolidated balance sheets that did not qualify as a sale under the accounting guidance for the transfer of financial instruments.

(6) Includes unamortized discounts and premiums, other cost basis adjustments and fair value adjustments of $3.5 billion and $4.1 billion as of June 30, 2015 and December 31, 2014, respectively.

9. 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 derivatives we use for interest rate risk management purposes consist primarily of interest rate swaps and interest rate options.

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 netted to the extent a legal right of offset exists and is enforceable by law at the counterparty level and are 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 15, 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.

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.

	As of June 30, 2015				As of December 31, 2014			
	Asset Derivatives		Liability Derivatives		Asset Derivatives		Liability Derivatives	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
	(Dollars in millions)							
Risk management derivatives:								
Swaps:								
Pay-fixed	$ 47,665	$ 1,083	$ 111,367	$ (5,841)	$ 41,965	$ 733	$ 123,557	$ (7,125)
Receive-fixed	99,401	3,159	110,875	(1,023)	67,629	4,486	157,272	(1,302)
Basis	1,269	112	8,600	(3)	5,769	123	7,100	(2)
Foreign currency	347	130	275	(30)	344	144	273	(30)
Swaptions:								
Pay-fixed	6,550	53	14,200	(66)	11,100	57	26,525	(175)
Receive-fixed	—	—	14,700	(268)	750	96	29,525	(816)
Other[1]	888	26	613	(1)	1,071	28	12	(1)
Total gross risk management derivatives	156,120	4,563	260,630	(7,232)	128,628	5,667	344,264	(9,451)
Accrued interest receivable (payable)	—	772	—	(915)	—	749	—	(1,013)
Netting adjustment[2]	—	(4,050)	—	7,728	—	(5,186)	—	10,194
Total net risk management derivatives	$ 156,120	$ 1,285	$ 260,630	$ (419)	$ 128,628	$ 1,230	$ 344,264	$ (270)
Mortgage commitment derivatives:								
Mortgage commitments to purchase whole loans	$ 6,071	$ 14	$ 4,694	$ (40)	$ 6,157	$ 28	$ 428	$ —
Forward contracts to purchase mortgage-related securities	32,606	90	29,670	(211)	43,533	223	6,112	(8)
Forward contracts to sell mortgage-related securities	45,866	329	48,582	(141)	4,886	4	57,910	(336)
Total mortgage commitment derivatives	$ 84,543	$ 433	$ 82,946	$ (392)	$ 54,576	$ 255	$ 64,450	$ (344)
Derivatives at fair value	$ 240,663	$ 1,718	$ 343,576	$ (811)	$ 183,204	$ 1,485	$ 408,714	$ (614)

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(1) Includes futures, swap credit enhancements and mortgage insurance contracts that we account for as derivatives. The mortgage insurance contracts have payment provisions that are not based on a notional amount.

(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 \$4.1 billion and \$5.3 billion as of June 30, 2015 and December 31, 2014, respectively. Cash collateral received was \$436 million and \$245 million as of June 30, 2015 and December 31, 2014, respectively.

A majority of our OTC derivative contracts contain provisions that require our senior unsecured debt to maintain a minimum credit rating from S&P and Moody's. If our senior unsecured debt credit ratings were downgraded to established thresholds in these derivative contracts, which range from A+ to BBB+, we could be required to provide additional collateral to or terminate transactions with certain counterparties. The aggregate fair value of all OTC derivatives with credit-risk-related contingent features that were in a net liability position was \$2.1 billion and \$2.6 billion as of June 30, 2015 and December 31, 2014, respectively, for which we posted collateral of \$1.8 billion and \$2.4 billion in the normal course of business as of June 30, 2015 and December 31, 2014, respectively. Had all of the credit-risk-related contingency features underlying these agreements been triggered, an additional \$387 million and \$269 million would have been required to be posted as collateral or to immediately settle our positions based on the individual agreements and our fair value position as of June 30, 2015 and December 31, 2014, respectively. A reduction in our credit ratings may also cause derivatives clearing organizations or their members to demand that we post additional collateral for our cleared derivative contracts.

We record all derivative gains and losses, including accrued interest, 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 June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Risk management derivatives:				
Swaps:				
Pay-fixed	$ 4,351	$ (2,349)	$ 1,282	$ (4,467)
Receive-fixed	(1,906)	1,639	(59)	3,104
Basis	(44)	8	(12)	43
Foreign currency	16	17	(13)	38
Swaptions:				
Pay-fixed	14	62	105	(37)
Receive-fixed	80	(59)	(79)	(101)
Other	(4)	3	(2)	—
Accrual of periodic settlements:				
Pay-fixed interest-rate swaps	(904)	(913)	(1,835)	(1,816)
Receive-fixed interest-rate swaps	695	642	1,387	1,333
Other	10	14	20	27
Total risk management derivatives fair value gains (losses), net	$ 2,308	$ (936)	$ 794	$ (1,876)
Mortgage commitment derivatives fair value gains (losses), net	173	(310)	(66)	(655)
Total derivatives fair value gains (losses), net	$ 2,481	$ (1,246)	$ 728	$ (2,531)

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 14, Netting Arrangements" for information on our rights to offset assets and liabilities.

10. Earnings (Loss) Per Share

The calculation of income available to common stockholders and earnings per share is based on the underlying premise that all income after payment of dividends on preferred shares is available to and will be distributed to common stockholders. However, as a result of our conservatorship status and the terms of the senior preferred stock, no amounts are available to distribute as dividends to common or preferred stockholders (other than to Treasury as holder of the senior preferred stock).

The following table displays the computation of basic and diluted earnings (loss) per share of common stock.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars and shares in millions, except per share amounts)			
Net income	$ 4,640	$ 3,667	$ 6,528	$ 8,992
Less: Net income attributable to noncontrolling interest	—	(1)	—	(1)
Net income attributable to Fannie Mae	4,640	3,666	6,528	8,991
Dividends distributed or available for distribution to senior preferred stockholder[1]	(4,359)	(3,712)	(6,155)	(9,404)
Net income (loss) attributable to common stockholders	$ 281	$ (46)	$ 373	$ (413)
Weighted-average common shares outstanding—Basic[2]	5,762	5,762	5,762	5,762
Convertible preferred stock	131	—	131	—
Weighted-average common shares outstanding—Diluted[2]	5,893	5,762	5,893	5,762
Earnings (loss) per share:				
Basic	$ 0.05	$ (0.01)	$ 0.06	$ (0.07)
Diluted	0.05	(0.01)	0.06	(0.07)

(1) Dividends distributed or available for distribution for the three months ended June 30, 2015 and 2014 (relating to the dividend periods for the three months ended September 30, 2015 and 2014) were calculated based on our net worth as of June 30, 2015 and 2014, respectively, less the applicable capital reserve. For the six months ended June 30, 2015 and 2014, we add dividends paid related to the dividend periods for the three months ended June 30, 2015 and 2014, respectively, to these amounts.

(2) Includes 4.6 billion of weighted average shares of common stock that would be issued upon the full exercise of the warrant issued to Treasury from the date the warrant was issued through June 30, 2015 and 2014.

11. Segment Reporting

Our three reportable segments are: Single-Family, Multifamily and Capital Markets. We use these three segments to generate revenue and manage business risk, and each segment is based on the type of business activities it performs. Under our segment reporting, the sum of the results for our three business segments does not equal our condensed consolidated statements of operations and comprehensive income, as we separate the activity related to our consolidated trusts from the results generated by our three segments. Our business segment financial results include directly attributable revenues and expenses. Additionally, we allocate to each of our segments: (1) capital using FHFA minimum capital requirements adjusted for over- or under-capitalization; (2) indirect administrative costs; and (3) a provision or benefit for federal income taxes. In addition, we allocate intracompany guaranty fee income as a charge from the Single-Family and Multifamily segments to Capital Markets for managing the credit risk on mortgage loans held by the Capital Markets group. We also include an eliminations/adjustments category to reconcile our business segment financial results and the activity related to our consolidated trusts to net income in our condensed consolidated statements of operations and comprehensive income.

The following tables display our business segment financial results.

	For the Three Months Ended June 30, 2015					
	Business Segments			Other Activity/Reconciling Items		
	Single-Family	Multifamily	Capital Markets	Consolidated Trusts[1]	Eliminations/ Adjustments[2]	Total Results
	(Dollars in millions)					
Net interest income (loss)	$ 18	$ (26)	$ 1,513	$ 3,922	$ 250 [3]	$ 5,677
(Provision) benefit for credit losses	(1,056)	23	—	—	—	(1,033)
Net interest (loss) income after (provision) benefit for credit losses	(1,038)	(3)	1,513	3,922	250	4,644
Guaranty fee income (expense)[4]	3,092	357	(221)	(2,343) [5]	(848) [5]	37 [5]
Investment (losses) gains, net	(1)	15	1,562	(275)	(787) [6]	514
Fair value gains, net	—	—	2,555	7	44 [7]	2,606
Debt extinguishment (losses) gains, net	—	—	(7)	10	—	3
(Losses) gains from partnership investments[8]	(10)	43	—	—	—	33
Fee and other income (expense)	301	84	150	(90)	74	519
Administrative expenses	(458)	(83)	(148)	—	—	(689)
Foreclosed property expense	(182)	—	—	—	—	(182)
TCCA fees[4]	(397)	—	—	—	—	(397)
Other expenses	(262)	(6)	(4)	—	34	(238)
Income before federal income taxes	1,045	407	5,400	1,231	(1,233)	6,850
Provision for federal income taxes	(419)	(41)	(1,750)	—	—	(2,210)
Net income attributable to Fannie Mae	$ 626	$ 366	$ 3,650	$ 1,231	$ (1,233)	$ 4,640

	For the Six Months Ended June 30, 2015					
	Business Segments			Other Activity/Reconciling Items		
	Single-Family	Multifamily	Capital Markets	Consolidated Trusts[1]	Eliminations/ Adjustments[2]	Total Results
	(Dollars in millions)					
Net interest income (loss)	$ 27	$ (57)	$ 3,115	$ 7,138	$ 521 [3]	$ 10,744
(Provision) benefit for credit losses	(578)	78	—	—	—	(500)
Net interest (loss) income after (provision)benefit for credit losses	(551)	21	3,115	7,138	521	10,244
Guaranty fee income (expense)[4]	6,132	697	(448)	(3,905) [5]	(2,408) [5]	68 [5]
Investment (losses) gains, net	(1)	24	3,071	(477)	(1,761) [6]	856
Fair value (losses) gains, net	(4)	—	585	5	101 [7]	687
Debt extinguishment (losses) gains, net	—	—	(5)	16	—	11
(Losses) gains from partnership investments[8]	(15)	255	—	—	—	240
Fee and other income (expense)	473	135	205	(169)	152	796
Administrative expenses	(942)	(171)	(299)	—	—	(1,412)
Foreclosed property (expense) income	(667)	12	—	—	—	(655)
TCCA fees[4]	(779)	—	—	—	—	(779)
Other expenses	(489)	(13)	(6)	—	60	(448)
Income before federal income taxes	3,157	960	6,218	2,608	(3,335)	9,608
Provision for federal income taxes	(1,000)	(111)	(1,969)	—	—	(3,080)
Net income attributable to Fannie Mae	$ 2,157	$ 849	$ 4,249	$ 2,608	$ (3,335)	$ 6,528

	For the Three Months Ended June 30, 2014					
	Business Segments			Other Activity/Reconciling Items		
	Single-Family	Multifamily	Capital Markets	Consolidated Trusts[1]	Eliminations/ Adjustments[2]	Total Results
	(Dollars in millions)					
Net interest income (loss)	$ 5	$ (21)	$ 1,917	$ 2,739	$ 264 [3]	$ 4,904
Benefit for credit losses	1,603	36	—	—	—	1,639
Net interest income after benefit for credit losses	1,608	15	1,917	2,739	264	6,543
Guaranty fee income (expense)[4]	2,893	317	(241)	(1,452) [5]	(1,476) [5]	41 [5]
Investment (losses) gains, net	(1)	39	1,625	(104)	(1,076) [6]	483
Fair value (losses) gains, net	(2)	—	(1,098)	171	(5) [7]	(934)
Debt extinguishment gains (losses), net	—	—	41	(3)	—	38
Gains from partnership investments[8]	—	34	—	—	1	35
Fee and other income (expense)	181	31	136	(95)	89	342
Administrative expenses	(458)	(75)	(164)	—	—	(697)
Foreclosed property income	178	36	—	—	—	214
TCCA fees[4]	(335)	—	—	—	—	(335)
Other expenses	(237)	(12)	(57)	—	(5)	(311)
Income before federal income taxes	3,827	385	2,159	1,256	(2,208)	5,419
Provision for federal income taxes	(1,133)	(9)	(610)	—	—	(1,752)
Net income	2,694	376	1,549	1,256	(2,208)	3,667
Less: Net income attributable to noncontrolling interest	—	—	—	—	(1)	(1)
Net income attributable to Fannie Mae	$ 2,694	$ 376	$ 1,549	$ 1,256	$ (2,209)	$ 3,666

	For the Six Months Ended June 30, 2014					
	Business Segments			Other Activity/Reconciling Items		
	Single-Family	Multifamily	Capital Markets	Consolidated Trusts[1]	Eliminations/ Adjustments[2]	Total Results
	(Dollars in millions)					
Net interest (loss) income	$ (43)	$ (43)	$ 3,747	$ 5,437	$ 544 [3]	$ 9,642
Benefit for credit losses	2,348	65	—	—	—	2,413
Net interest income after benefit for credit losses	2,305	22	3,747	5,437	544	12,055
Guaranty fee income (expense)[4]	5,763	628	(487)	(2,879) [5]	(2,939) [5]	86 [5]
Investment (losses) gains, net	(1)	42	2,910	(162)	(2,211) [6]	578
Fair value (losses) gains, net	(7)	—	(2,435)	219	99 [7]	(2,124)
Debt extinguishment gains, net	—	—	34	4	—	38
Gains from partnership investments[8]	—	79	—	—	1	80
Fee and other income (expense)	325	55	4,269	(171)	174	4,652
Administrative expenses	(908)	(148)	(313)	—	—	(1,369)
Foreclosed property income	435	41	—	—	—	476
TCCA fees[4]	(657)	—	—	—	—	(657)
Other expenses	(392)	(13)	(65)	—	(17)	(487)
Income before federal income taxes	6,863	706	7,660	2,448	(4,349)	13,328
Provision for federal income taxes	(2,060)	—	(2,276)	—	—	(4,336)
Net income	4,803	706	5,384	2,448	(4,349)	8,992
Less: Net income attributable to noncontrolling interest	—	—	—	—	(1)	(1)
Net income attributable to Fannie Mae	$ 4,803	$ 706	$ 5,384	$ 2,448	$ (4,350)	$ 8,991

(1) Represents activity related to the assets and liabilities of consolidated trusts in our condensed consolidated balance sheets.

(2) Represents the elimination of intercompany transactions occurring between the three business segments and our consolidated trusts, as well as other adjustments to reconcile to our consolidated results.

(3) Represents the amortization expense of cost basis adjustments on securities in the Capital Markets group's retained mortgage portfolio that on a GAAP basis are eliminated.

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

(5) Represents the guaranty fees paid from consolidated trusts to the Single-Family and Multifamily segments. The adjustment to guaranty fee income in the Eliminations/Adjustments column represents the elimination of the amortization of deferred cash fees related to consolidated trusts that were re-established for segment reporting. Total guaranty fee income related to unconsolidated Fannie Mae MBS trusts and other credit enhancement arrangements is included in fee and other income in our condensed consolidated statements of operations and comprehensive income.

(6) Primarily represents the removal of realized gains and losses on sales of Fannie Mae MBS classified as available-for-sale securities that are issued by consolidated trusts and in the Capital Markets group's retained mortgage portfolio. The adjustment also includes the removal of securitization gains (losses) recognized in the Capital Markets segment relating to portfolio securitization transactions that do not qualify for sale accounting under GAAP.

(7) Represents the removal of fair value adjustments on consolidated Fannie Mae MBS classified as trading that are in the Capital Markets group's retained mortgage portfolio.

(8) Gains from partnership investments are included in other expenses in our condensed consolidated statements of operations and comprehensive income.

12. Equity

The following table displays the activity in other comprehensive income ("OCI"), net of tax, by major categories.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Net income	$ 4,640	$ 3,667	$ 6,528	$ 8,992
Other comprehensive (loss) income, net of tax effect:				
Changes in net unrealized gains on AFS securities (net of tax of $44 and $119, respectively, for the three months ended and net of tax of $31 and $303, respectively, for the six months ended)	(81)	221	(57)	561
Reclassification adjustment for OTTI recognized in net income (net of tax of $4 and $8, respectively, for the three months ended and net of tax of $64 and $26, respectively, for the six months ended)	8	15	118	48
Reclassification adjustment for gains on AFS securities included in net income (net of tax of $112 and $104, respectively, for the three months ended and net of tax of $233 and $104, respectively for the six months ended)	(207)	(191)	(432)	(192)
Other	(1)	—	(2)	—
Total other comprehensive (loss) income	(281)	45	(373)	417
Total comprehensive income	$ 4,359	$ 3,712	$ 6,155	$ 9,409

The following table displays our accumulated other comprehensive income ("AOCI") by major categories.

	As of	
	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Net unrealized gains on AFS securities for which we have not recorded OTTI, net of tax	$ 612	$ 592
Net unrealized gains on AFS securities for which we have recorded OTTI, net of tax	1,138	1,529
Prior service cost and actuarial losses, net of amortization, net of tax	(360)	(358)
Other losses	(30)	(30)
Accumulated other comprehensive income	$ 1,360	$ 1,733

The table below displays changes in AOCI, net of tax.

	For the Three Months Ended June 30,						For the Six Months Ended June 30,					
	2015			2014			2015			2014		
	AFS[1]	Other[2]	Total	AFS[1]	Other	Total	AFS[1]	Other[2]	Total	AFS[1]	Other	Total
	(Dollars in millions)											
Beginning balance	$ 2,030	$ (389)	$ 1,641	$ 1,999	$ (424)	$ 1,575	$ 2,121	$ (388)	$ 1,733	$ 1,627	$ (424)	$ 1,203
OCI before reclassifications	(81)	—	(81)	221	—	221	(57)	—	(57)	561	—	561
Amounts reclassified from OCI	(199)	(1)	(200)	(176)	—	(176)	(314)	(2)	(316)	(144)	—	(144)
Net OCI	(280)	(1)	(281)	45	—	45	(371)	(2)	(373)	417	—	417
Ending balance	$ 1,750	$ (390)	$ 1,360	$ 2,044	$ (424)	$ 1,620	$ 1,750	$ (390)	$ 1,360	$ 2,044	$ (424)	$ 1,620

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(1) The amounts reclassified from AOCI represent the gain or loss recognized in earnings due to a sale of an AFS security or the recognition of a net impairment recognized in earnings, which are recorded in “Investments gains, net” in our condensed consolidated statements of operations and comprehensive income.

(2) The amounts reclassified from AOCI represent activity from our defined benefit pension plans, which is recorded in “Salaries and employee benefits” in our condensed consolidated statements of operations and comprehensive income.

13. Concentrations of Credit Risk

Risk Characteristics of our Book of Business

We gauge our performance risk under our guaranty based on the delinquency status of the mortgage loans we hold in our retained mortgage portfolio, or in the case of mortgage-backed securities, the mortgage loans underlying the related securities.

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

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

For single-family and multifamily loans, we use this information, in conjunction with housing market and economic conditions, to structure our pricing and our eligibility and underwriting criteria to reflect the current risk of loans with these 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.

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

	As of					
	June 30, 2015[1]			December 31, 2014[1]		
	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent[2]	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent[2]
Percentage of single-family conventional guaranty book of business[3]	1.22%	0.34%	1.74%	1.27%	0.38%	1.99%
Percentage of single-family conventional loans[4]	1.39	0.38	1.66	1.47	0.43	1.89

	As of			
	June 30, 2015[1]		December 31, 2014[1]	
	Percentage of Single-Family Conventional Guaranty Book of Business[3]	Seriously Delinquent Rate[2]	Percentage of Single-Family Conventional Guaranty Book of Business[3]	Seriously Delinquent Rate[2]
Estimated mark-to-market loan-to-value ratio:				
Greater than 100%	4%	10.55%	5%	10.98%
Geographical distribution:				
California	20	0.62	20	0.70
Florida	6	3.40	6	4.42
Illinois	4	2.03	4	2.36
New Jersey	4	5.35	4	5.78
New York	5	3.84	5	4.17
All other states	61	1.36	61	1.52
Product distribution:				
Alt-A	4	6.96	4	7.77
Vintages:				
2005	3	5.72	3	6.18
2006	3	8.69	3	9.61
2007	4	9.89	4	10.79
2008	2	5.90	2	6.27
All other vintages	88	0.80	88	0.88

(1) Consists of the portion of our single-family conventional guaranty book of business for which we have detailed loan level information, which constituted approximately 99% of our total single-family conventional guaranty book of business as of June 30, 2015 and December 31, 2014.

(2) Consists of single-family conventional loans that were 90 days or more past due or in the foreclosure process as of June 30, 2015 and December 31, 2014.

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

(4) Calculated based on the number of single-family conventional loans that were delinquent divided by the total number of loans in our single-family conventional guaranty book of business.

	As of			
	June 30, 2015[1][2]		December 31, 2014[1][2]	
	30 Days Delinquent	Seriously Delinquent[3]	30 Days Delinquent	Seriously Delinquent[3]
Percentage of multifamily guaranty book of business	0.03%	0.05%	0.04%	0.05%

	As of			
	June 30, 2015[1]		December 31, 2014[1]	
	Percentage of Multifamily Guaranty Book of Business[2]	Percentage Seriously Delinquent[3][4]	Percentage of Multifamily Guaranty Book of Business[2]	Percentage Seriously Delinquent[3][4]
Original LTV ratio:				
Greater than 80%	3%	0.03%	3%	0.31%
Less than or equal to 80%	97	0.05	97	0.04
Current debt service coverage ratio less than 1.0[5]	3	0.59	3	0.83

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(1) Consists of the portion of our multifamily guaranty book of business for which we have detailed loan level information, which constituted approximately 99% of our total multifamily guaranty book of business as of June 30, 2015 and December 31, 2014 excluding loans that have been defeased.

(2) 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.

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

(4) 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 guaranty book of business.

(5) Our estimates of current DSCRs are based on the latest available income information for these properties. Although we use the most recently available results of our multifamily borrowers, there is a lag in reporting, which typically can range from 3 to 6 months but in some cases may be longer.

Other Concentrations

Mortgage Sellers and Servicers. 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 on our behalf. Our mortgage sellers and servicers are also obligated to repurchase loans or foreclosed properties, reimburse us for losses or provide other remedies if the foreclosed property has been sold, under certain circumstances, such as if it is determined that the mortgage loan did not meet our underwriting or eligibility requirements, if loan representations and warranties are violated or if mortgage insurers rescind coverage. However, under our revised representation and warranty framework, we no longer 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. Our five largest single-family mortgage servicers, including their affiliates, serviced approximately 45% of our single-family guaranty book of business as of June 30, 2015, compared with 46% as of December 31, 2014. Our ten largest multifamily mortgage servicers, including their affiliates, serviced approximately 68% of our multifamily guaranty book of business as of June 30, 2015, compared with approximately 67% as of December 31, 2014.

If a significant mortgage seller or servicer counterparty, or a number of mortgage sellers or servicers, fails to meet their obligations to us, it could result in an increase in our credit losses and credit-related expense, and have a material adverse effect on our results of operations, liquidity, financial condition and net worth.

Mortgage Insurers. Mortgage insurance “risk in force” generally represents our maximum potential loss recovery under the applicable mortgage insurance policies. We had total mortgage insurance coverage risk in force of $112.3 billion and $109.6 billion on the single-family mortgage loans in our guaranty book of business as of June 30, 2015 and December 31, 2014, respectively, which represented 4% of our single-family guaranty book of business as of June 30, 2015 and December 31,

2014. Our primary mortgage insurance coverage risk in force was $111.5 billion and $108.7 billion as of June 30, 2015 and December 31, 2014, respectively. Our pool mortgage insurance coverage risk in force was $805 million and $852 million as of June 30, 2015 and December 31, 2014, respectively. Our top four mortgage insurance companies provided 79% of our mortgage insurance as of June 30, 2015 and December 31, 2014, respectively.

Of our largest primary mortgage insurers, PMI Mortgage Insurance Co. ("PMI"), Triad Guaranty Insurance Corporation ("Triad") and Republic Mortgage Insurance Company ("RMIC") are under various forms of supervised control by their state regulators and are in run-off. Entering run-off may close off a source of profits and liquidity that may have otherwise assisted a mortgage insurer in paying claims under insurance policies, and could also cause the quality and speed of its claims processing to deteriorate. These three mortgage insurers provided a combined $11.1 billion, or 10%, of our risk in force mortgage insurance coverage of our single-family guaranty book of business as of June 30, 2015.

In April 2015, PMI increased its cash payments on policyholder claims from 67% to 70%, and subsequently paid sufficient amounts of its outstanding deferred payment obligations to bring payment on those claims to 70%. It is uncertain whether PMI will be permitted in the future to pay any remaining deferred policyholder claims or increase or decrease the amount of cash they pay on claims.

Although the financial condition of our mortgage insurer counterparties currently approved to write new business has improved in recent years, there is still risk that these counterparties may fail to fulfill their obligations to pay our claims under insurance policies. 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 result in an increase in 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 will receive on primary mortgage insurance, as mortgage insurance recoveries would reduce the severity of the loss associated with defaulted loans. We evaluate the financial condition of our mortgage insurer counterparties and adjust the contractually due recovery amounts to ensure that only probable 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 result in an increase in our loss reserves. As of June 30, 2015 and December 31, 2014, the amount by which our estimated benefit from mortgage insurance reduced our total loss reserves as of these dates was $2.7 billion and $4.1 billion, respectively.

We had outstanding receivables of $1.3 billion recorded in "Other assets" in our condensed consolidated balance sheets as of June 30, 2015 and $1.4 billion as of December 31, 2014 related to amounts claimed on insured, defaulted loans excluding government insured loans. Of this amount, $301 million as of June 30, 2015 and $269 million as of December 31, 2014 was due from our mortgage sellers or servicers. We assessed the total outstanding receivables for collectibility, and they are recorded net of a valuation allowance of $809 million as of June 30, 2015 and $799 million as of December 31, 2014. The valuation allowance reduces our claim receivable to the amount which is considered probable of collection as of June 30, 2015 and December 31, 2014.

For information on credit risk associated with our derivative transactions and repurchase agreements refer to "Note 9, Derivative Instruments" and "Note 14, Netting Arrangements."

14. 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 or similar arrangements, and securities sold under agreements to repurchase or similar arrangements, 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 June 30, 2015					
				Amounts Not Offset in the Condensed Consolidated Balance Sheets		
	Gross Amount	Gross Amount Offset[1]	Net Amount Presented in the Condensed Consolidated Balance Sheets	Financial Instruments[2]	Collateral[3]	Net Amount
	(Dollars in millions)					
Assets:						
OTC risk management derivatives	$ 4,355	$ (4,354)	$ 1	$ —	$ —	$ 1
Cleared risk management derivatives	954	304	1,258	—	—	1,258
Mortgage commitment derivatives	433	—	433	(224)	—	209
Total derivative assets	5,742	(4,050)	1,692 [4]	(224)	—	1,468
Securities purchased under agreements to resell or similar arrangements[5]	37,160	—	37,160	—	(37,160)	—
Total assets	$ 42,902	$ (4,050)	$ 38,852	$ (224)	$ (37,160)	$ 1,468
Liabilities:						
OTC risk management derivatives	$ (6,172)	$ 5,754	$ (418)	$ —	$ —	$ (418)
Cleared risk management derivatives	(1,974)	1,974	—	—	—	—
Mortgage commitment derivatives	(392)	—	(392)	224	—	(168)
Total derivative liabilities	(8,538)	7,728	(810) [4]	224	—	(586)
Total liabilities	$ (8,538)	$ 7,728	$ (810)	$ 224	$ —	$ (586)

	As of December 31, 2014					
				Amounts Not Offset in the Condensed Consolidated Balance Sheets		
	Gross Amount	Gross Amount Offset(1)	Net Amount Presented in the Condensed Consolidated Balance Sheets	Financial Instruments(2)	Collateral(3)	Net Amount
	(Dollars in millions)					
Assets:						
OTC risk management derivatives	$ 5,461	$ (5,428)	$ 33	$ —	$ (33)	$ —
Cleared risk management derivatives	927	242	1,169	—	—	1,169
Mortgage commitment derivatives	255	—	255	(116)	(7)	132
Total derivative assets	6,643	(5,186)	1,457 (4)	(116)	(40)	1,301
Securities purchased under agreements to resell or similar arrangements(5)	47,550	—	47,550	—	(47,550)	—
Total assets	$ 54,193	$ (5,186)	$ 49,007	$ (116)	$ (47,590)	$ 1,301
Liabilities:						
OTC risk management derivatives	$ (7,836)	$ 7,567	$ (269)	$ —	$ —	$ (269)
Cleared risk management derivatives	(2,627)	2,627	—	—	—	—
Mortgage commitment derivatives	(344)	—	(344)	116	—	(228)
Total derivative liabilities	(10,807)	10,194	(613) (4)	116	—	(497)
Securities sold under agreements to repurchase or similar arrangements	(50)	—	(50)	—	50	—
Total liabilities	$ (10,857)	$ 10,194	$ (663)	$ 116	$ 50	$ (497)

(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 posted or received that has neither been recognized nor offset in our condensed consolidated balance sheets. Does not include collateral held in excess of our exposure. The fair value of non-cash collateral accepted for OTC risk management derivatives was $18 million and $51 million as of June 30, 2015 and December 31, 2014, respectively. The fair value of non-cash collateral accepted for securities purchased under agreements to resell or similar arrangements was $37.2 billion and $47.6 billion, of which $34.9 billion and $41.9 billion could be sold or repledged as of June 30, 2015 and December 31, 2014, respectively. None of the underlying collateral was sold or repledged as of June 30, 2015 or December 31, 2014. The fair value of non-cash collateral we pledged for securities sold under agreements to repurchase was $50 million as of December 31, 2014, which the counterparty was permitted to sell or repledge.

(4) Excludes derivative assets of $26 million and $28 million as of June 30, 2015 and December 31, 2014, respectively, and derivative liabilities of $1 million as of June 30, 2015 and December 31, 2014, recognized in our condensed consolidated balance sheets that are not subject to enforceable master netting arrangements.

(5) Includes $15.2 billion and $16.6 billion of securities purchased under agreements to resell or similar arrangements classified as "Cash and cash equivalents" in our condensed consolidated balance sheets as of June 30, 2015 and December 31, 2014, respectively.

Derivative instruments are recorded at fair value and securities purchased under agreements to resell or similar arrangements are recorded at amortized cost in our condensed consolidated balance sheets.

We determine our rights to offset the assets and liabilities presented above with the same counterparty, including collateral posted or received, based on the contractual arrangements entered into with our individual counterparties and various rules and regulations that would govern the insolvency of a derivative counterparty. The following is a description, under various agreements, of the nature of those rights and their effect or potential effect on our financial position.

The terms of the majority of our contracts for OTC risk management derivatives are governed under master agreements of the International Swaps and Derivatives Association Inc. ("ISDA"). These agreements provide that all transactions entered into under the agreement with the counterparty constitute a single contractual relationship. An event of default by the counterparty allows the early termination of all outstanding transactions under the same ISDA agreement and we may offset all outstanding amounts related to the terminated transactions including collateral posted or received.

The terms of our contracts for cleared derivatives are governed under the rules of the clearing organization and the agreement between us and the clearing member of that clearing organization. In the event of a clearing organization default, all open positions at the clearing organization are closed and a net position (on a clearing member by clearing member basis) is calculated. Unless otherwise transferred, in the event of a clearing member default, all open positions cleared through that clearing member are closed and a net position is calculated.

The terms of our contracts for mortgage commitment derivatives are primarily governed by the Fannie Mae Single-Family Selling Guide ("Guide"), for Fannie Mae-approved lenders, or Master Securities Forward Transaction Agreements ("MSFTA"), for counterparties that are not Fannie Mae-approved lenders. In the event of default by the counterparty, both the Guide and the MSFTA allow us to terminate all outstanding transactions under the applicable agreement and offset all outstanding amounts related to the terminated transactions including collateral posted or received. In addition, under the Guide, upon a lender event of default, we generally may offset any amounts owed to a lender against any amounts a lender may owe us under any other existing agreement, regardless of whether or not such other agreements are in default or payments are immediately due.

The terms of our contracts for securities purchased under agreements to resell and securities sold under agreements to repurchase are governed by Master Repurchase Agreements, which are based on the guidelines prescribed by the Securities Industry and Financial Markets Association. Master Repurchase Agreements provide that all transactions under the agreement constitute a single contractual relationship. An event of default by the counterparty allows the early termination of all outstanding transactions under the same agreement and we may offset all outstanding amounts related to the terminated transactions including collateral posted or received.

We also have securities purchased under agreements to resell which we transact through the Fixed Income Clearing Corporation ("FICC"). Under the rules of the FICC, all agreements for securities purchased under agreements to resell that are submitted to the FICC for clearing become transactions with the FICC that are subject to FICC clearing rules. In the event of a FICC default, all open positions at the FICC are closed and a net position is calculated.

15. 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 fair value 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.

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 June 30, 2015				
	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 securities:					
Fannie Mae	$ —	$ 5,079	$ —	$ —	$ 5,079
Freddie Mac	—	1,537	—	—	1,537
Ginnie Mae	—	239	—	—	239
Alt-A private-label securities	—	150	325	—	475
Subprime private-label securities	—	—	718	—	718
CMBS	—	2,424	—	—	2,424
Mortgage revenue bonds	—	—	602	—	602
Non-mortgage-related securities:					
U.S. Treasury securities	23,790	—	—	—	23,790
Total trading securities	23,790	9,429	1,645	—	34,864
Available-for-sale securities:					
Mortgage-related securities:					
Fannie Mae	—	4,509	129	—	4,638
Freddie Mac	—	4,943	4	—	4,947
Ginnie Mae	—	435	—	—	435
Alt-A private-label securities	—	1,976	1,654	—	3,630
Subprime private-label securities	—	—	3,837	—	3,837
CMBS	—	1,344	—	—	1,344
Mortgage revenue bonds	—	—	3,171	—	3,171
Other	—	1	2,158	—	2,159
Total available-for-sale securities	—	13,208	10,953	—	24,161
Mortgage loans of consolidated trusts	—	13,386	1,595	—	14,981
Other assets:					
Risk management derivatives:					
Swaps	—	5,134	122	—	5,256
Swaptions	—	53	—	—	53
Other	—	—	26	—	26
Netting adjustment	—	—	—	(4,050)	(4,050)
Mortgage commitment derivatives	—	432	1	—	433
Total other assets	—	5,619	149	(4,050)	1,718
Total assets at fair value	$ 23,790	$ 41,642	$ 14,342	$ (4,050)	$ 75,724

	Fair Value Measurements as of June 30, 2015				
	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)				
Liabilities:					
Long-term debt:					
Of Fannie Mae:					
Senior floating	$ —	$ 8,515	$ 346	$ —	$ 8,861
Total of Fannie Mae	—	8,515	346	—	8,861
Of consolidated trusts	—	22,392	493	—	22,885
Total long-term debt	—	30,907	839	—	31,746
Other liabilities:					
Risk management derivatives:					
Swaps	—	7,692	120	—	7,812
Swaptions	—	334	—	—	334
Other	—	—	1	—	1
Netting adjustment	—	—	—	(7,728)	(7,728)
Mortgage commitment derivatives	—	368	24	—	392
Total other liabilities	—	8,394	145	(7,728)	811
Total liabilities at fair value	$ —	$ 39,301	$ 984	$ (7,728)	$ 32,557

	Fair Value Measurements as of December 31, 2014				
	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)				
Assets:					
Trading securities:					
Mortgage-related securities:					
Fannie Mae	$ —	$ 4,635	$ 305	$ —	$ 4,940
Freddie Mac	—	1,369	—	—	1,369
Ginnie Mae	—	166	—	—	166
Alt-A private-label securities	—	323	597	—	920
Subprime private-label securities	—	—	1,307	—	1,307
CMBS	—	2,515	—	—	2,515
Mortgage revenue bonds	—	—	722	—	722
Other	—	—	99	—	99
Non-mortgage-related securities:					
U.S. Treasury securities	19,466	—	—	—	19,466
Total trading securities	19,466	9,008	3,030	—	31,504
Available-for-sale securities:					
Mortgage-related securities:					
Fannie Mae	—	5,639	—	—	5,639
Freddie Mac	—	5,522	6	—	5,528
Ginnie Mae	—	476	—	—	476
Alt-A private-label securities	—	2,538	3,140	—	5,678
Subprime private-label securities	—	—	5,240	—	5,240
CMBS	—	1,397	—	—	1,397
Mortgage revenue bonds	—	—	4,023	—	4,023
Other	—	2	2,671	—	2,673
Total available-for-sale securities	—	15,574	15,080	—	30,654
Mortgage loans of consolidated trusts	—	13,796	1,833	—	15,629
Other assets:					
Risk management derivatives:					
Swaps	—	6,085	150	—	6,235
Swaptions	—	153	—	—	153
Other	—	—	28	—	28
Netting adjustment	—	—	—	(5,186)	(5,186)
Mortgage commitment derivatives	—	251	4	—	255
Total other assets	—	6,489	182	(5,186)	1,485
Total assets at fair value	$ 19,466	$ 44,867	$ 20,125	$ (5,186)	$ 79,272

	Fair Value Measurements as of December 31, 2014				
	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)				
Liabilities:					
Long-term debt:					
Of Fannie Mae:					
Senior floating	$ —	$ 6,040	$ 363	$ —	$ 6,403
Total of Fannie Mae	—	6,040	363	—	6,403
Of consolidated trusts	—	18,956	527	—	19,483
Total long-term debt	—	24,996	890	—	25,886
Other liabilities:					
Risk management derivatives:					
Swaps	—	9,339	133	—	9,472
Swaptions	—	991	—	—	991
Other	—	—	1	—	1
Netting adjustment	—	—	—	(10,194)	(10,194)
Mortgage commitment derivatives	—	341	3	—	344
Total other liabilities	—	10,671	137	(10,194)	614
Total liabilities at fair value	$ —	$ 35,667	$ 1,027	$ (10,194)	$ 26,500

(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.

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. When assets and liabilities are transferred between levels, we recognize the transfer as of the end of the period.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

For the Three Months Ended June 30, 2015

	Balance, March 31, 2015	Total Gains or (Losses) (Realized/Unrealized) Included in Net Income	Total Gains or (Losses) (Realized/Unrealized) Included in Other Comprehensive Income[1]	Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3[4]	Transfers into Level 3[4]	Balance, June 30, 2015	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2015[5][6]
	(Dollars in millions)										
Trading securities:											
Mortgage-related:											
Fannie Mae	$ 2	$ —	$ —	$ —	$ (2)	$ —	$ —	$ —	$ —	$ —	$ —
Alt-A private-label securities	572	36	—	—	(267)	—	(16)	—	—	325	45
Subprime private-label securities	876	42	—	—	(182)	—	(18)	—	—	718	97
Mortgage revenue bonds	742	(33)	—	—	(106)	—	(1)	—	—	602	(36)
Other	94	6	—	—	(100)	—	—	—	—	—	20
Total trading securities	$ 2,286	$ 51 (6)(7)	$ —	$ —	$ (657)	$ —	$ (35)	$ —	$ —	$ 1,645	$ 126
Available-for-sale securities:											
Mortgage-related:											
Fannie Mae	$ 205	$ —	$ —	$ 182	$ (269)	$ —	$ —	$ —	$ 11	$ 129	$ —
Freddie Mac	5	—	—	—	—	—	(1)	—	—	4	—
Alt-A private-label securities	2,486	71	(38)	—	(552)	—	(85)	(228)	—	1,654	—
Subprime private-label securities	4,608	265	(131)	—	(760)	—	(145)	—	—	3,837	—
Mortgage revenue bonds	3,560	17	(79)	—	(154)	—	(173)	—	—	3,171	—
Other	2,607	45	(55)	—	(368)	—	(71)	—	—	2,158	—
Total available-for-sale securities	$ 13,471	$ 398 (7)(8)	$ (303)	$ 182	$ (2,103)	$ —	$ (475)	$ (228)	$ 11	$ 10,953	$ —
Mortgage loans of consolidated trusts	$ 1,810	$ 4 (6)(7)	$ —	$ 2	$ —	$ —	$ (99)	$ (197)	$ 75	$ 1,595	$ (6)
Net derivatives	66	(126) (6)	—	—	—	—	64	—	—	4	(40)
Long-term debt:											
Of Fannie Mae:											
Senior floating	$ (391)	$ 45	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (346)	$ 44
Of consolidated trusts	(547)	5	—	—	—	—	16	59	(26)	(493)	8
Total long-term debt	$ (938)	$ 50 (6)	$ —	$ —	$ —	$ —	$ 16	$ 59	$ (26)	$ (839)	$ 52

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

For the Six Months Ended June 30, 2015

	Balance, December 31, 2014	Total (Losses) or Gains (Realized/Unrealized)		Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3[4]	Transfers into Level 3[4]	Balance, June 30, 2015	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2015[5][6]
		Included in Net Income	Included in Other Comprehensive Income[1]								
	(Dollars in millions)										
Trading securities:											
Mortgage-related:											
Fannie Mae	$ 305	$ (27)	$ —	$ —	$ (2)	$ —	$ —	$ (278)	$ 2	$ —	$ —
Alt-A private-label securities	597	44	—	—	(267)	—	(33)	(44)	28	325	51
Subprime private-label securities	1,307	43	—	—	(580)	—	(52)	—	—	718	99
Mortgage revenue bonds	722	2	—	—	(118)	—	(4)	—	—	602	(1)
Other	99	4	—	—	(100)	—	(3)	—	—	—	19
Total trading securities	$ 3,030	$ 66[6][7]	$ —	$ —	$ (1,067)	$ —	$ (92)	$ (322)	$ 30	$ 1,645	$ 168
Available-for-sale securities:											
Mortgage-related:											
Fannie Mae	$ —	$ —	$ —	$ 421	$ (303)	$ —	$ —	$ —	$ 11	$ 129	$ —
Freddie Mac	6	—	—	—	—	—	(1)	(1)	—	4	—
Alt-A private-label securities	3,140	172	(116)	—	(1,108)	—	(209)	(538)	313	1,654	—
Subprime private-label securities	5,240	445	(232)	—	(1,325)	—	(291)	—	—	3,837	—
Mortgage revenue bonds	4,023	40	(27)	—	(316)	—	(549)	—	—	3,171	—
Other	2,671	(93)	85	—	(368)	—	(137)	—	—	2,158	—
Total available-for-sale securities	$ 15,080	$ 564[7][8]	$ (290)	$ 421	$ (3,420)	$ —	$ (1,187)	$ (539)	$ 324	$ 10,953	$ —
Mortgage loans of consolidated trusts	$ 1,833	$ 38[6][7]	$ —	$ 5	$ —	$ —	$ (176)	$ (254)	$ 149	$ 1,595	$ 5
Net derivatives	45	(99)[6]	—	—	—	—	58	—	—	4	(23)
Long-term debt:											
Of Fannie Mae:											
Senior floating	$ (363)	$ 17	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (346)	$ 16
Of consolidated trusts	(527)	(8)	—	—	—	—	25	109	(92)	(493)	(4)
Total long-term debt	$ (890)	$ 9[6]	$ —	$ —	$ —	$ —	$ 25	$ 109	$ (92)	$ (839)	$ 12

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

For the Three Months Ended June 30, 2014

	Balance, March 31, 2014	Total Gains or (Losses) (Realized/Unrealized)		Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3[4]	Transfers into Level 3[4]		Balance, June 30, 2014	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2014[5][6]
		Included in Net Income	Included in Other Comprehensive Income[1]									
	(Dollars in millions)											
Trading securities:												
Mortgage-related:												
Alt-A private-label securities	$ 655	$ 84	$ —	$ —	$ (23)	$ —	$ (22)	$ (67)	$ 16		$ 643	$ 84
Subprime private-label securities	1,453	103	—	—	(241)	—	(33)	—	—		1,282	204
Mortgage revenue bonds	601	44	—	—	—	—	(2)	—	—		643	44
Other	102	4	—	—	—	—	(5)	—	—		101	4
Total trading securities	$ 2,811	$ 235 (6)(7)	$ —	$ —	$ (264)	$ —	$ (62)	$ (67)	$ 16		$ 2,669	$ 336
Available-for-sale securities:												
Mortgage-related:												
Fannie Mae	$ 5	$ —	$ —	$ —	$ —	$ —	$ (1)	$ (4)	$ 2		$ 2	$ —
Freddie Mac	8	—	—	—	—	—	—	—	1		9	—
Alt-A private-label securities	3,570	103	(24)	—	(320)	—	(111)	(265)	764		3,717	—
Subprime private-label securities	7,030	268	(38)	—	(1,349)	—	(206)	—	—	6,965	5,705	—
Mortgage revenue bonds	5,006	(7)	87	—	(39)	—	(487)	—	—		4,560	—
Other	2,844	3	54	—	—	—	(84)	—	—		2,817	—
Total available-for-sale securities	$ 18,463	$ 367 (7)(8)	$ 79	$ —	$ (1,708)	$ —	$ (889)	$ (269)	$ 767		$ 16,810	$ —
Mortgage loans of consolidated trusts	$ 2,608	$ 102 (6)(7)	$ —	$ 7	$ —	$ —	$ (85)	$ (165)	$ 64		$ 2,531	$ 86
Net derivatives	(23)	47 (6)	—	—	—	—	(4)	—	—		20	41 41
Long-term debt:												
Of Fannie Mae:												
Senior floating	$ (310)	$ (15)	$ —	$ —	$ —	$ —	$ —	$ —	$ —		$ (325)	$ (15)
Of consolidated trusts	(506)	(33)	—	—	—	(1)	17	47	(22)		(498)	(31)
Total long-term debt	$ (816)	$ (48) (6)	$ —	$ —	$ —	$ (1)	$ 17	$ 47	$ (22)		$ (823)	$ (46)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

For the Six Months Ended June 30, 2014

	Balance, December 31, 2013	Total (Losses) or Gains (Realized/Unrealized)		Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3[4]	Transfers into Level 3[4]	Balance, June 30, 2014	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2014[5][6]
		Included in Net Income	Included in Other Comprehensive Income[1]								
	(Dollars in millions)										
Trading securities:											
Mortgage-related:											
Fannie Mae	$ 42	$ (1)	$ —	$ —	$ —	$ —	$ (2)	$ (39)	$ —	$ —	$ —
Freddie Mac	2	—	—	—	—	—	—	(2)	—	—	—
Alt-A private-label securities	618	103	—	—	(23)	—	(38)	(143)	126	643	101
Subprime private-label securities	1,448	179	—	—	(241)	—	(104)	—	—	1,282	280
Mortgage revenue bonds	565	84	—	—	—	—	(6)	—	—	643	84
Other	99	9	—	—	—	—	(7)	—	—	101	9
Total trading securities	$ 2,774	$ 374 [6][7]	$ —	$ —	$ (264)	$ —	$ (157)	$ (184)	$ 126	$ 2,669	$ 474
Available-for-sale securities:											
Mortgage-related:											
Fannie Mae	$ 7	$ —	$ —	$ —	$ —	$ —	$ (1)	$ (6)	$ 2	$ 2	$ —
Freddie Mac	8	—	—	—	—	—	—	—	1	9	—
Alt-A private-label securities	3,791	116	49	—	(320)	—	(199)	(874)	1,154	3,717	—
Subprime private-label securities	7,068	301	181	—	(1,349)	—	(496)	—	—	5,705	—
Mortgage revenue bonds	5,253	(27)	280	—	(58)	—	(888)	—	—	4,560	—
Other	2,885	6	95	—	—	—	(169)	—	—	2,817	—
Total available-for-sale securities	$ 19,012	$ 396 [7][8]	$ 605	$ —	$ (1,727)	$ —	$ (1,753)	$ (880)	$ 1,157	$ 16,810	$ —
Mortgage loans of consolidated trusts	$ 2,704	$ 127 [6][7]	$ —	$ 31	$ —	$ —	$ (166)	$ (313)	$ 148	$ 2,531	$ 94
Net derivatives	(40)	77 [6]	—	—	—	—	(16)	(1)	—	20	54
Long-term debt:											
Of Fannie Mae:											
Senior floating	$ (955)	$ (105)	$ —	$ —	$ —	$ (750)	$ 20	$ 1,465	$ —	$ (325)	$ (59)
Of consolidated trusts	(518)	(34)	—	—	—	(1)	35	66	(46)	(498)	(32)
Total long-term debt	$ (1,473)	$ (139) [6]	$ —	$ —	$ —	$ (751)	$ 55	$ 1,531	$ (46)	$ (823)	$ (91)

(1) Gains (losses) included in other comprehensive income are included in "Changes in unrealized gains on AFS securities, net of reclassification adjustments and taxes" in the 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) Transfers out of Level 3 consisted primarily of private-label mortgage-related securities backed by Alt-A loans and credit risk sharing securities issued under our CAS series. Prices for these securities were obtained from multiple third-party vendors or dealers. Transfers out of Level 3 also occurred for mortgage loans of consolidated trusts for which unobservable inputs used in valuations became less significant. Transfers into Level 3 consisted primarily of private-label mortgage-related securities backed by Alt-A loans. Prices for these securities are based on inputs from a single source or inputs that were not readily observable.

(5) Amount represents temporary changes in fair value. Amortization, accretion and OTTI are not considered unrealized and are not included in this amount.

(6) Gains (losses) are included in "Fair value gains (losses), net" in our condensed consolidated statements of operations and comprehensive income.

(7) Gains (losses) are included in “Net interest income” in our condensed consolidated statements of operations and comprehensive income.

(8) Gains (losses) are included in “Investment gains, 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.

	Fair Value Measurements as of June 30, 2015				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1]
	(Dollars in millions)				
Recurring fair value measurements:					
Trading securities:					
Mortgage-related securities:					
Alt-A private-label securities[2]	$ 325	Discounted Cash Flow	Default Rate (%)	1.8 - 2.8	2.4
			Prepayment Speed (%)	3.5 - 4.0	3.6
			Severity (%)	50.0 - 95.0	80.7
			Spreads (bps)	149.7 - 179.8	173.3
Total Alt-A private-label securities	325				
Subprime private-label securities[2]	122	Single Vendor	Default Rate (%)	3.3 - 5.8	4.6
			Prepayment Speed (%)	2.1 - 5.3	3.2
			Severity (%)	64.6 - 90.0	79.0
			Spreads (bps)	192.9 - 250.0	230.5
	391	Consensus	Default Rate (%)	4.9 - 7.3	6.8
			Prepayment Speed (%)	1.7 - 4.0	2.3
			Severity (%)	62.1 - 95.0	73.1
			Spreads (bps)	148.5 - 250.0	238.3
	125	Discounted Cash Flow	Default Rate (%)	4.4	4.4
			Prepayment Speed (%)	2.0	2.0
			Severity (%)	65.0	65.0
			Spreads (bps)	139.2	139.2
	80	Other			
Total subprime private-label securities	718				
Mortgage revenue bonds	583	Discounted Cash Flow	Spreads (bps)	47.4 - 331.5	221.4
	19	Other			
Total mortgage revenue bonds	602				
Total trading securities	$ 1,645				

	Fair Value Measurements as of June 30, 2015				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1]
			(Dollars in millions)		
Available-for-sale securities:					
Mortgage-related securities:					
Agency[3]	$ 129	Other	Spreads (bps)	76.0 - 359.0	120.7
	4	Other			
Total Agency	133				
Alt-A private-label securities[2]	1,059	Consensus	Default Rate (%)	0.0 - 8.1	2.5
			Prepayment Speed (%)	2.5 - 70.2	12.4
			Severity (%)	1.6 - 95.0	71.4
			Spreads (bps)	133.1 - 225.0	213.8
	304	Consensus			
	291	Other			
Total Alt-A private-label securities	1,654				
Subprime private-label securities [2]	571	Single Vendor	Default Rate (%)	2.3 - 12.8	7.3
			Prepayment Speed (%)	1.0 - 9.9	2.7
			Severity (%)	66.8 - 95.0	86.4
			Spreads (bps)	157.5 - 240.0	206.9
	2,464	Consensus	Default Rate (%)	1.0 - 14.9	6.3
			Prepayment Speed (%)	0.2 - 17.2	3.4
			Severity (%)	17.9 - 95.0	81.2
			Spreads (bps)	151.9 - 261.4	230.6
	537	Consensus			
	265	Other			
Total subprime private-label securities	3,837				
Mortgage revenue bonds	1,163	Single Vendor	Spreads (bps)	12.0 - 329.9	75.9
	275	Single Vendor			
	278	Dealer Mark			
	1,407	Discounted Cash Flow	Spreads (bps)	12.0 - 383.9	232.6
	48	Other			
Total mortgage revenue bonds	3,171				
Other	853	Consensus	Default Rate (%)	0.0 - 9.5	3.8
			Prepayment Speed (%)	3.0 - 14.0	4.4
			Severity (%)	0.0 - 95.0	60.3
			Spreads (bps)	150.0 - 481.3	306.5
	443	Dealer Mark	Default Rate (%)	4.0	4.0
			Prepayment Speed (%)	3.0	3.0
			Severity (%)	85.0	85.0
			Spreads (bps)	246.5 - 464.4	292.2
	594	Discounted Cash Flow	Default Rate (%)	0.0 - 5.0	0.0
			Prepayment Speed (%)	0.0 - 14.0	0.0
			Severity (%)	0.0 - 100.0	1.1
			Spreads (bps)	225.0 - 770.0	333.2
	268	Other			
Total other	2,158				
Total available-for-sale securities	$ 10,953				

	Fair Value Measurements as of June 30, 2015				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1]
			(Dollars in millions)		
Mortgage loans of consolidated trusts:					
Single-family	$ 861	Build-Up	Default Rate (%)	0.0 - 99.7	15.7
			Prepayment Speed (%)	2.9 - 99.7	15.4
			Severity (%)	0.0 - 100.0	24.4
	369	Consensus			
	152	Discounted Cash Flow	Default Rate (%)	2.6 - 12.0	5.7
			Prepayment Speed (%)	4.0 - 10.0	8.3
			Severity (%)	62.5 - 87.5	78.1
			Spreads (bps)	130.0 - 695.0	209.5
	51	Other			
Total single-family	1,433				
Multifamily	162	Build-Up	Spreads (bps)	53.0 - 302.2	130.2
Total mortgage loans of consolidated trusts	$ 1,595				
Net derivatives	$ (95)	Internal Model			
	122	Dealer Mark			
	(23)	Other			
Total net derivatives	$ 4				
Long-term debt:					
Of Fannie Mae:					
Senior floating	$ (346)	Discounted Cash Flow			
Of consolidated trusts[4]	(284)	Consensus			
	(113)	Discounted Cash Flow	Default Rate (%)	2.6 - 12.0	4.6
			Prepayment Speed (%)	4.0 - 100.0	33.8
			Severity (%)	62.5 - 95.0	76.8
			Spreads (bps)	103.1 - 695.0	206.4
	(96)	Other			
Total of consolidated trusts	(493)				
Total long-term debt	$ (839)				

	Fair Value Measurements as of December 31, 2014				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1]
	(Dollars in millions)				
Recurring fair value measurements:					
Trading securities:					
Mortgage-related securities:					
Agency[3][4]	$ 153	Single Vendor	Prepayment Speed (%)	100.0	100.0
			Spreads (bps)	256.5 - 350.8	293.4
	130	Consensus	Prepayment Speed (%)	100.0	100.0
			Spreads (bps)	184.6 - 219.5	197.5
	22	Other			
Total Agency	305				
Alt-A private-label securities[2]	290	Single Vendor	Default Rate (%)	8.3 - 9.1	8.5
			Prepayment Speed (%)	2.9 - 3.2	3.1
			Severity (%)	79.5 - 95.0	90.4
			Spreads (bps)	267.2 - 308.2	279.4
	66	Consensus	Default Rate (%)	5.4	5.4
			Prepayment Speed (%)	7.0	7.0
			Severity (%)	48.8	48.8
			Spreads (bps)	264.8	264.8
	151	Consensus			
	90	Other			
Total Alt-A private-label securities	597				
Subprime private-label securities[2]	422	Consensus	Default Rate (%)	3.5 - 11.8	7.2
			Prepayment Speed (%)	1.4 - 5.2	2.8
			Severity (%)	72.1 - 95.0	85.9
			Spreads (bps)	265.0	265.0
	549	Consensus			
	290	Discounted Cash Flow	Default Rate (%)	4.3 - 6.2	5.2
			Prepayment Speed (%)	2.3 - 4.2	3.3
			Severity (%)	62.2 - 95.0	73.8
			Spreads (bps)	265.0 - 382.1	283.7
	46	Other			
Total subprime private-label securities	1,307				
Mortgage revenue bonds	161	Dealer Mark	Spreads (bps)	288.1	288.1
	540	Discounted Cash Flow	Spreads (bps)	6.0 - 318.0	263.0
	21	Other			
Total mortgage revenue bonds	722				
Other	99	Dealer Mark			
Total trading securities	$ 3,030				

	Fair Value Measurements as of December 31, 2014				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1]
	(Dollars in millions)				
Available-for-sale securities:					
Mortgage-related securities:					
Agency[3]	$ 6	Other			
Alt-A private-label securities[2]	322	Single Vendor	Default Rate (%)	0.2 - 13.1	4.6
			Prepayment Speed (%)	0.2 - 20.5	8.2
			Severity (%)	27.8 - 89.7	61.0
			Spreads (bps)	190.0 - 315.0	264.9
	493	Single Vendor			
	1,187	Consensus	Default Rate (%)	0.4 - 31.2	5.1
			Prepayment Speed (%)	0.1 - 48.9	11.0
			Severity (%)	0.2 - 95.0	59.6
			Spreads (bps)	183.8 - 240.0	236.7
	691	Consensus			
	403	Discounted Cash Flow	Default Rate (%)	5.0 - 11.5	7.0
			Prepayment Speed (%)	0.5 - 8.4	3.4
			Severity (%)	35.1 - 92.4	54.2
			Spreads (bps)	188.0 - 340.0	243.4
	44	Other			
Total Alt-A private-label securities	3,140				
Subprime private-label securities[2]	383	Single Vendor	Default Rate (%)	2.1 - 8.3	5.5
			Prepayment Speed (%)	1.5 - 3.3	2.1
			Severity (%)	65.4 - 95.0	78.5
			Spreads (bps)	215.0 - 262.0	230.0
	2,722	Consensus	Default Rate (%)	1.5 - 37.4	6.3
			Prepayment Speed (%)	0.1 - 17.7	2.6
			Severity (%)	1.5 - 95.0	84.4
			Spreads (bps)	155.0 - 265.0	220.0
	1,755	Consensus			
	317	Discounted Cash Flow	Default Rate (%)	3.0 - 12.3	7.0
			Prepayment Speed (%)	1.1 - 9.0	4.1
			Severity (%)	28.9 - 91.8	81.2
			Spreads (bps)	155.0 - 895.0	250.5
	63	Other			
Total subprime private-label securities	5,240				
Mortgage revenue bonds	1,504	Single Vendor	Spreads (bps)	(11.5) - 361.5	52.7
	418	Single Vendor			
	510	Dealer Mark	Spreads (bps)	222.8 - 322.1	265.9
	1,581	Discounted Cash Flow	Spreads (bps)	(11.5) - 620.2	251.4
	10	Other			
Total mortgage revenue bonds	4,023				
Other	337	Single Vendor	Default Rate (%)	1.7 - 5.0	4.4
			Prepayment Speed (%)	3.0 - 9.3	3.8
			Severity (%)	4.0 - 94.6	69.6
			Spreads (bps)	263.1 - 427.2	291.5
	720	Consensus	Default Rate (%)	0.1 - 6.6	3.9
			Prepayment Speed (%)	3.0 - 30.4	4.8
			Severity (%)	0.4 - 95.0	62.4
			Spreads (bps)	215.0 - 481.4	320.6
	1,215	Dealer Mark			

	399	Other
Total other	2,671	
Total available-for-sale securities	$ 15,080	

	Fair Value Measurements as of December 31, 2014				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1]
	(Dollars in millions)				
Mortgage loans of consolidated trusts:					
Single-family	$ 934	Build-Up	Default Rate (%)	0.0 - 99.0	14.9
			Prepayment Speed (%)	3.6 - 99.8	16.3
			Severity (%)	3.4 - 100.0	23.7
	279	Consensus			
	402	Discounted Cash Flow	Default Rate (%)	2.7 - 13.1	5.5
			Prepayment Speed (%)	0.1 - 13.5	7.5
			Severity (%)	35.5 - 95.0	61.3
			Spreads (bps)	155.0 - 665.0	227.4
	39	Other			
Total single-family	1,654				
Multifamily	179	Build-Up	Spreads (bps)	59.0 - 323.4	137.3
Total mortgage loans of consolidated trusts	$ 1,833				
Net derivatives	$ (107)	Internal Model			
	150	Dealer Mark			
	2	Other			
Total net derivatives	$ 45				
Long-term debt:					
Of Fannie Mae:					
Senior floating	$ (363)	Discounted Cash Flow			
Of consolidated trusts[4]	(219)	Consensus			
	(205)	Discounted Cash Flow	Default Rate (%)	2.7 - 11.9	4.0
			Prepayment Speed (%)	0.1 - 100.0	33.4
			Severity (%)	35.5 - 95.0	54.6
			Spreads (bps)	88.0 - 665.0	249.4
	(103)	Other			
Total of consolidated trusts	(527)				
Total long-term debt	$ (890)				

(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) Default Rate as disclosed represents the estimated beginning annualized rate of default and is used as a basis to forecast the future default rates that serve as an input for valuation.

(3) Includes Fannie Mae and Freddie Mac securities.

(4) Includes instruments for which the prepayment speed as disclosed represents the estimated annualized rate of prepayment after all prepayment penalty provisions have expired and also instruments for which prepayment speed as disclosed represents the estimated rate of prepayment over the remaining life of the instrument.

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 did not have any Level 1 assets or liabilities that were measured at fair value on a nonrecurring basis as of June 30, 2015 or December 31, 2014. We held $3 million and $93 million in Level 2 assets, comprised of mortgage loans held for sale, and no Level 2 liabilities that were measured at fair value on a nonrecurring basis as of June 30, 2015 and December 31, 2014, respectively.

The following table displays valuation techniques for our Level 3 assets measured at fair value on a nonrecurring basis. The significant unobservable inputs related to these techniques primarily relate to collateral dependent valuations. The related ranges and weighted averages are not meaningful when aggregated as they vary significantly from property to property.

		Fair Value Measurements (Level 3) as of	
	Valuation Techniques	June 30, 2015	December 31, 2014
		(Dollars in millions)	
Nonrecurring fair value measurements:			
Mortgage loans held for sale, at lower of cost or fair value	Consensus	$ 2,444	$ 110
	Build-Up	189	—
Total mortgage loans held for sale, at lower of cost or fair value		2,633	110
Single-family mortgage loans held for investment, at amortized cost:			
Of Fannie Mae	Internal Model	9,879	16,654
Of consolidated trusts	Other	10	60
Total single-family mortgage loans held for investment, at amortized cost		9,889	16,714
Multifamily mortgage loans held for investment, at amortized cost	Broker Price Opinions	127	45
	Asset Manager Estimate	353	580
	Other	9	—
Total multifamily mortgage loans held for investment, at amortized cost		489	625
Acquired property, net:			
Single-family	Accepted Offers	697	864
	Appraisals	1,130	1,509
	Walk Forwards	618	1,173
	Internal Model	712	1,045
	Other	102	191
Total single-family		3,259	4,782
Multifamily	Broker Price Opinions	34	127
	Other	—	13
Total multifamily		34	140
Other assets	Other	28	45
Total nonrecurring assets at fair value		$ 16,332	$ 22,416

We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of 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.

Trading Securities and Available-for-Sale Securities

These securities are recorded in our condensed consolidated balance sheets at fair value on a recurring basis. Fair value is measured using quoted market prices in active markets for identical assets, when available.

We classify securities whose values are based on quoted market prices in active markets for identical assets as Level 1 of the valuation hierarchy. We classify securities in active markets as Level 2 of the valuation hierarchy if quoted market prices in active markets for identical assets are not available. For all valuation techniques used for securities where there is limited activity or less transparency around these inputs to the valuation, these securities are classified as Level 3 of the valuation hierarchy.

A description of our securities valuation techniques is as follows:

Single Vendor: This valuation technique utilizes one vendor price to estimate fair value. We generally validate these observations of fair value through the use of a discounted cash flow technique whose unobservable inputs (for example, default rates) are disclosed in the table above.

Dealer Mark: This valuation technique utilizes one dealer price to estimate fair value. We generally validate these observations of fair value through the use of a discounted cash flow technique whose unobservable inputs (for example, default rates) are disclosed in the table above.

Consensus: This technique utilizes an average of two or more vendor prices for similar securities. We generally validate these observations of fair value through the use of a discounted cash flow technique whose unobservable inputs (for example, default rates) are disclosed in the table above.

Discounted Cash Flow: In the absence of prices provided by third-party pricing services supported by observable market data, we estimate the fair value of a portion of our securities using a discounted cash flow technique that uses inputs such as default rates, prepayment speeds, loss severity and spreads based on market assumptions where available.

For private-label securities, an increase in unobservable prepayment speeds in isolation would generally result in an increase in fair value, and an increase in unobservable spreads, severity rates or default rates in isolation would generally result in a decrease in fair value. For mortgage revenue bonds classified as Level 3 of the valuation hierarchy, an increase in unobservable spreads would result in a decrease in fair value. Although the sensitivities of the fair value of our recurring Level 3 securities of the valuation hierarchy to various unobservable inputs are discussed above in isolation, interrelationships exist among these inputs such that a change in one unobservable input typically results in a change to one or more of the other inputs.

Mortgage Loans Held for Investment

The majority of HFI loans are reported in our condensed consolidated balance sheets at the principal amount outstanding, net of cost basis adjustments and an allowance for loan losses. We estimate the fair value of HFI loans using the build-up and consensus valuation techniques, as discussed below, for periodic disclosure of financial instruments as required by GAAP. For our remaining loans, which include those containing embedded derivatives that would otherwise require bifurcation and consolidated loans of senior-subordinated trust structures, we elected the fair value option and therefore, we record these loans at fair value in our condensed consolidated balance sheets. We measure these loans on a recurring basis using the build-up, consensus, discounted cash flow and single vendor price techniques. Certain impaired loans are measured at fair value on a nonrecurring basis by using the fair value of their underlying collateral. Specific techniques used include internal models, broker price opinions and appraisals.

A description of our loan valuation techniques is as follows:

Build-up: We derive the fair value of mortgage loans using a build-up valuation technique. In the build-up valuation technique we start with the base value for our Fannie Mae MBS and then add or subtract the fair value of the associated guaranty asset, guaranty obligation ("GO") and master servicing arrangement. We use observable market values of Fannie Mae MBS with similar characteristics, either on a pool or loan level, determined primarily from third party pricing services, quoted market prices in active markets for similar securities, and other observable market data as a base value. We set the GO equal to the estimated fair value we would receive if we were to issue our guaranty to an unrelated party in a stand-alone arm's length transaction at the measurement date. We estimate the fair value of the GO using our internal valuation models, which calculate the present value of expected cash flows based on management's best estimate of certain key assumptions such as current mark-to-market LTV ratios, future house prices, default rates, severity rates and required rate of return. We also estimate the fair value of the GO using our current guaranty pricing and adjust that pricing, as appropriate, for the seasoning of the collateral when such transactions reflect credit characteristics of loans held in our portfolio. As a result, the fair value of our mortgage loans will change when the pricing for our credit guaranty changes in the GSE securitization market.

Our performing loans are generally classified as Level 2 of the valuation hierarchy to the extent that significant inputs are observable. To the extent that unobservable inputs are significant, the loans are classified as Level 3 of the valuation hierarchy.

Consensus: The fair value of single-family nonperforming loans represents an estimate of the prices we would receive if we were to sell these loans in the whole-loan market. These nonperforming loans are either two or more months delinquent, in an open modification period, or in a closed modification state (both performing and nonperforming in accordance with the loan's modified terms). We calculate the fair value of nonperforming loans based on certain key factors, including collateral value, cash flow characteristics and mortgage insurance repayment. Collateral value is derived from the current estimated mark-to-market LTV ratio of the individual loan and, where appropriate, a state-level distressed property sales discount. Cash flow characteristics include attributes such as the weighted average coupon rate and loan payment history. The fair value of mortgage insurance is estimated by taking the loan level coverage and adjusting it by the expected claims paying ability of the associated mortgage insurer. The expected claims paying abilities used for estimating the fair value of mortgage insurance are consistent with our credit loss forecast. Fair value is estimated from the extrapolation of indicative sample bids obtained from multiple active market participants plus the estimated value of any applicable mortgage insurance. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

We estimate the fair value for a portion of our senior-subordinated trust structures using the average of two or more vendor prices at the security level as a proxy for estimating loan fair value. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Discounted Cash Flow: We estimate the fair value of a portion of our senior-subordinated trust structures using discounted cash flow at the security level as a proxy for estimating loan fair value. This valuation technique uses unobservable inputs such as prepayment speeds, default rates, spreads, and loss severities to estimate the fair value of our securities. These inputs are weighted in a model that calculates the expected cash flow of the security which is used as the basis of fair value. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Single Vendor: We estimate the fair value of a portion of our senior-subordinated trust structures using the single vendor valuation technique at the security level as a proxy for estimating loan fair value. We also estimate the fair value of our reverse mortgages using the single vendor valuation technique. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Internal Model: For loans whose value it has been determined should be based on collateral value, we use an internal proprietary distressed home price model. The internal model used in this process takes one of two approaches when valuing the collateral.

The first approach relies on comparable foreclosed property sales to estimate the value of the target collateral. The comparable foreclosed property sales approach uses various factors such as geographic distance, transaction time and the value difference. The second approach referred to as the median Metropolitan Statistical Area ("MSA") is based on the median of all the foreclosure sales of REOs in a specific MSA. Using this sales price, MSA level discount is computed and applied to the estimated non distressed value to derive an estimated fair value. If there are not enough REO sales in a specific MSA, a median state level foreclosure discount is used to estimate the fair value.

The majority of the internal model valuations come from the comparable sales approach. The determination of whether the internal model valuations in a particular geographic area should use the comparable sales approach or median MSA is based on historical accuracy. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Appraisals: For a portion of our multifamily loans, we use appraisals to estimate the fair value of the loan. There are three approaches used to estimate fair value of a specific property: (1) cost, (2) income capitalization and (3) sales comparison. The cost approach uses the insurable value as a basis. The unobservable inputs used in this model include the estimated cost to construct or replace multifamily properties in the closest localities available. The income capitalization approach estimates the fair value using the present value of the future cash flow expectations by applying an appropriate overall capitalization rate to the forecasted net operating income. The significant unobservable inputs used in this calculation include rental income, fees associated with rental income, expenses associated with the property including taxes, payroll, insurance and other items, and capitalization rates, which are determined through market extraction and the debt service coverage ratio. The sales comparison approach compares the prices paid for similar properties, the prices asked by owners and offers made. The unobservable inputs to this methodology include ratios of sales prices to annual gross income, price paid per unit and adjustments made based on financing, conditions of sale and physical characteristics of the property. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Broker Price Opinion ("BPO"): For a portion of our multifamily loans, we use BPO to estimate the fair value of the loan. This technique uses both current property value and the property value adjusted for stabilization and market conditions. These approaches compute net operating income based on current rents and expenses and use a range of market capitalization rates to estimate property value. The unobservable inputs used in this technique are property net operating income and market capitalization rates to estimate property value. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

Asset Manager Estimate ("AME"): For a portion of our multifamily loans, AME is used to estimate the fair value of the loan. This technique uses the net operating income and tax assessments of the specific property as well as MSA-specific market capitalization rates and average per unit sales values to estimate property fair value. These loans are classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

An increase in prepayment speeds in isolation would generally result in an increase in the fair value of our mortgage loans classified as Level 3 of the valuation hierarchy, and an increase in severity rates, default rates or spreads in isolation would generally result in a decrease in fair value. Although the sensitivities of the fair value of mortgage loans classified as Level 3 of the valuation hierarchy to various unobservable inputs are discussed above in isolation, interrelationships exist among these inputs such that a change in one unobservable input typically results in a change to one or more of the other inputs.

Acquired Property, Net and Other Assets

Acquired property, net represents foreclosed property received in full satisfaction of a loan net of a valuation allowance. Acquired property is initially recorded in our condensed consolidated balance sheets at its fair value less its estimated cost to sell. The initial fair value of foreclosed properties is determined using a hierarchy based on the reliability of available information. The hierarchy for single-family acquired property includes accepted offers, appraisals, broker price opinions and proprietary home price model values. The hierarchy for multifamily acquired property includes accepted offers, appraisals and broker price opinions. We consider an accepted offer on a specific foreclosed property to be the best estimate of its fair value. If we have not accepted an offer on the property we use the next highest priority valuation methodology available, as described in our valuation hierarchy to determine fair value. While accepted offers represent an agreement in principle to transact, a significant portion of these agreements do not get executed for various reasons, and are therefore classified as Level 3 of the valuation hierarchy.

Third-party valuations can be obtained from either an appraisal or a broker price opinion. These valuations are kept current using a monthly walk forward process that updates them for any change in the value of the property. When accepted offers or third-party valuations are not available, we generally utilize the home price values determined using an internal model.

Subsequent to initial measurement, the foreclosed properties that we intend to sell are reported at the lower of the carrying amount or fair value less estimated costs to sell. Foreclosed properties classified as held for use, included in "Other assets" in our condensed consolidated balance sheets, are depreciated and impaired when circumstances indicate that the carrying amount of the property is no longer recoverable. The fair values of our single-family foreclosed properties subsequent to initial measurement are determined using the same information hierarchy used for the initial fair value measurement.

The most commonly used techniques in our valuation of acquired property are proprietary home price model and third-party valuations (both current and walk forward). Based on the number of properties measured as of June 30, 2015, these methodologies comprised approximately 73% of our valuations, while accepted offers comprised approximately 22% of our valuations. Based on the number of properties measured as of December 31, 2014, these methodologies comprised approximately 77% of our valuations, while accepted offers comprised approximately 19% of our valuations.

Acquired property is classified as Level 3 of the valuation hierarchy because significant inputs are unobservable.

A description of our acquired property significant valuation techniques is as follows:

Single-family acquired property valuation techniques

Appraisal: An appraisal is an estimate of the value of a specific property by a certified or licensed appraiser, in accordance with the Uniform Standards of Professional Appraisal Practice. Data most commonly used is from the local Multiple Listing

Service and includes properties currently listed for sale, properties under contract, and closed transactions. The appraiser performs an analysis that starts with these data points and then adjusts for differences between the comparable properties and the property being appraised, to arrive at an estimated value for the specific property. Adjustments are made for differences between comparable properties for unobservable inputs such as square footage, location, and condition of the property. The appraiser typically uses recent historical data for the estimate of value.

Broker Price Opinion: This technique provides an estimate of what the property is worth based upon a real estate broker's knowledge. The broker uses research of pertinent data in the appropriate market, and a sales comparison approach that is similar to the appraisal process. The broker typically has insight into local market trends, such as the number of and terms of offers, lack of offers, increasing supply, shortage of inventory and overall interest in buying a home. This information, all of which is unobservable, is used along with recent and pending sales and current listings of similar properties to arrive at an estimate of value.

We review the appraisals and broker price opinions received to determine if they have been performed in accordance with applicable standards and if the results are consistent with our observed transactions on similar properties. We make necessary adjustments as required.

Appraisal and Broker Price Opinion Walk Forwards ("Walk Forwards"): We use these techniques to adjust appraisal and broker price opinion valuations for changing market conditions by applying a walk forward factor based on local price movements since the time the third-party value was obtained. The majority of third-party values are updated by comparing the difference in our internal home price model from the month of the original appraisal/broker price opinion to the current period and by applying the resulting percentage change to the original value. If a price is not determinable through our internal home price model, we use our zip code level home price index to update the valuations.

Internal Model: We use an internal model to estimate fair value for distressed properties. The valuation methodology and inputs used are described under "Mortgage Loans Held for Investment."

Multifamily acquired property valuation techniques

Appraisals: We use this method to estimate property values for distressed properties. The valuation methodology and inputs used are described under "Mortgage Loans Held for Investment."

Broker Price Opinions: We use this method to estimate property values for distressed properties. The valuation methodology and inputs used are described under "Mortgage Loans Held for Investment."

Derivatives Assets and Liabilities (collectively "Derivatives")

Derivatives are recorded in our condensed consolidated balance sheets at fair value on a recurring basis. The valuation process for the majority of our risk management derivatives uses observable market data provided by third-party sources, resulting in Level 2 classification of the valuation hierarchy.

A description of our derivatives valuation techniques is as follows:

Internal Model: We use internal models to value interest rate swaps which are valued by referencing yield curves derived from observable interest rates and spreads to project and discount swap cash flows to present value. Option-based derivatives use an internal model that projects the probability of various levels of interest rates by referencing swaption volatilities provided by market makers/dealers. The projected cash flows of the underlying swaps of these option-based derivatives are discounted to present value using yield curves derived from observable interest rates and spreads.

Dealer Mark: Certain highly complex structured swaps primarily use a single dealer mark due to lack of transparency in the market and may be modeled using observable interest rates and volatility levels as well as significant unobservable assumptions, resulting in Level 3 classification of the valuation hierarchy. Mortgage commitment derivatives that use observable market data, quotes and actual transaction price levels adjusted for market movement are typically classified as Level 2 of the valuation hierarchy. To the extent mortgage commitment derivatives include adjustments for market movement that cannot be corroborated by observable market data, we classify them as Level 3 of the valuation hierarchy.

Debt

The majority of debt of Fannie Mae is recorded in our condensed consolidated balance sheets at the principal amount outstanding, net of cost basis adjustments. We elected the fair value option for certain structured Fannie Mae debt instruments and debt of consolidated trusts with embedded derivatives, which are recorded in our condensed consolidated balance sheets at fair value on a recurring basis.

We classify debt instruments that have quoted market prices in active markets for similar liabilities when traded as assets as Level 2 of the valuation hierarchy. For all valuation techniques used for debts instruments where there is limited activity or less transparency around these inputs to the valuation, these debt instruments are classified as Level 3 of the valuation hierarchy.

A description of our debt valuation techniques is as follows:

Consensus: We estimate the fair value of debt of Fannie Mae and our debt of consolidated trusts using an average of two or more vendor prices or dealer marks that represents estimated fair value for similar liabilities when traded as assets.

Single Vendor: We estimate the fair value of debt of Fannie Mae and our debt of consolidated trusts using a single vendor price that represents estimated fair value for these liabilities when traded as assets.

Discounted Cash Flow: In the absence of prices provided by third-party pricing services supported by observable market data, we estimate the fair value of a portion of the debt of Fannie Mae and our debt of consolidated trusts using a discounted cash flow technique that uses spreads based on market assumptions where available.

The valuation methodology and inputs used in estimating the fair value of MBS assets are described under “Trading Securities and Available-for-Sale Securities.”

Valuation Control Processes

We have control processes that are designed to ensure that our fair value measurements are appropriate and reliable, that they are based on observable inputs wherever possible and that our valuation approaches are consistently applied and the assumptions used are reasonable. Our control processes consist of a framework that provides for a segregation of duties and oversight of our fair value methodologies and valuations, as well as validation procedures.

The Pricing and Verification Group is responsible for the estimation and verification of the fair value for the majority of our financial assets and financial liabilities, including review of material assumptions used when market-based inputs do not exist. The Pricing and Verification Group also provides a quarterly update to the Valuation Oversight Committee (“VOC”) on relevant market information, pricing trends, significant valuation challenges and the resolution of those challenges. The Pricing and Verification Group resides within our Finance Division and is independent of any trading or market related activities. Fair value measurements for acquired property and collateral dependent loans are determined by other valuation groups in the Finance Division.

Our VOC includes senior representation from our Capital Markets segment, our Enterprise Risk Office and our Finance division, and is responsible for providing overall governance for our valuation processes, models and results. The composition of the VOC is determined by the VOC chair, our Chief Financial Officer, with the objective of obtaining appropriate representation from Finance, Enterprise Risk Management and select business units within Fannie Mae. Based on its review of valuation methodologies and fair value results for various financial instruments used for financial reporting, the VOC is responsible for advising the VOC chair, who has the ultimate responsibility over all valuation processes and results. The VOC also reviews trend analysis for various financial assets and liabilities on a quarterly basis.

We use third-party vendor prices and dealer quotes to estimate fair value of some of our financial assets and liabilities. Third-party vendor prices are primarily used to estimate fair value for trading securities, available-for-sale securities, debt of Fannie Mae and consolidated MBS debt. Our Pricing and Verification Group performs various review and validation procedures prior to utilizing these prices in our fair value estimation process. We verify selected prices, using a variety of methods, including corroborating the prices by reference to other independent market data, such as non-binding broker or dealer quotations, relevant benchmark indices and prices of similar instruments. We also review prices for reasonableness based on variations from prices provided in previous periods, comparing prices to internally estimated prices, using primarily a discounted cash flow approach, and conducting relative value comparisons based on specific characteristics of securities.

We have discussions with the pricing vendors as part of our due diligence process in order to maintain a current understanding of the valuation processes and related assumptions and inputs that these vendors use in developing prices. The prices provided to us by third-party pricing services reflect the existence of market reliance upon credit enhancements, if any, and the current lack of liquidity in the marketplace. If we determine that a price provided to us is outside established parameters, we will further examine the price, including having follow-up discussions with the pricing service or dealer. If we conclude that a price is not valid, we will adjust the price for various factors, such as liquidity, bid-ask spreads and credit considerations. All of these procedures are executed before we use the prices in preparing our financial statements.

We have an internal property valuation function that utilizes an internal model to compare the values received on a property and assign a risk rating based on several factors including the deviation between the various values. Property valuations with risk ratings above a specified threshold are reviewed for reasonableness by a team of property valuation experts. The internal model that is used to assign a risk rating and the threshold specified is subject to oversight from the Model Risk Management Group, which is responsible for establishing risk management controls and for reviewing models used in the determination of fair value measurements for financial reporting. In addition, our Quality Control Group reviews the overall work performed and inspects a portion of the properties in major markets, for which the third-party valuations are obtained, in order to assess the quality of the valuations.

We calibrate the performance of our proprietary distressed home price model using actual offers in recently observed transactions. The model’s performance is reviewed on a monthly basis by the REO valuation team and compared quarterly to specific model performance thresholds. The results of the validation are regularly reviewed with the VOC.

Our Property Valuation Review Group reviews appraisals and broker price opinions to determine the most appropriate value by comparing data within these products with current comparable properties and market data. We conduct regular performance reviews of the counterparties that provide products and services for this process. In addition, valuation results and trend analyses are reviewed regularly by management responsible for valuing and disposing of real estate.

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 certain financial instruments, such as plan obligations for pension and postretirement health care benefits, employee stock option and stock purchase plans, and also excludes all non-financial instruments. As a result, 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 June 30, 2015					
	Carrying Value	Quoted Price 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 and restricted cash	$ 56,701	$ 41,551	$ 15,150	$ —	$ —	$ 56,701
Federal funds sold and securities purchased under agreements to resell or similar arrangements	22,010	—	22,010	—	—	22,010
Trading securities	34,864	23,790	9,429	1,645	—	34,864
Available-for-sale securities	24,161	—	13,208	10,953	—	24,161
Mortgage loans held for sale	4,563	—	143	4,640	—	4,783
Mortgage loans held for investment, net of allowance for loan losses:						
Of Fannie Mae	221,148	—	28,165	207,356	—	235,521
Of consolidated trusts	2,786,467	—	2,647,901	174,514	—	2,822,415
Mortgage loans held for investment	3,007,615	—	2,676,066	381,870	—	3,057,936
Advances to lenders	5,670	—	5,228	429	—	5,657
Derivative assets at fair value	1,718	—	5,619	149	(4,050)	1,718
Guaranty assets and buy-ups	200	—	—	566	—	566
Total financial assets	$ 3,157,502	$ 65,341	$ 2,746,853	$ 400,252	$ (4,050)	$ 3,208,396
Financial liabilities:						
Short-term debt:						
Of Fannie Mae	$ 81,338	$ —	$ 81,361	$ —	$ —	$ 81,361
Of consolidated trusts	1,409	—	—	1,409	—	1,409
Long-term debt:						
Of Fannie Mae	343,747	—	354,566	955	—	355,521
Of consolidated trusts	2,772,075	—	2,796,069	23,138	—	2,819,207
Derivative liabilities at fair value	811	—	8,394	145	(7,728)	811
Guaranty obligations	355	—	—	1,332	—	1,332
Total financial liabilities	$ 3,199,735	$ —	$ 3,240,390	$ 26,979	$ (7,728)	$ 3,259,641

	As of December 31, 2014					
	Carrying Value	Quoted Price 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 and restricted cash	$ 54,565	$ 37,965	$ 16,600	$ —	$ —	$ 54,565
Federal funds sold and securities purchased under agreements to resell or similar arrangements	30,950	—	30,950	—	—	30,950
Trading securities	31,504	19,466	9,008	3,030	—	31,504
Available-for-sale securities	30,654	—	15,574	15,080	—	30,654
Mortgage loans held for sale	331	—	169	169	—	338
Mortgage loans held for investment, net of allowance for loan losses:						
Of Fannie Mae	239,243	—	29,896	217,064	—	246,960
Of consolidated trusts	2,779,920	—	2,657,863	183,263	—	2,841,126
Mortgage loans held for investment	3,019,163	—	2,687,759	400,327	—	3,088,086
Advances to lenders	5,559	—	5,079	470	—	5,549
Derivative assets at fair value	1,485	—	6,489	182	(5,186)	1,485
Guaranty assets and buy-ups	210	—	—	616	—	616
Total financial assets	$ 3,174,421	$ 57,431	$ 2,771,628	$ 419,874	$ (5,186)	$ 3,243,747
Financial liabilities:						
Federal funds purchased and securities sold under agreements to repurchase	$ 50	$ —	$ 50	$ —	$ —	$ 50
Short-term debt:						
Of Fannie Mae	105,012	—	105,022	—	—	105,022
Of consolidated trusts	1,560	—	—	1,560	—	1,560
Long-term debt:						
Of Fannie Mae	355,431	—	367,703	982	—	368,685
Of consolidated trusts	2,760,152	—	2,815,843	19,334	—	2,835,177
Derivative liabilities at fair value	614	—	10,671	137	(10,194)	614
Guaranty obligations	382	—	—	1,579	—	1,579
Total financial liabilities	$ 3,223,201	$ —	$ 3,299,289	$ 23,592	$ (10,194)	$ 3,312,687

Financial Instruments for which fair value approximates carrying value—We hold certain financial instruments that are not carried at fair value but for which the carrying value approximates fair value due to the short-term nature and negligible credit risk inherent in them. These financial instruments include cash and cash equivalents, the majority of advances to lenders, and federal funds and securities sold/purchased under agreements to repurchase/resell.

Federal funds and securities sold/purchased under agreements to repurchase/resell—The carrying value for the majority of these specific instruments approximates the fair value due to the short-term nature and the negligible inherent credit risk, as they involve the exchange of collateral that is easily traded. Were we to calculate the fair value of these instruments we would use observable inputs resulting in Level 2 classification.

Mortgage Loans Held for Sale—Loans are reported at the lower of cost or fair value in our condensed consolidated balance sheets. The valuation methodology and inputs used in estimating the fair value of HFS loans are the same as for our HFI loans and are described under "Fair Value Measurement—Mortgage Loans Held for Investment." These loans are classified as Level 2 of the valuation hierarchy to the extent that significant inputs are observable. To the extent that significant inputs are unobservable, the loans are classified within Level 3 of the valuation hierarchy.

HARP Loans—We measure the fair value of loans that are delivered under the Home Affordable Refinance Program ("HARP") using a modified build-up approach while the loan is performing. Under this modified approach, we set the credit component of the consolidated loans (that is, the guaranty obligation) equal to the compensation we would currently receive for a loan delivered to us under the program because the total compensation for these loans is equal to their current exit price in the GSE securitization market. For a description of the build-up valuation methodology, refer to "Fair Value Measurement—Mortgage Loans Held for Investment." We will continue to use this pricing methodology as long as the HARP program is available to market participants. If, subsequent to delivery, the refinanced loan becomes past due or is modified as a part of a troubled debt restructuring, the fair value of the guaranty obligation is then measured consistent with other loans that have similar characteristics.

The total compensation that we receive for the delivery of a HARP loan reflects the pricing that we are willing to offer because HARP is a part of a broader government program intended to provide assistance to homeowners and prevent foreclosures. If these benefits were not reflected in the pricing for these loans (that is, if the loans were valued using our standard build-up approach), the fair value disclosed in the table above would be lower by $2.9 billion as of June 30, 2015 and $3.3 billion as of December 31, 2014. The total fair value of our mortgage loans that have been refinanced under HARP as presented in the table above was $297.5 billion as of June 30, 2015 and $314.0 billion as of December 31, 2014.

Advances to Lenders—The carrying value for the majority of our advances to lenders approximates fair value due to the short-term nature and the negligible inherent credit risk. If we were to calculate the fair value of these instruments we would use discounted cash flow models that use observable inputs such as spreads based on market assumptions, resulting in Level 2 classification.

Advances to lenders also include loans for which the carrying value does not approximate fair value. These loans do not qualify for Fannie Mae MBS securitization and are valued using market-based techniques including credit spreads, severities and prepayment speeds for similar loans, through third-party pricing services or through a model approach incorporating both interest rate and credit risk simulating a loan sale via a synthetic structure. We classify these valuations as Level 3 given that significant inputs are not observable or are determined by extrapolation of observable inputs.

Guaranty Assets and Buy-ups—Guaranty assets related to our portfolio securitizations are recorded in our condensed consolidated balance sheets at fair value on a recurring basis and are classified as Level 3. Guaranty assets in lender swap transactions are recorded in our condensed consolidated balance sheets at the lower of cost or fair value. These assets, which are measured at fair value on a nonrecurring basis, are also classified as Level 3.

We estimate the fair value of guaranty assets based on the present value of expected future cash flows of the underlying mortgage assets using management's best estimate of certain key assumptions, which include prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved. These cash flows are projected using proprietary prepayment, interest rate and credit risk models. Because guaranty assets are like an interest-only income stream, the projected cash flows from our guaranty assets are discounted using one-month LIBOR plus an option-adjusted spread that is calibrated using a representative sample of interest-only swaps that reference Fannie Mae MBS. We believe the remitted fee income is less liquid than interest-only swaps and more like an excess servicing strip. Therefore, we take a further discount of the present value for these liquidity considerations. This discount is based on market quotes from third-party pricing services.

The fair value of the guaranty assets includes the fair value of any associated buy-ups.

Guaranty Obligations—The fair value of all guaranty obligations, measured subsequent to their initial recognition, is our estimate of a hypothetical transaction price we would receive if we were to issue our guaranty to an unrelated party in a standalone arm's-length transaction at the measurement date. These obligations are classified as Level 3. The valuation methodology and inputs used in estimating the fair value of the guaranty obligations are described under "Fair Value Measurement—Mortgage Loans Held for Investment—Build-up."

Fair Value Option

We elected the fair value option for our credit risk sharing debt securities issued under our CAS series and certain loans of consolidated trusts 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.

We elected the fair value option for all long-term structured debt instruments that are issued in response to specific investor demand and have interest rates that are based on a calculated index or formula and are economically hedged with derivatives at the time of issuance. By electing the fair value option for these instruments, we are able to eliminate the volatility in our results of operations that would otherwise result from the accounting asymmetry created by recording these structured debt instruments at cost while recording the related derivatives at fair value.

We elected the fair value option for the financial assets and liabilities of the consolidated senior-subordinate trust structures. By electing the fair value option for these instruments, we are able to eliminate the volatility in our results of operations that would otherwise result from different accounting treatment between loans at cost and debt at cost.

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					
	June 30, 2015			December 31, 2014		
	Loans of Consolidated Trusts[1]	Long-Term Debt of Fannie Mae	Long-Term Debt of Consolidated Trusts	Loans of Consolidated Trusts[1]	Long-Term Debt of Fannie Mae	Long-Term Debt of Consolidated Trusts
	(Dollars in millions)					
Fair value	$ 14,981	$ 8,861	$ 22,885	$ 15,629	$ 6,403	$ 19,483
Unpaid principal balance	14,446	8,877	20,876	15,001	6,512	17,810

(1) Includes nonaccrual loans with a fair value of $229 million and $240 million as of June 30, 2015 and December 31, 2014, respectively. The difference between unpaid principal balance and the fair value of these nonaccrual loans as of June 30, 2015 and December 31, 2014 was $63 million and $75 million, respectively. Includes loans that are 90 days or more past due with a fair value of $250 million and $271 million as of June 30, 2015 and December 31, 2014, respectively. The difference between unpaid principal balance and the fair value of these 90 or more days past due loans as of June 30, 2015 and December 31, 2014 was $69 million and $78 million, respectively.

Changes in Fair Value under the Fair Value Option Election

The following tables display fair value gains and losses, net, including changes attributable to instrument-specific credit risk, for loans and debt for which the fair value election was made. Amounts are recorded as a component of "Fair value gains (losses), net" in our condensed consolidated statements of operations and comprehensive income.

	For the Three Months Ended June 30,					
	2015			2014		
	Loans	Long-Term Debt	Total Gains	Loans	Long-Term Debt	Total (Losses)Gains
	(Dollars in millions)					
Changes in instrument-specific credit risk	$ 49	$ 88	$ 137	$ 16	$ (76)	$ (60)
Other changes in fair value	(217)	227	10	371	(221)	150
Fair value (losses) gains, net	$ (168)	$ 315	$ 147	$ 387	$ (297)	$ 90

	For the Six Months Ended June 30,					
	2015			2014		
	Loans	Long-Term Debt	Total Losses	Loans	Long-Term Debt	Total (Losses)Gains
	(Dollars in millions)					
Changes in instrument-specific credit risk	$ 37	$ (105)	$ (68)	$ 25	$ (127)	$ (102)
Other changes in fair value	(50)	39	(11)	494	(337)	157
Fair value (losses) gains, net	$ (13)	$ (66)	$ (79)	$ 519	$ (464)	$ 55

In determining the changes in the instrument-specific credit risk for loans, the changes in the associated credit-related components of these loans, primarily the guaranty obligation, were taken into consideration with the overall change in the fair value of the loans for which we elected the fair value option for financial instruments. In determining the changes in the instrument-specific credit risk for debt, the changes in Fannie Mae debt spreads to LIBOR that occurred during the period were taken into consideration with the overall change in the fair value of the debt for which we elected the fair value option for financial instruments. Specifically, cash flows are evaluated taking into consideration any derivatives through which Fannie Mae has swapped out of the structured features of the notes and thus created a floating-rate LIBOR-based debt instrument. The change in value of these LIBOR-based cash flows based on the Fannie Mae yield curve at the beginning and end of the period represents the instrument-specific risk.

16. 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.

On a quarterly basis, we review relevant information about all pending legal actions and proceedings for the purpose of evaluating and revising our contingencies, reserves and disclosures.

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 courts 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.

We establish a reserve for matters when a loss is probable and we can reasonably estimate the amount of such loss. For legal actions or proceedings where there is only a reasonable possibility that a loss may be incurred, or where we are not currently able to estimate the reasonably possible loss or range of loss, we do not establish a reserve. 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 a reserve, 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. We have also advanced fees and expenses of certain current and former officers and directors in connection with various legal proceedings pursuant to our bylaws and indemnification agreements.

In re 2008 Fannie Mae ERISA Litigation

In a consolidated complaint filed in 2009 in the U.S. District Court for the Southern District of New York, plaintiffs alleged that certain of our current and former officers and directors, including members of Fannie Mae's Benefit Plans Committee and the Compensation Committee of Fannie Mae's Board of Directors during the relevant time periods, as fiduciaries of Fannie Mae's Employee Stock Ownership Plan ("ESOP"), breached their duties to ESOP participants and beneficiaries by investing ESOP funds in Fannie Mae common stock when it was no longer prudent to continue to do so. Plaintiffs purported to represent a class of participants and beneficiaries of the ESOP whose accounts invested in Fannie Mae common stock beginning April 17, 2007. Plaintiffs sought unspecified damages, attorneys' fees and other fees and costs, and injunctive and other equitable relief.

On October 31, 2014, we reached an agreement in principle with plaintiffs that would resolve this matter on behalf of all parties. The proposed settlement amount did not impact our results of operations or financial condition. On April 17, 2015, plaintiffs filed a motion for preliminary approval of the settlement, which the court granted on May 5, 2015.

Senior Preferred Stock Purchase Agreements Litigation

A number of putative class action lawsuits were filed in the U.S. District Court for the District of Columbia against us, FHFA as our conservator, Treasury and Freddie Mac from July through September 2013 by shareholders of Fannie Mae and/or Freddie Mac challenging the August 2012 amendment to each company's senior preferred stock purchase agreement with Treasury. These lawsuits were consolidated and, on December 3, 2013, plaintiffs (preferred and common shareholders of Fannie Mae and/or Freddie Mac) filed a consolidated class action complaint in the U.S. District Court for the District of Columbia against us, FHFA as our conservator, Treasury and Freddie Mac ("*In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations*"). The preferred shareholder plaintiffs allege that the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to the August 2012 amendments to the senior preferred stock purchase agreements nullified certain of the shareholders' rights, particularly the right to receive dividends. The common shareholder plaintiffs allege that the August 2012 amendments constituted a taking of their property by requiring that all future profits of Fannie Mae and Freddie Mac be paid to Treasury. Plaintiffs allege claims for breach of contract and breach of the implied covenant of good faith and fair dealing against us, FHFA and Freddie Mac, a takings claim against FHFA and Treasury, and a breach of fiduciary duty claim derivatively on our and Freddie Mac's behalf against FHFA and Treasury. Plaintiffs seek to represent several classes of preferred and/or common shareholders of Fannie Mae and/or Freddie Mac who held stock as of the public announcement of the August 2012 amendments. Plaintiffs seek unspecified damages, equitable and injunctive relief, and costs and expenses, including attorneys' fees.

A non-class action suit, *Arrowood Indemnity Company v. Fannie Mae*, was filed in the U.S. District Court for the District of Columbia on September 20, 2013 by preferred shareholders against us, FHFA as our conservator, the Director of FHFA (in his official capacity), Treasury, the Secretary of the Treasury (in his official capacity) and Freddie Mac. Plaintiffs bring claims for breach of contract and breach of the implied covenant of good faith and fair dealing against us, FHFA and Freddie Mac, and claims for violation of the Administrative Procedure Act against the FHFA and Treasury defendants, alleging that the net worth sweep provisions nullified certain rights of the preferred shareholders, particularly the right to receive dividends. Plaintiffs seek damages, equitable and injunctive relief, and costs and expenses, including attorneys' fees.

On September 30, 2014, the court dismissed both lawsuits and plaintiffs in both suits filed timely notices of appeal. On October 27, 2014, the U.S. Court of Appeals for the D.C. Circuit consolidated these appeals with appeals in two other cases involving the same subject matter, but to which we are not a party.

Given the stage of these lawsuits, the substantial and novel legal questions that remain, and our substantial defenses, we are currently unable to estimate the reasonably possible loss or range of loss arising from this litigation.

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 as in effect as of June 30, 2015, 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 June 30, 2015 or as of the date of filing this report.

Our disclosure controls and procedures were not effective as of June 30, 2015 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 June 30, 2015 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 No. 5 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 June 30, 2015 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 2008 Reform 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 2008 Reform 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 2008 Reform 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 June 30, 2015 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 Relating 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, 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 June 30, 2015 (“Second Quarter 2015 Form 10-Q”), and engaged in discussions regarding issues associated with the information contained in those filings. Prior to filing our Second Quarter 2015 Form 10-Q, FHFA provided Fannie Mae management with a written acknowledgment that it had reviewed the Second Quarter 2015 Form 10-Q, and it was not aware of any material misstatements or omissions in the Second Quarter 2015 Form 10-Q and had no objection to our filing the Second Quarter 2015 Form 10-Q.
- The Director of FHFA and our Chief Executive Officer have been in frequent communication, typically meeting on at least a bi-weekly basis.
- 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

Overview

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. Below we describe changes in our internal control over financial reporting since March 31, 2015 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. For example, we are currently implementing various financial system applications in stages across the company. As we continue to implement these financial system applications, each implementation may become a significant component of our internal control over financial reporting.

Implementation of New Mortgage Securities Transaction Processing and Accounting Systems

In July 2015, we completed an initiative to simplify and integrate our processing of and accounting for mortgage securities transactions. We implemented a new third-party mortgage securities trading system and a new third-party securities accounting system and data repository. These new systems and enhanced infrastructure replaced legacy applications and systems that were previously used for operational, accounting and financial reporting purposes. In connection with this implementation and related business process changes, we replaced multiple internal controls over financial reporting that were previously considered effective with new or enhanced controls, amended existing controls and, in many cases, removed controls that are no longer applicable. We will continue to monitor and test these new controls for adequate design and operating effectiveness. We believe these changes to our mortgage securities transaction processing and accounting systems will allow us to be more efficient and further enhance and strengthen our internal control over financial reporting. Because these new systems were not implemented until July 2015, we continued to use our legacy mortgage securities accounting systems and controls in preparing our second quarter 2015 condensed consolidated financial statements included in this report.

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 2014 Form 10-K and our First Quarter 2015 Form 10-Q. We also provide information regarding material legal proceedings in “Note 16, 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 a number of legal and regulatory proceedings that arise in the ordinary course of business that do not have a material impact on our business. Litigation claims and proceedings of all types are subject to many factors that generally cannot be predicted accurately.

We record reserves for legal claims when losses associated with those claims become probable and the amounts can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts reserved for those claims. For matters where the likelihood or extent of a loss is not probable or cannot be reasonably estimated, we do not recognize in our condensed consolidated financial statements the potential liability that may result from these matters. Except for matters that have been settled, we presently cannot determine the ultimate resolution of the matters described below or incorporated by reference into this item or in our 2014 Form 10-K or our First Quarter 2015 Form 10-Q. If certain of these matters are determined against us, it could have a material adverse effect on our results of operations, liquidity and financial condition, including our net worth.

FHFA Private-Label Mortgage-Related Securities Litigation

As we disclosed in our 2014 Form 10-K in “Legal Proceedings,” in the third quarter of 2011, FHFA, as conservator, filed sixteen lawsuits on behalf of both Fannie Mae and Freddie Mac against various financial institutions, their officers and affiliated and unaffiliated underwriters that were responsible for marketing and selling private-label mortgage-related securities to us. Fourteen of these lawsuits were resolved during 2013 and 2014, and two remain pending.

One of the remaining lawsuits is against Nomura Holding America Inc., RBS Securities Inc. and certain related entities and individuals, and is pending in the U.S. District Court for the Southern District of New York. The other remaining lawsuit is against The Royal Bank of Scotland Group PLC and certain related entities and individuals, and is pending in the U.S. District Court for the District of Connecticut. Both lawsuits were filed on September 2, 2011. These two remaining lawsuits seek to recover losses we and Freddie Mac incurred on the private-label mortgage-related securities the defendants sold to us and Freddie Mac. The lawsuits allege that the defendants violated federal and state securities laws by making material misstatements and omissions regarding the characteristics of the loans underlying the securities in the offering documents for the securities that were sold to Fannie Mae and Freddie Mac. The complaints seek, among other things, rescission and recovery of consideration paid for the securities at issue in the lawsuits and interest.

On May 15, 2015, the court entered a final judgment in the Nomura action, holding the defendants liable for claims brought under state and federal securities laws. The judgment requires defendants to pay Fannie Mae $27 million and Freddie Mac $779 million, and requires Fannie Mae and Freddie Mac to deliver the securities at issue in the complaint to the defendants. On June 10, 2015, defendants in the Nomura action filed a notice of appeal.

Senior Preferred Stock Purchase Agreements Litigation

Between June 2013 and May 2015, several lawsuits were filed by preferred and common stockholders of Fannie Mae and Freddie Mac in the U.S. Court of Federal Claims, the U.S. District Court for the District of Columbia, the U.S. District Court for the Southern District of Iowa and the U.S. District Court for the Northern District of Iowa against the United States, Treasury and/or FHFA, challenging actions taken by the defendants relating to the 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 the August 2012 amendments to the agreements, as well as to FHFA’s decision to require Fannie Mae and Freddie Mac to draw funds from Treasury in order to pay dividends to Treasury during conservatorship. The plaintiffs seek various forms of equitable and injunctive relief, including rescission of the August 2012 amendments, as well as damages. On September 30, 2014, the U.S. District Court for the District of Columbia dismissed all but one of the cases pending before that court. The plaintiffs in each of the dismissed cases filed a notice of appeal and on October 27, 2014, the U.S. Court of Appeals for the D.C. Circuit consolidated these appeals. The plaintiffs in the case that was not dismissed by the court voluntarily dismissed their lawsuit on October 31, 2014. On February 3, 2015, the U.S. District Court for the Southern District of Iowa dismissed the case pending before it. The matters where Fannie Mae is a named defendant are described below or in “Note 16, Commitments and Contingencies.”

Fannie Mae is a nominal defendant in two actions filed against the United States in the U.S. Court of Federal Claims: *Fisher v. United States of America*, filed on December 2, 2013, and *Rafter v. United States of America*, filed on August 14, 2014. 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 to the senior preferred stock purchase agreement 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* plaintiffs are pursing the claim directly against the United States. Plaintiffs in *Rafter* also allege a derivative claim that the government breached an implied contract with Fannie Mae's Board of Directors by implementing the net worth sweep dividend provisions. Plaintiffs in *Fisher* request just compensation to Fannie Mae in an unspecified amount. Plaintiffs in *Rafter* seek just compensation to themselves on their constitutional claim and payment of damages to Fannie Mae on their derivative claim for breach of an implied contract. The United States filed a motion to dismiss the *Fisher* case on January 23, 2014; however, the court has stayed proceedings in this case until discovery in a related case, *Fairholme Funds v. United States*, is complete and the court sets a date for the *Fairholme Funds* plaintiffs to respond to the government's motion to dismiss filed in that case. In the *Rafter* case, the court has ordered the government to file a response to the complaint within sixty days after discovery is complete in the *Fairholme Funds* case.

LIBOR Lawsuit

On October 31, 2013, Fannie Mae filed a lawsuit in the U.S. District Court for the Southern District of New York against Barclays Bank PLC, UBS AG, The Royal Bank of Scotland Group PLC, The Royal Bank of Scotland PLC, Deutsche Bank AG, Credit Suisse Group AG, Credit Suisse International, Bank of America Corp., Bank of America, N.A., Citigroup Inc., Citibank, N.A., J.P. Morgan Chase & Co., J.P. Morgan Chase Bank, N.A., Coöperative Centrale Raiffeisen-Boerenleenbank B.A., the British Bankers Association (the "BBA") and BBA LIBOR Ltd. alleging they manipulated LIBOR. On October 6, 2014, Fannie Mae filed an amended complaint alleging, among other things, that the banks submitted false borrowing costs to the BBA in order to suppress LIBOR. The amended complaint seeks compensatory and punitive damages based on claims for breach of contract, breach of the implied duty of good faith and fair dealing, unjust enrichment, fraud and conspiracy to commit fraud. The defendants filed motions to dismiss the lawsuit on November 5, 2014. On August 4, 2015, the court decided defendants' motions to dismiss, granting in part and denying in part the relief sought. The court ruled that Fannie Mae had adequately pled its fraud, breach of contract and unjust enrichment claims against the defendants, but that the applicable statute of limitations periods precluded some of our contract and unjust enrichment claims against the defendants from proceeding. In addition, the court dismissed the BBA and Credit Suisse Group AG from the lawsuit.

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 2014 Form 10-K. This section supplements and updates that discussion. For a complete understanding of the subject, you should read both together. Please also refer to "MD&A—Risk Management" in this report and in our 2014 Form 10-K 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 forward-looking statements contained in this report. However, these are not the only risks we face. In addition to the risks we discuss below and in our 2014 Form 10-K, we face risks and uncertainties not currently known to us or that we currently believe are immaterial.

The future of our company is uncertain.

There continues to be significant uncertainty regarding the future of our company, including how long the company will continue to exist in its current form, the extent of our role in the market, what form we will have, 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. The conservatorship is indefinite in duration and the timing, conditions and likelihood of our emerging from conservatorship are uncertain. Termination of the conservatorship, other than in connection with a receivership, requires Treasury's consent under the senior preferred stock purchase agreement.

In 2011, the Administration released a report to Congress on ending the conservatorships of the GSEs and reforming America's housing finance market. The report provides that the Administration will work with FHFA to determine the best way to responsibly reduce Fannie Mae and Freddie Mac's role in the market and ultimately wind down both institutions. The report also addresses three options for a reformed housing finance system. The report does not state whether or how the existing infrastructure or human capital of Fannie Mae may be used in the establishment of such a reformed system. The report emphasizes the importance of proceeding with a careful transition plan and providing the necessary financial support to Fannie Mae and Freddie Mac during the transition period. In August 2013, the White House released a paper confirming that a core principle of the Administration's housing policy priorities is to wind down Fannie Mae and Freddie Mac through a responsible transition. In January 2015, the White House reaffirmed the Administration's view that housing finance reform should include ending Fannie Mae and Freddie Mac's business model. Administration officials have also publicly stated on several occasions that the passage of housing finance reform legislation is the only responsible way to end the conservatorships of Fannie Mae and Freddie Mac.

In the last session of Congress, members of Congress considered several bills to reform the housing finance system, including bills that, among other things, would require Fannie Mae and Freddie Mac to be wound down after a period of time and place certain restrictions on Fannie Mae's and Freddie Mac's activities prior to being wound down. A number of bills have also been introduced in the current session of Congress that convened in January 2015 relating to Fannie Mae, Freddie Mac and the housing finance system that could materially affect our business if enacted. We expect that Congress will continue to hold hearings and consider legislation on the future status of Fannie Mae and Freddie Mac, including proposals that would result in Fannie Mae's liquidation or dissolution. Congress or FHFA may also consider legislation or regulation aimed at increasing the competition we face, reducing our market share, expanding our obligations to provide funds to Treasury or constraining our business operations. We cannot predict the prospects for the enactment, timing or final content of housing finance reform legislation. See "Business—Housing Finance Reform" in our 2014 Form 10-K and "MD&A—Legislative and Regulatory Developments—Housing Finance Reform" in this report for more information about the Administration's report and paper, and Congressional proposals regarding housing finance reform.

Our business and results of operations may be materially adversely affected if we are unable to retain and recruit well-qualified employees. The limitations on our employee compensation put us at a disadvantage compared to many other companies in attracting and retaining employees.

Our business processes are highly dependent on the talents and efforts of our employees. The conservatorship, the uncertainty of our future, limitations on employee compensation and negative publicity concerning the GSEs have had and are likely to continue to have an adverse effect on our ability to retain and recruit well-qualified employees. Turnover in key management positions and challenges in integrating new management could harm our ability to manage our business effectively and ultimately adversely affect our financial performance.

Actions taken by Congress, FHFA and Treasury to date, or that may be taken by them or other government agencies in the future, have had, and may continue to have, an adverse effect on the retention and recruitment of senior executives, management and other employees. We are subject to significant restrictions on the amount and type of compensation we may pay our executives and other employees under conservatorship. For example, in April 2012, the STOCK Act was enacted, which includes a provision that prohibits senior executives at Fannie Mae and Freddie Mac from receiving bonuses during any period of conservatorship on or after the date of enactment of the law. In addition, we are unable to offer equity-based compensation. As a result, we have not been able to incent and reward excellent performance with compensation structures that provide upside potential to our executives, which places us at a disadvantage compared to many other companies in attracting and retaining executives. In addition, the uncertainty of potential Congressional action with respect to housing finance reform, which may result in the wind-down of the company, negatively affects our ability to retain and recruit employees.

In many cases, the amount of compensation we pay our senior executives is significantly less than the compensation of executives in similar roles at many companies in our comparator group. Our inability to increase executive compensation to market levels for the foreseeable future puts us at greater risk of attrition, and also hampers our ability to recruit new executives. Moreover, our inability to offer market-based compensation makes succession planning difficult.

In June 2015, FHFA approved an increase in our Chief Executive Officer's total annual direct compensation target to $4,000,000 effective July 1, 2015. On July 29, 2015, the House Committee on Financial Services approved a bill that would suspend the current compensation package of our Chief Executive Officer and reduce his compensation to the level that was in effect as of January 1, 2015. The bill also provides that the Chief Executive Officer's compensation may not be increased following this reduction. If this legislation becomes law, our Chief Executive Officer's total annual direct compensation would be reduced to $600,000 and would be frozen at this level. This amount is more than 90% below the market median of compensation for chief executive officers of companies in our comparator group according to a benchmarking analysis conducted in 2014. As a result, this cap on Chief Executive Officer compensation would negatively affect our ability to retain our Chief Executive Officer and engage in effective succession planning for this critical role.

We face competition from within the financial services industry and from businesses outside of the financial services industry for qualified employees. Additionally, an improving economy has put additional pressures on turnover, as attractive opportunities have become available to our employees. Our competitors for talent are generally not subject to the same limitations on employee compensation. The constraints on our compensation could adversely affect our ability to attract qualified candidates.

If we are unable to retain, promote and attract employees with the necessary skills and talent, we would face increased risks for operational failures. If there were several high-level departures at approximately the same time, our ability to conduct our business would likely be materially adversely affected, which could have a material adverse effect on our results of operations and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

Under the terms of our senior preferred stock purchase agreement with Treasury, we are prohibited from selling or issuing our equity interests, other than as required by (and pursuant to) the terms of a binding agreement in effect on September 7, 2008, without the prior written consent of Treasury. During the quarter ended June 30, 2015, 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, we report our incurrence of these types of obligations either in offering circulars or prospectuses (or supplements thereto) that we post on our Web site or in a current report on Form 8-K that we file with the SEC, in accordance with a "no-action" letter we received from the SEC staff in 2004. In cases where the information is disclosed in a prospectus or offering circular posted on our Web site, the document will be posted on our Web site within the same time period that a prospectus for a non-exempt securities offering would be required to be filed with the SEC.

The Web site 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 some of 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 Web site address solely for your information. Information appearing on our Web site is not incorporated into this report.

Our Purchases of Equity Securities

We did not repurchase any of our equity securities during the second quarter of 2015.

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 directs us to make dividend payments on the senior preferred stock on a quarterly basis.

Restrictions Under Senior Preferred Stock Purchase Agreement. 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, in 2012 the terms of the senior preferred stock purchase agreement and the senior preferred stock were amended to ultimately require the payment of our entire net worth to Treasury. As a result, our net income is not available to common stockholders. For more information on the terms of the senior preferred stock purchase agreement and senior preferred stock, see "Business—Conservatorship and Treasury Agreements—Treasury Agreements—

Senior Preferred Stock Purchase Agreement and Related Issuance of Senior Preferred Stock and Common Stock Warrant” in our 2014 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 Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the 2008 Reform Act (together, 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 GSE Act, we are not permitted to make a capital distribution if, after making the distribution, we would be undercapitalized, except the Director of FHFA 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.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

On March 9, 2015, we filed a current report on Form 8-K reporting that John R. Nichols, Fannie Mae’s Executive Vice President and Chief Risk Officer, was taking a leave of absence for health reasons. On August 5, 2015, Mr. Nichols notified the company that he has decided to leave Fannie Mae, effective mid-August.

Item 6. Exhibits

An index to exhibits has been filed as part of this report beginning on page E-1 and is incorporated herein by reference.

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/ Timothy J. Mayopoulos
Timothy J. Mayopoulos
President and Chief Executive Officer

Date: August 6, 2015

By: /s/ David C. Benson
David C. Benson
Executive Vice President and
Chief Financial Officer

Date: August 6, 2015

INDEX TO EXHIBITS

Item	Description
3.1	Fannie Mae Charter Act (12 U.S.C. § 1716 et seq.) as amended through July 21, 2010
3.2	Fannie Mae Bylaws, as amended through January 30, 2009 (Incorporated by reference to Exhibit 3.2 to Fannie Mae's Annual Report on Form 10-K (Commission file number 001-34140) for the year ended December 31, 2008, filed February 26, 2009.)
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	XBRL Instance Document*
101. SCH	XBRL Taxonomy Extension Schema*
101. CAL	XBRL Taxonomy Extension Calculation*
101. DEF	XBRL Taxonomy Extension Definition*
101. LAB	XBRL Taxonomy Extension Label*
101. PRE	XBRL Taxonomy Extension Presentation*

* The financial information contained in these XBRL documents is unaudited.

FannieMae®

FR023

FEDERAL NATIONAL MORTGAGE ASSOCIATION CHARTER ACT

Title III of National Housing Act, 12 U.S.C. 1716 *et seq*.
As amended through July 21, 2010

12 U.S.C. § 1716

SEC. 301. DECLARATION OF PURPOSES OF TITLE

The Congress declares that the purposes of this title are to establish secondary market facilities for residential mortgages, to provide that the operations thereof shall be financed by private capital to the maximum extent feasible, and to authorize such facilities to—

(1) provide stability in the secondary market for residential mortgages;

(2) respond appropriately to the private capital market;

(3) provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing;

(4) promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and

(5) manage and liquidate federally owned mortgage portfolios in an orderly manner, with a minimum of adverse effect upon the residential mortgage market and minimum loss to the Federal Government.

12 U.S.C. § 1717

SEC. 302. FEDERAL NATIONAL MORTGAGE ASSOCIATION AND GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

(a) CREATION; SUCCESSION; PRINCIPAL AND OTHER OFFICES.—

(1) There is created a body corporate to be known as the “Federal National Mortgage Association”, which shall be in the Department of Housing and Urban Development. The Association shall have succession until dissolved by Act of Congress. It shall maintain its

principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

(2) On September 1, 1968, the body corporate described in the foregoing paragraph shall cease to exist in that form and is hereby partitioned into two separate and distinct bodies corporate, each of which shall have continuity and corporate succession as a separated portion of the previously existing body corporate, as follows:

(A) One of such separated portions shall be a body corporate without capital stock to be known as Government National Mortgage Association (hereinafter referred to as the “Association”), which shall be in the Department of Housing and Urban Development and which shall retain the assets and liabilities acquired and incurred under sections 305 and 306 prior to such date, including any and all liabilities incurred pursuant to subsection (c) of this section. The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

(B) The other such separated portion shall be a body corporate to be known as Federal National Mortgage Association (hereinafter referred to as the “corporation”), which shall retain the assets and liabilities acquired and incurred under sections 303 and 304 prior to such date. The corporation shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia or the metropolitan area thereof and shall be deemed, for purposes of jurisdiction and venue in civil actions, to be a District of Columbia corporation.

(3) The partition transaction effected pursuant to the foregoing paragraph constitutes a reorganization within the meaning of section 368(a)(1)(E) of the Internal Revenue Code of 1986; and for the purposes of such Code, no gain or loss is recognized by the previously existing body corporate by reason of the partition, and the basis and holding period of the assets of the corporation immediately following such partition are the same as the basis and holding period of such assets immediately prior to such partition.

(b) PURCHASE AND SALE OF INSURED AND CONVENTIONAL MORTGAGES; TRANSACTIONS IN LOANS AND ADVANCES OF CREDIT.—

(1) For the purposes set forth in section 301 and subject to the limitations and restrictions of this title, each of the bodies corporate named in subsection (a)(2) is authorized, pursuant to commitments or otherwise, to purchase, service, sell, or otherwise deal in any mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen’s Readjustment Act of 1944 or chapter 37 of title 38, United States Code; and to purchase, service, sell, or otherwise deal in any

loans made or guaranteed under part B of title VI of the Public Health Service Act; and the corporation is authorized to lend on the security of any such mortgages and to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section 306(g): *Provided*, That (1) the Association may not purchase any mortgage at a price exceeding 100 per centum of the unpaid principal amount thereof at the time of purchase, with adjustments for interest and any comparable items; (2) the Association may not purchase any mortgage, except a mortgage insured under title V of the Housing Act of 1949, if it is offered by, or covers property held by, a State, territorial, or municipal instrumentality; and (3) the Association may not purchase any mortgage under section 305, except a mortgage insured under section 220 or title VIII or section 203(k), or under title IX with respect to a new community approved under section 1004 thereof, or insured under section 213 and covering property located in an urban renewal area, or a mortgage covering property located in Alaska, Guam, or Hawaii, if the original principal obligation thereof exceeds or exceeded $55,000 in the case of property upon which is located a dwelling designed principally for a one-family residence; or $60,000 in the case of a two- or three-family residence; or $68,750 in the case of a four-family residence; or, in the case of a property containing more than four dwelling units, $38,000 per dwelling unit (or such higher amount not in excess of $45,000 per dwelling unit as the Secretary may by regulation specify in any geographical area where the Secretary finds that cost levels so require) for that part of the property attributable to dwelling use. Notwithstanding the provisions of clause (3) of the preceding sentence, the Association may purchase a mortgage under section 305 with an original principal obligation which exceeds the otherwise applicable maximum amount per dwelling unit if the mortgage is insured under section 207(c)(3), 213(b)(2), 220(d)(3)(B)(iii), 221(d)(3)(ii), 221(d)(4)(ii), 231(c)(2), 234(e)(3), or 236. For the purposes of this title, the terms “mortgages” and “home mortgages” shall be inclusive of any mortgages or other loans insured under any of the provisions of the National Housing Act or title V of the Housing Act of 1949.

(2) For the purposes set forth in section 301(a), the corporation is authorized, pursuant to commitments or otherwise, to purchase, service, sell, lend on the security of, or otherwise deal in mortgages which are not insured or guaranteed as provided in paragraph (1) (such mortgages referred to hereinafter as “conventional mortgages”). No such purchase of a conventional mortgage secured by a property comprising one- to four-family dwelling units shall be made if the outstanding principal balance of the mortgage at the time of purchase exceeds 80 per centum of the value of the property securing the mortgage, unless (A) the seller retains a participation of not less than 10 per centum in the mortgage; (B) for such period and under such circumstances as the corporation may require, the seller agrees to repurchase or replace the mortgage upon demand of the corporation in the event that the mortgage is in default; or (C) that portion of the unpaid principal balance of the mortgage which is in excess of such 80 per centum is guaranteed or insured by a qualified insurer as determined by the corporation. The corporation shall not issue a commitment to purchase a conventional mortgage prior to the date the mortgage is originated, if such mortgage is eligible for purchase under the preceding sentence only by reason of compliance with the requirements of clause (A) of such sentence. The corporation may purchase a conventional mortgage which was originated more than one year prior to the purchase date only if the seller is the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, the

National Credit Union Administration, or any other seller currently engaged in mortgage lending or investing activities. For the purpose of this section, the term “conventional mortgages” shall include a mortgage, lien, or other security interest on the stock or membership certificate issued to a tenant-stockholder or resident-member of a cooperative housing corporation, as defined in section 216 of the Internal Revenue Code of 1986, and on the proprietary lease, occupancy agreement or right of tenancy in the dwelling unit of the tenant-stockholder or resident-member in such cooperative housing corporation. The corporation shall establish limitations governing the maximum original principal obligation of conventional mortgages that are purchased by it; in any case in which the corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total original principal obligation of the mortgage and not merely with respect to the interest purchased by the corporation. Such limitations shall not exceed $417,000 for a mortgage secured by a single-family residence, $533,850 for a mortgage secured by a 2-family residence, $645,300 for a mortgage secured by a 3-family residence, and $801,950 for a mortgage secured by a 4-family residence, except that such maximum limitations shall be adjusted effective January 1 of each year beginning after the effective date of the Federal Housing Finance Regulatory Reform Act of 2008 [July 30, 2008], subject to the limitations in this paragraph. Each adjustment shall be made by adding to each such amount (as it may have been previously adjusted) a percentage thereof equal to the percentage increase, during the most recent 12-month or 4-quarter period ending before the time of determining such annual adjustment, in the housing price index maintained by the Director of the Federal Housing Finance Agency) pursuant to section 1322 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4541)). If the change in such house price index during the most recent 12-month or 4-quarter period ending before the time of determining such annual adjustment is a decrease, then no adjustment shall be made for the next year, and the next adjustment shall take into account prior declines in the house price index, so that any adjustment shall reflect the net change in the house price index since the last adjustment. Declines in the house price index shall be accumulated and then reduce increases until subsequent increases exceed prior declines. The foregoing limitations may be increased by not to exceed 50 per centum with respect to the properties located in Alaska, Guam, Hawaii, and the Virgin Islands. Such foregoing limitations shall also be increased, with respect to properties of a particular size located in any area for which 115 percent of the median house price for such size residence exceeds the foregoing limitation for such size residence, to the lesser of 150 percent of such limitation for such size residence or the amount that is equal to 115 percent of the median house price in such area for such size residence.

(3) The corporation is authorized to purchase, service, sell, lend on the security of, and otherwise deal in loans or advances of credit for the purchase and installation of home improvements, including energy conserving improvements or solar energy systems described in the last paragraph of section 2(a) of the National Housing Act and residential energy conservation measures as described in section 210(11) of the National Energy Conservation Policy Act and financed by a public utility in accordance with the requirements of title II of such Act. To be eligible for purchase, any such loan or advance of credit (other than a loan or advance made with respect to energy conserving improvements or solar energy systems or

residential energy conservation measures) not insured under title I of the National Housing Act shall be secured by a lien against the property to be improved.

(4) The corporation is authorized to purchase, service, sell, lend on the security of, and otherwise deal in loans or advances of credit secured by mortgages or other liens against manufactured homes.

(5)(A) The corporation is authorized to purchase, service, sell, lend on the security of, and otherwise deal in (i) conventional mortgages that are secured by a subordinate lien against a one- to four-family residence that is the principal residence of the mortgagor; and (ii) conventional mortgages that are secured by a subordinate lien against a property comprising five or more family dwelling units. If the corporation, pursuant to paragraphs (1) through (4), shall have purchased, serviced, sold, or otherwise dealt with any other outstanding mortgage secured by the same residence, the aggregate original amount of such other mortgage and the mortgage authorized to be purchased, serviced, sold, or otherwise dealt with under this paragraph shall not exceed the applicable limitation determined under paragraph (2).

(B) The corporation shall establish limitations governing the maximum original principal obligation of conventional mortgages described in subparagraph (A). In any case in which the corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total original principal obligation of such mortgage described in subparagraph (A) and not merely with respect to the interest purchased by the corporation. Such limitations shall not exceed (i) with respect to mortgages described in subparagraph (A)(i), 50 per centum of the single-family residence mortgage limitation determined under paragraph (2); and (ii) with respect to mortgages described in subparagraph (A)(ii), the applicable limitation determined under paragraph (2).

(C) No subordinate mortgage against a one- to four-family residence shall be purchased by the corporation if the total outstanding indebtedness secured by the property as a result of such mortgage exceeds 80 per centum of the value of such property unless (i) that portion of such total outstanding indebtedness that exceeds such 80 per centum is guaranteed or insured by a qualified insurer as determined by the corporation; (ii) the seller retains a participation of not less than 10 per centum in the mortgage; or (iii) for such period and under such circumstances as the corporation may require, the seller agrees to repurchase or replace the mortgage upon the demand of the corporation in the event that the mortgage is in default. The corporation shall not issue a commitment to purchase a subordinate mortgage prior to the date the mortgage is originated, if such mortgage is eligible for purchase under the preceding sentence only by reason of compliance with the requirements of clause (ii) of such sentence.

(6) The corporation may not implement any new program (as such term is defined in section 1303 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992) before obtaining the approval of the Secretary under section 1322 of such Act.

(c) ADMINISTRATION OF TRUSTS; OBLIGATIONS OF DEPARTMENTS AND AGENCIES OF UNITED STATES; EXEMPTION OF INTEREST INCOME FROM TAXATION; AUTHORIZATION OF APPROPRIATIONS FOR DIFFERENTIAL REIMBURSEMENTS.—

(1) Notwithstanding any other provision of this Act or of any other law, the Association is authorized under section 306 to create, accept, execute, and otherwise administer in all respects such trusts, receiverships, conservatorships, liquidating or other agencies, or other fiduciary and representative undertakings and activities, hereinafter in this subsection called “trusts”, as might be appropriate for financing purposes; and in relation thereto the Association may acquire, hold and manage, dispose of, and otherwise deal in any mortgages or other types of obligations in which any department or agency of the United States listed in paragraph (2) of this subsection may have a financial interest. The Association may join in any such undertakings and activities, hereinafter in this subsection called “trusts”; notwithstanding that it is also serving in a fiduciary or representative capacity; and is authorized to guarantee any participations or other instruments, whether evidence of property rights or debt, issued for such financing purposes. Participations or other instruments issued by the Association pursuant to this subsection shall to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The amounts of any mortgages and other obligations acquired by the Association under section 306, pursuant to this subsection, shall not be included in the total amounts set forth in section 306(c).

(2) Subject to the limitations provided in paragraph (4) of this subsection, one or more trusts may be established as provided in this subsection by each of the following departments or agencies:

(A) The Farmers Home Administration of the Department of Agriculture, but only with respect to operating loans, direct farm ownership loans, direct housing loans, and direct soil and water loans. Such trusts may not be established with respect to loans for housing for the elderly under sections 502 and 515(a) of the Housing Act of 1949, nor with respect to loans for nonfarm recreational development.

(B) The Department of Education, but only with respect to loans made by the Secretary of Education for construction of academic facilities, and loans to help finance student loan programs.

(C) The Department of Housing and Urban Development.

(D) The Department of Veterans Affairs.

(E) The Export-Import Bank.

(F) The Small Business Administration.

The head of each such department or agency, hereinafter in this subsection called the “trustor”, is authorized to set aside a part or all of any obligations held by the trustor and subject them to a trust or trusts and, incident thereto, shall guarantee to the trustee timely payment thereof. The trust instrument may provide for the issuance and sale of beneficial interests or participations, by the trustee, in such obligations or in the right to receive interest and principal collections therefrom; and may provide for the substitution or withdrawal of such obligations, or for the substitution of cash for obligations. The trust or trusts shall be exempt from all taxation. The trust instrument may also contain other appropriate provisions in keeping with the purposes of this subsection. The Association shall be named and shall act as trustee of any such trusts and, for the purposes thereof, the title to such obligations shall be deemed to have passed to the Association in trust. The trust instrument shall provide that custody, control, and administration of the obligations shall remain in the trustor subjecting the obligations to the trust, subject to transfer to the trustee in event of default or probable default, as determined by the trustee, in the payment of principal and interest of the beneficial interests or participations. Collections from obligations subject to the trust shall be dealt with as provided in the instrument creating the trust. The trust instrument shall provide that the trustee will promptly pay to the trustor the full net proceeds of any sale of beneficial interests or participations to the extent they are based upon such obligations or collections. Such proceeds shall be dealt with as otherwise provided by law for sales or repayment of such obligations. The effect of both past and future sales of any issue of beneficial interests or participations shall be the same, to the extent of the principal of such issue, as the direct sale with recourse of the obligations subject to the trust. Any trustor creating a trust or trusts hereunder is authorized to purchase, through the facilities of the trustee, outstanding beneficial interests or participations to the extent of the amount of the trustor’s responsibility to the trustee on beneficial interests or participations outstanding, and to pay the trustor’s proper share of the costs and expenses incurred by the Association as trustee pursuant to the trust instrument.

(3) When any trustor guarantees to the trustee the timely payment of obligations the trustor subjects to a trust pursuant to this subsection, and it becomes necessary for such trustor to meet his responsibilities under such guaranty, the trustor is authorized to fulfill such guaranty.

(4) Beneficial interests or participations shall not be issued for the account of any trustor in an aggregate principal amount greater than is authorized with respect to such trustor in an appropriation Act. Any such authorization shall remain available only for the fiscal year for which it is granted and for the succeeding fiscal year.

(5) The Association, as trustee, is authorized to issue and sell beneficial interests or participations under this subsection, notwithstanding that there may be an insufficiency in aggregate receipts from obligations subject to the related trust to provide for the payment by the trustee (on a timely basis out of current receipts or otherwise) of all interest or principal on such interests or participations (after provision for all costs and expenses incurred by the trustee, fairly prorated among trustors). There are authorized to be appropriated without fiscal year limitation such sums as may be necessary to enable any trustor to pay the trustee such

insufficiency as the trustee may require on account of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection. Such trustor shall make timely payments to the trustee from such appropriations, subject to and in accord with the trust instrument. In the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection, or pursuant hereto, the trustee is authorized to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors to make payments to the trustee from appropriated funds or other sources. Each such issue of beneficial interests or participations shall be in an amount determined by the trustee but not in excess of the aggregate amount which the trustee would otherwise require the trustor or trustors to pay from appropriated funds or other sources, and may be issued without regard to the provisions of paragraph (4) of this subsection. All refinancing issues of beneficial interests or participations shall be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued.

12 U.S.C. § 1718

SEC. 303. CAPITALIZATION OF FEDERAL NATIONAL MORTGAGE ASSOCIATION

(a) COMMON STOCK; PREFERRED STOCK; TRANSFERABILITY OF SHARES.—The corporation shall have common stock, without par value, which shall be vested with all voting rights, each share being entitled to one vote with rights of cumulative voting at all elections of directors. The corporation may eliminate such rights of cumulative voting by a resolution adopted by its board of directors and approved by the holders of a majority of the shares of common stock voting in person or by proxy at the annual meeting, or other special meeting, at which such resolution is considered. The corporation may have preferred stock on such terms and conditions as the board of directors shall prescribe. The free transferability of the stock at all times to any person, firm, corporation, or other entity shall not be restricted except that, as to the corporation, it shall be transferable only on the books of the corporation. The corporation may issue shares of common stock in return for appropriate payments into capital or capital and surplus.

(b) FEES AND CHARGES; ANNUAL TRANSFER OF EARNINGS TO GENERAL SURPLUS ACCOUNT.—

(1) The corporation may impose charges or fees, which may be regarded as elements of pricing, with the objective that all costs and expenses of the operations of the corporation should be within its income derived from such operations and that such operations should be fully self-supporting.

(2) All earnings from the operations of the corporation shall annually be transferred to the general surplus account of the corporation. At any time, funds of the general surplus account may, in the discretion of the board of directors, be transferred to reserves.

(c) CAPITAL DISTRIBUTIONS FROM GENERAL SURPLUS ACCOUNT; MINIMUM CAPITALIZATION LEVELS.—

(1) Except as provided in paragraph (2), the corporation may make such capital distributions (as such term is defined in section 1303 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992) as may be declared by the board of directors. All capital distributions shall be charged against the general surplus account of the corporation.

(2) The corporation may not make any capital distribution that would decrease the total capital of the corporation (as such term is defined in section 1303 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992) to an amount less than the risk-based capital level for the corporation established under section 1361 of such Act or that would decrease the core capital of the corporation (as such term is defined in section 1303 of such Act) to an amount less than the minimum capital level for the corporation established under section 1362 of such Act, without prior written approval of the distribution by the Director of the Federal Housing Finance Agency.

(d) INSTITUTIONS ELIGIBLE TO PURCHASE STOCK.—Notwithstanding any other provision of law, any institution, including a national bank or State member bank of the Federal Reserve System or any member of the Federal Deposit Insurance Corporation, trust company or other banking organization, organized under any law of the United States, including the laws relating to the District of Columbia, shall be authorized to purchase shares of common stock of the corporation, and to hold or dispose of such stock, subject to the provisions of this title.

12 U.S.C. § 1719

SEC. 304. SECONDARY MARKET OPERATIONS

(a) PURCHASE AND SALE OF MORTGAGES; SECONDARY MARKET OPERATIONS; ADVANCE OF FUNDS OR ORIGINATION OF LOANS; SETTLEMENT OR EXTINGUISHMENT OF BORROWERS RIGHTS.—

(1) To carry out the purposes set forth in paragraph (a) of section 301, the operations of the corporation under this section shall be confined so far as practicable, to mortgages which are deemed by the corporation to be of such quality, type, and class as to meet, generally, the purchase standards imposed by private institutional mortgage investors. In the interest of assuring sound operation, the prices to be paid by the corporation for mortgages purchased in its secondary market operations under this section, should be established, from time to time, within the range of market prices for the particular class of mortgages involved, as determined by the corporation. The volume of the corporation's purchases and sales, and the establishment of the purchase prices, sale prices, and charges or fees, in its secondary market

operations under this section, should be determined by the corporation from time to time, and such determinations should be consistent with the objectives that such purchases and sales should be effected only at such prices and on such terms as will reasonably prevent excessive use of the corporation's facilities, and that the operations of the corporation under this section should be within its income derived from such operations and that such operations should be fully self supporting. Nothing in this title shall prohibit the corporation from purchasing, and making commitments to purchase, any mortgage with respect to which the Secretary of Housing and Urban Development has entered into a contract with the corporation to make interest subsidy payments under section 243 of the National Housing Act.

(2) The volume of the corporation's lending activities and the establishment of its loan ratios, interest rates, maturities, and charges or fees, in its secondary market operations under this section, should be determined by the corporation from time to time; and such determinations, in conjunction with determinations made under paragraph (1), should be consistent with the objectives that the lending activities should be conducted on such terms as will reasonably prevent excessive use of the corporation's facilities, and that the operations of the corporation under this section should be within its income derived from such operations and that such operations should be fully self-supporting. The corporation shall not be permitted to use its lending authority (A) to advance funds to a mortgage seller on an interim basis, using mortgage loans as collateral, pending the sale of the mortgages in the secondary market; or (B) to originate mortgage loans. Notwithstanding any Federal, State, or other law to the contrary, the corporation is empowered, in connection with any loan under this section, whether before or after any default, to provide by contract with the borrower for the settlement or extinguishment, upon default, of any redemption, equitable, legal, or other right, title, or interest of the borrower in any mortgage or mortgages that constitute the security for the loan; and with respect to any such loan, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such security shall become the absolute property of the corporation.

(b) OBLIGATIONS OF THE CORPORATION.—For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, and have outstanding at any one time obligations having such maturities and bearing such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury, to be redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price.

(c) PURCHASE OF OBLIGATIONS BY TREASURY; CONDITIONS AND RESTRICTIONS.—The Secretary of the Treasury is authorized in the Secretary's discretion to purchase any obligations issued pursuant to subsection (b) of this section, as now or hereafter in force, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds of the sale of any securities hereafter issued under chapter 31 of title 31, United States Code, and the purposes for which securities may be issued under chapter 31 of title 31, United States Code, are extended to include such purchases. The Secretary of the Treasury shall not at any time purchase any obligations under this subsection if such purchase would increase the aggregate principal amount of the Secretary's then outstanding holdings of such obligations under this subsection to an amount greater than $2,250,000,000. Each purchase of obligations by the Secretary of the Treasury under this subsection shall be upon such terms and conditions as to yield a return at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the making of such purchase. The Secretary of the Treasury may, at any time, sell, upon such terms and conditions and at such price or prices as the Secretary shall determine, any of the obligations acquired by the Secretary under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such obligations under this subsection shall be treated as public debt transactions of the United States.

(d) MORTGAGE-BACKED SECURITIES; ISSUANCE; MATURITIES; RATES OF INTEREST; EXEMPT SECURITIES; ADEQUACY OF MORTGAGES TO PERMIT PRINCIPAL AND INTEREST PAYMENTS; STATEMENT IN SECURITIES.—To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secretary of the Treasury, to issue and sell securities based upon the mortgages so set aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection. The corporation shall insert appropriate language in all of the securities issued under this subsection clearly indicating that such securities, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than the corporation.

(e) SUBORDINATED OR CONVERTIBLE OBLIGATIONS; ISSUANCE; MATURITIES; RATE OF INTEREST; REDEMPTION; EXEMPT SECURITIES; DEBT OR OBLIGATION OF UNITED STATES; PURCHASES IN OPEN MARKET.—For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, obligations which are subordinated to any or all other obligations of the corporation, including subsequent obligations. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury and may be made redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations. Any of such obligations may be made convertible into shares of common stock in such manner, at such price or prices, and at such time or times as may be stipulated therein. Obligations issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price.

(f) PROHIBITION ON ASSESSMENT OR COLLECTION OF FEE OR CHARGE BY UNITED STATES.—Except for fees paid pursuant to section 309(g) of this Act and assessments pursuant to section 1316 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, no fee or charge may be assessed or collected by the United States (including any executive department, agency, or independent establishment of the United States) on or with regard to the purchase, acquisition, sale, pledge, issuance, guarantee, or redemption of any mortgage, asset, obligation, trust certificate of beneficial interest, or other security by the corporation. No provision of this subsection shall affect the purchase of any obligation by the Secretary of the Treasury pursuant to subsection (c) of this section.

(g) TEMPORARY AUTHORITY OF TREASURY TO PURCHASE OBLIGATIONS AND SECURITIES; CONDITIONS.—

(1) AUTHORITY TO PURCHASE.—

(A) GENERAL AUTHORITY.—In addition to the authority under subsection (c) of this section, the Secretary of the Treasury is authorized to purchase any obligations and other securities issued by the corporation under any section of this Act, on such terms and conditions as the Secretary may determine and in such amounts as the Secretary may determine. Nothing in this subsection requires the corporation to issue obligations or securities to the Secretary without mutual agreement between the Secretary and the corporation. Nothing in this subsection permits or authorizes the Secretary, without the agreement of the corporation, to engage in open market purchases of the common securities of the corporation.

(B) EMERGENCY DETERMINATION REQUIRED.—In connection with any use of this authority, the Secretary must determine that such actions are necessary to—

(i) provide stability to the financial markets;

(ii) prevent disruptions in the availability of mortgage finance; and

(iii) protect the taxpayer.

(C) CONSIDERATIONS.—To protect the taxpayers, the Secretary of the Treasury shall take into consideration the following in connection with exercising the authority contained in this paragraph:

(i) The need for preferences or priorities regarding payments to the Government.

(ii) Limits on maturity or disposition of obligations or securities to be purchased.

(iii) The corporation’s plan for the orderly resumption of private market funding or capital market access.

(iv) The probability of the corporation fulfilling the terms of any such obligation or other security, including repayment.

(v) The need to maintain the corporation’s status as a private shareholder-owned company.

(vi) Restrictions on the use of corporation resources, including limitations on the payment of dividends and executive compensation and any such other terms and conditions as appropriate for those purposes.

(D) REPORTS TO CONGRESS.—Upon exercise of this authority, the Secretary shall report to the Committees on the Budget, Financial Services, and Ways and Means of the House of Representatives and the Committees on the Budget, Finance, and Banking, Housing, and Urban Affairs of the Senate as to the necessity for the purchase and the determinations made by the Secretary under subparagraph (B) and with respect to the considerations required under subparagraph (C), and the size, terms, and probability of repayment or fulfillment of other terms of such purchase.

(2) RIGHTS; SALE OF OBLIGATIONS AND SECURITIES.—

(A) EXERCISE OF RIGHTS.—The Secretary of the Treasury may, at any time, exercise any rights received in connection with such purchases.

(B) SALE OF OBLIGATION AND SECURITIES.—The Secretary of the Treasury may, at any time, subject to the terms of the security or otherwise upon terms and conditions and at prices determined by the Secretary, sell any obligation or security acquired by the Secretary under this subsection.

(C) DEFICIT REDUCTION.—The Secretary of the Treasury shall deposit in the General Fund of the Treasury any amounts received by the Secretary from the sale of any obligation acquired by the Secretary under this subsection, where such amounts shall be—

(i) dedicated for the sole purpose of deficit reductions; and

(ii) prohibited from use as an offset for other spending increases or revenue reductions.

(D) APPLICATION OF SUNSET TO PURCHASED OBLIGATIONS OR SECURITIES.—The authority of the Secretary of the Treasury to hold, exercise any rights received in connection with, or sell, any obligations or securities purchased is not subject to the provisions of paragraph (4).

(3) FUNDING.—For the purpose of the authorities granted in this subsection, the Secretary of the Treasury may use the proceeds of the sale of any securities issued under chapter 31 of Title 31, and the purposes for which securities may be issued under chapter 31 of Title 31 are extended to include such purchases and the exercise of any rights in connection with such purchases. Any funds expended for the purchase of, or modifications to, obligations and securities, or the exercise of any rights received in connection with such purchases under this subsection shall be deemed appropriated at the time of such purchase, modification, or exercise.

(4) TERMINATION OF AUTHORITY.—The authority under this subsection (g), with the exception of paragraphs (2) and (3) of this subsection, shall expire December 31, 2009.

(5) AUTHORITY OF THE DIRECTOR WITH RESPECT TO EXECUTIVE COMPENSATION.—The Director shall have the power to approve, disapprove, or modify the executive compensation of the corporation, as defined under Regulation S-K, 17 C.F.R. 229.

12 U.S.C. § 1720

SEC. 305. SPECIAL ASSISTANCE FUNCTIONS OF GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Repealed.

12 U.S.C. § 1721

SEC. 306. MANAGEMENT AND LIQUIDATION FUNCTIONS OF GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

(a) SEPARATE ACCOUNTABILITY OF ASSETS AND LIABILITIES.—To carry out the purposes set forth in paragraph (c) of section 301, the Association is authorized and directed, as of the close of the cutoff date determined by the Association pursuant to section 303(d), to establish separate accountability for all of its assets and liabilities (exclusive of capital, surplus, surplus reserves, and undistributed earnings to be evidenced by preferred stock as provided in section 303(d), but inclusive of all rights and obligations under any outstanding contracts), and to maintain such separate accountability for the management and orderly liquidation of such assets and liabilities as provided in this section.

(b) ISSUANCE OF OBLIGATIONS TO EXPEDITE SUBSTITUTION OF PRIVATE FINANCING.—For the purposes of this section and to assure that, to the maximum extent, and as rapidly as possible, private financing will be substituted for Treasury borrowings otherwise required to carry mortgages held under the aforesaid separate accountability, the Association is authorized to issue, upon the approval of the Secretary of the Treasury, and have outstanding at any one time obligations having such maturities and bearing such rate or rates of interest as may be determined by the Association with the approval of the Secretary of the Treasury, to be redeemable at the option of the Association before maturity in such manner as may be stipulated in such obligations; but in no event shall any such obligations be issued if, at the time of such proposed issuance, and as a consequence thereof, the resulting aggregate amount of its outstanding obligations under this subsection would exceed the amount of the Association's ownership under the aforesaid separate accountability, free from any liens or encumbrances, of cash, mortgages, and obligations of the United States or guaranteed thereby, or obligations, participations, or other instruments which are lawful investments for fiduciary, trust or public funds. The proceeds of any private financing effected under this subsection shall be paid to the Secretary of the Treasury in reduction of the indebtedness of the Association to the Secretary of the Treasury under the aforesaid separate accountability. The Association shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the Association. The Association is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price.

(c) CUTOFF DATE AS CONTROLLING PURCHASES; TOTAL AMOUNT OF MORTGAGES AND COMMITMENTS.—No mortgage shall be purchased by the Association in its operations under this section except pursuant to and in accordance with the terms of a contract or commitment to purchase the same made prior to the cutoff date provided for in section 303(d), which contract or commitment became a part of the aforesaid separate accountability, and the total amount of mortgages and commitments held by the Association under this section shall not, in any event, exceed $3,350,000,000: *Provided*, That such maximum amount shall be progressively reduced by the amount of cash realizations on account of principal of mortgages held under the aforesaid separate accountability and by cancellation of any commitments to purchase mortgages thereunder, as reflected by the books of the Association, with the objective that the entire aforesaid maximum amount shall be eliminated with the orderly liquidation of all mortgages held under the aforesaid separate accountability: *And provided further*, That nothing in this subsection shall preclude the Association from granting such usual and customary increases in the amounts of outstanding commitments (resulting from increased costs or otherwise) as have theretofore been covered by like increases in commitments granted by the agencies of the Federal Government insuring or guaranteeing the mortgages. There shall be excluded from the total amounts set forth in this subsection the amounts of any mortgages which, subsequent to May 31, 1954, are transferred by law to the Association and held under the aforesaid separate accountability.

(d) ISSUANCE OF OBLIGATIONS SUFFICIENT TO CARRY OUT FUNCTIONS; CHARACTER; PURCHASE.—The Association may issue to the Secretary of the Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section, such obligations to mature not more than five years from their respective dates of issue, to be redeemable at the option of the Association before maturity in such manner as may be stipulated in such obligations. Each such obligation shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the obligation of the Association. The Secretary of the Treasury is authorized to purchase any obligations of the Association to be issued under this section, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, and the purpose for which securities may be issued under chapter 31 of title 31, United States Code, are extended to include any purchases of the Association's obligations hereunder.

(e) ACQUISITION OF MORTGAGES OFFERED BY SECRETARY OF HOUSING AND URBAN DEVELOPMENT.—Notwithstanding any other provision of law, the Association is authorized, under the aforesaid separate accountability, to make commitments to purchase, and to purchase, service, or sell any obligations offered to it by the Secretary of Housing and Urban Development, or any mortgages covering residential property offered to it by any Federal instrumentality, or the head thereof. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any obligations or mortgages purchased by the Association pursuant to this subsection.

(f) TRANSFER OF FUNDS.—Notwithstanding any of the provisions of this Act or of any other law, an amount equal to the net decrease for the preceding fiscal year in the aggregate principal amount of all mortgages owned by the Association under this section shall, as of July 1 of each of the years 1961 through 1964, be transferred to and merged with the authority provided under section 305(a), and the amount of such authority as specified in section 305(c) shall be increased by any amounts so transferred.

(g) GUARANTEE OF PRINCIPAL AND INTEREST ON TRUST CERTIFICATES AND OTHER SECURITIES; FEES AND CHARGES; SUBROGATION; CONTRACT FOR EXTINGUISHMENT OF RIGHT, TITLE, OR INTEREST IN MORTGAGES; PROTECTION OF INTERESTS; FULL FAITH AND CREDIT; COMMITMENTS LIMITED; LIMITATION ON FEES OR CHARGES.

(1) The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on such trust certificates or other securities as shall (i) be issued by the corporation under section 304(d), or by any other issuer approved for the purposes of this subsection by the Association, and (ii) be based on and backed by a trust or pool composed of mortgages which are insured under the National Housing Act, or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944, title V of the Housing Act of 1949, or chapter 37 of title 38,

United States Code, or which are guaranteed under title XIII of the Public Health Service Act; or guaranteed under section 184 of the Housing and Community Development Act of 1992. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any trust or other security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payment as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment. In any case in which (I) Federal law requires the reduction of the interest rate on any mortgage backing a security guaranteed under this subsection, (II) the mortgagor under the mortgage is a person in the military service, and (III) the issuer of such security fails to receive from the mortgagor the full amount of interest payment due, the Association may make payments of interest on the security in amounts not exceeding the difference between the amount payable under the interest rate on the mortgage and the amount of interest actually paid by the mortgagor. The Association is hereby empowered, in connection with any guaranty under this subsection, whether before or after any default, to provide by contract with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any mortgage or mortgages constituting the trust or pool against which the guaranteed securities are issued; and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such trust or pool shall become the absolute property of the Association subject only to the unsatisfied rights of the holders of the securities based on and backed by such trust or pool. No State or local law, and no Federal law (except Federal law enacted expressly in limitation of this subsection after the effective date of this sentence [October 8, 1980]), shall preclude or limit the exercise by the Association of (A) its power to contract with the issuer on the terms stated in the preceding sentence, (B) its rights to enforce any such contract with the issuer, or (C) its ownership rights, as provided in the preceding sentence, in the mortgages constituting the trust or pool against which the guaranteed securities are issued. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any mortgages acquired by the Association as a result of its operations under this subsection.

(2) Notwithstanding any other provision of law and subject only to the absence of qualified requests for guarantees, to the authority provided in this subsection, and to the extent of or in such amounts as any funding limitation approved in appropriation Acts, the Association shall enter into commitments to issue guarantees under this subsection in an aggregate amount of $110,000,000,000 during fiscal year 1996. There are authorized to be appropriated to cover the costs (as such term is defined in section 502 of the Congressional Budget Act of 1974) of guarantees issued under this Act by the Association such sums as may be necessary for fiscal year 1996.

(3)(A) No fee or charge in excess of 6 basis points may be assessed or collected by the United States (including any executive department, agency, or independent establishment of the United States) on or with regard to any guaranty of the timely payment of principal or interest on securities or notes based on or backed by mortgages that are secured by 1- to 4-family dwellings and (i) insured by the Federal Housing Administration under title II of the National Housing Act; or (ii) insured or guaranteed under the Serviceman's Readjustment Act of 1944, chapter 37 of title 38, United States Code, or title V of the Housing Act of 1949.

(B) The fees charged for the guaranty of securities or on notes based on or backed by mortgages not referred to in subparagraph (A), as authorized by other provisions of law, shall be set by the Association at a level not more than necessary to create reserves sufficient to meet anticipated claims based upon actuarial analysis, and for no other purpose.

(C) Fees or charges for the issuance of commitments or miscellaneous administrative fees of the Association shall not be on a competitive auction basis and shall remain at the level set for such fees or charges as of September 1, 1985, except that such fees or charges may be increased if reasonably related to the cost of administering the program, and for no other purpose.

(D) Not less than 90 days before increasing any fee or charge under subparagraph (B) or (C), the Secretary shall submit to the Congress a certification that such increase is solely for the purpose specified in such subparagraph.

(E)(i) Notwithstanding subparagraphs (A) through (D), fees charged for the guarantee of, or commitment to guarantee, multiclass securities backed by a trust or pool of securities or notes guaranteed by the Association under this subsection, and other related fees shall be charged by the Association in an amount the Association deems appropriate. The Association shall take such action as may be necessary to reasonably assure that such portion of the benefit, resulting from the Association's multiclass securities program, as the Association determines is appropriate accrues to mortgagors who execute eligible mortgages after the date of the enactment of this subparagraph [August 10, 1993].

(ii) The Association shall provide for the initial implementation of the program for which fees are charged under the first sentence of clause (i) by notice published in the Federal Register. The notice shall be effective upon publication and shall provide an opportunity for public comment. Not later than 12 months after publication of the notice, the Association shall issue regulations for such program based on the notice, comments received, and the experience of the Association in carrying out the program during such period.

(iii) The Association shall consult with persons or entities in such manner as the Association deems appropriate to ensure the efficient commencement and operation of the multiclass securities program.

(iv) No State or local law, and no Federal law (except Federal law enacted expressly in limitation of this clause after the effective date of this subparagraph [August 10, 1993]) shall preclude or limit the exercise by the Association of its power to contract with persons or entities, and its rights to enforce such contracts, for the purpose of ensuring the efficient commencement and continued operation of the multiclass securities program.

12 U.S.C. § 1722

SEC. 307. BENEFITS AND BURDENS INCIDENT TO ADMINISTRATION OF FUNCTIONS AND OPERATIONS UNDER SECTIONS 305 AND 306

All of the benefits and burdens incident to the administration of the functions and operations of the Association under sections 305 and 306, respectively, of this title, after allowance for related obligations of the Association, its prorated expenses, and the like, including amounts required for the establishment of such reserves as the Secretary of Housing and Urban Development shall deem appropriate, shall inure solely to the Secretary of the Treasury, and such related earnings or other amounts as become available shall be paid annually by the Association to the Secretary of the Treasury for covering into miscellaneous receipts.

12 U.S.C. § 1723

SEC. 308. MANAGEMENT

(a) GOVERNMENT NATIONAL MORTGAGE ASSOCIATION.—All the powers and duties of the Government National Mortgage Association shall be vested in the Secretary of Housing and Urban Development and the Association shall be administered under the direction of the Secretary. Within the limitations of law, the Secretary shall determine the general policies which shall govern the operations of the Association, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. There is hereby established in the Department of Housing and Urban Development the position of President, Government National Mortgage Association, who shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary shall select and effect the appointment of qualified persons to fill the offices of vice president, and such other offices as may be provided for in the bylaws. Persons appointed under the preceding sentence shall perform such executive functions, powers, and duties as may be prescribed by the bylaws or by the Secretary, and such persons shall be executive officers of the Association and shall discharge all such executive functions, powers, and duties.

(b) FEDERAL NATIONAL MORTGAGE ASSOCIATION.—The Federal National Mortgage Association shall have a board of directors which shall consist of 13 persons, or such other number that the Director determines appropriate, who shall be elected annually by the common stockholders. Except to the extent that action under section 1377 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 temporarily results in a lesser number, the board shall at all times have as members at least one person from the homebuilding industry, at least one person from the mortgage lending industry, and at least one person from the real estate industry, and at least one person from an organization that has represented consumer or community interests for not less than 2 years or one person who has demonstrated a career commitment to the provision of housing for low-income households. Each member of the board of directors shall be elected for a term ending on the date of the next annual meeting of the stockholders. Any seat on the board which becomes vacant after the annual election of the directors shall be filled by the board, but only for the unexpired portion of the term. Within the limitations of law and regulation, the board shall determine the general policies which shall govern the operations of the corporation, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The board of directors shall select and effect the appointment of qualified persons to fill the offices of president and vice president, and such other offices as may be provided for in the bylaws. Any member of the board who is a full-time officer or employee of the Federal Government shall not, as such member, receive compensation for his services.

12 U.S.C. § 1723a

SEC. 309. GENERAL POWERS OF GOVERNMENT NATIONAL MORTGAGE ASSOCIATION AND FEDERAL NATIONAL MORTGAGE ASSOCIATION

(a) SEAL, AND OTHER MATTERS INCIDENT TO OPERATION.—Each of the bodies corporate named in section 302(a)(2) shall have power to adopt, alter, and use a corporate seal, which shall be judicially noticed; to enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as it may deem appropriate, with any agency or instrumentality of the United States, or with any State, Territory, or possession, or the Commonwealth of Puerto Rico, or with any political subdivision thereof, or with any person, firm, association, or corporation; to execute, in accordance with its bylaws, all instruments necessary or appropriate in the exercise of any of its powers; in its corporate name, to sue and to be sued, and to complain and to defend, in any court of competent jurisdiction, State or Federal, but no attachment, injunction, or other similar process, mesne or final, shall be issued against the property of the Association or against the Association with respect to its property; to conduct its business without regard to any qualification or similar statute in any State of the United States, including the District of Columbia, the Commonwealth of Puerto Rico, and the Territories and possessions of the United States; to lease, purchase, or acquire any property, real, personal, or mixed, or any interest therein, to hold, rent, maintain, modernize, renovate, improve, use, and operate such property, and to sell, for cash or credit, lease, or otherwise dispose of the same, at such time and in such manner as and to the extent that it may deem necessary or appropriate; to prescribe, repeal, and amend or modify, rules, regulations, or requirements governing the manner in which its general business may be conducted; to accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of its purposes; and to do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

(b) DETERMINATION WITH RESPECT TO OBLIGATIONS AND EXPENDITURES.—Except as may be otherwise provided in this title, in chapter 91 of title 31, United States Code, or in other laws specifically applicable to Government corporations, the Association shall determine the necessity for and the character and amount of its obligations and expenditures and the manner in which they shall be incurred, allowed, paid, and accounted for.

(c) EXEMPTION FROM TAXATION.—

(1) The Association, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income shall be exempt from all taxation now or hereafter imposed by the United States, by any territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, except that any real property of the Association shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(2) The corporation, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income, shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent as other real property is taxed.

(d) APPOINTMENT AND COMPENSATION OF PERSONNEL; USE OF SERVICES OF OTHER AGENCIES.—

(1) Subject to the provisions of section 308(a), the Secretary of Housing and Urban Development shall have power to select and appoint or employ such officers, attorneys, employees, and agents of the Association, to vest them with such powers and duties, and to fix and to cause the Association to pay such compensation to them for their services, as he may determine, subject to the civil service and classification laws. With the consent of any Government corporation or Federal Reserve bank, or of any board, commission, independent establishment, or executive department of the Government, the Association may avail itself on a reimbursable basis of the use of information, services, facilities, officers, and employees thereof, including any field service thereof, in carrying out the provisions of the title.

(2) The board of directors of the corporation shall have the power to select and appoint or employ such officers, attorneys, employees, and agents, to vest them with such powers and duties, and to fix and to cause the corporation to pay such compensation to them for their services as the board of directors determines reasonable and comparable with compensation for employment in other similar businesses (including other publicly held financial institutions or major financial services companies) involving similar duties and responsibilities, except that a significant portion of potential compensation of all executive officers (as such term is defined in paragraph (3)(C)) of the corporation shall be based on the performance of the corporation; and any such action shall be without regard to the Federal civil service and classification laws. Appointments, promotions, and separations so made shall be based on merit and efficiency, and no political tests or qualifications shall be permitted or given consideration. Each officer and employee of the corporation who is employed by the corporation prior to January 31, 1972, and who on the day previous to the

beginning of such employment will have been subject to the civil service retirement law (subch. III of ch. 83 of title 5, United States Code) shall, so long as the employment of such officer or employee by the corporation continues without a break in continuity of service, continue to be subject to such law; and for the purpose of such law the employment of such officer or employee by the corporation without a break in continuity of service shall be deemed to be employment by the Government of the United States. The corporation shall contribute to the Civil Service Retirement and Disability Fund a sum as provided by section 8334(a) of title 5, United States Code, except that such sum shall be determined by applying to the total basic pay (as defined in 5 U.S.C. 8331(3) and except as hereinafter provided) paid to the employees of the corporation who are covered by the civil service retirement law, the per centum rate determined annually by the Director of the Office of Personnel Management to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in section 8334(a) of title 5, United States Code. The corporation shall also pay into the Civil Service Retirement and Disability Fund such portion of the cost of administration of the fund as is determined by the Director of the Office of Personnel Management to be attributable to its employees. Notwithstanding the foregoing provisions, there shall not be considered for the purposes of the civil service retirement law that portion of the basic pay in any one year of any officer or employee of the corporation which exceeds the basic pay provided for positions listed in section 5312 of title 5, United States Code, on the last day of such year: *Provided*, That with respect to any person whose employment is made subject to the civil service retirement law by section 806 of the Housing and Community Development Act of 1974, there shall not be considered for the purposes of such law that portion of the basic pay of such person in any one year which exceeds the basic pay provided for positions listed in section 5316 of such title 5 on the last day of such year. Except as provided in this subsection, the corporation shall not be subject to the provisions of title 5, United States Code.

(3)(A) Not later than June 30, 1993, and annually thereafter, the corporation shall submit a report to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate on (i) the comparability of the compensation policies of the corporation with the compensation policies of other similar businesses, (ii) in the aggregate, the percentage of total cash compensation and payments under employee benefit plans (which shall be defined in a manner consistent with the corporation's proxy statement for the annual meeting of shareholders for the preceding year) earned by executive officers of the corporation during the preceding year that was based on the corporation's performance, and (iii) the comparability of the corporation's financial performance with the performance of other similar businesses. The report shall include a copy of the corporation's proxy statement for the annual meeting of shareholders for the preceding year.

(B) Notwithstanding the first sentence of paragraph (2), after the date of the enactment of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 [October 28, 1992], the corporation may not enter into any agreement or contract to provide any payment of money or other thing of current or potential value in connection with the termination of employment of any executive officer of the corporation, unless such agreement or contract is approved in advance by the Director of the Federal Housing Finance Agency. The Director may not approve any such agreement or contract unless the Director determines that the benefits provided under the agreement or contract are comparable to benefits under such agreements for officers of other public and private entities involved in financial services and housing interests who have comparable duties and responsibilities. For purposes of this subparagraph, any renegotiation, amendment, or change after such date of enactment [October 28, 1992], to any such agreement or contract entered into on or before such date of enactment [October 28, 1992], shall be considered entering into an agreement or contract.

(C) For purposes of this paragraph, the term “executive officer” has the meaning given the term in section 1303 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

(4) Notwithstanding any other provision of this section, the corporation shall not transfer, disburse, or pay compensation to any executive officer, or enter into an agreement with such executive officer, without the approval of the Director, for matters being reviewed under section 1318 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4518).

(e) PROHIBITION AGAINST USE OF NAMES; INJUNCTION; DAMAGES.—No individual, association, partnership, or corporation, except the bodies corporate named in section 302(a)(2) of this title, shall hereafter use the words “Federal National Mortgage Association,” “Government National Mortgage Association,” or any combination of such words, as the name or a part thereof under which the individual, association, partnership, or corporation shall do business. Violations of the foregoing sentence may be enjoined by any court of general jurisdiction at the suit of the proper body corporate. In any such suit, the plaintiff may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damages) of not exceeding $100 for each day during which such violation is committed or repeated.

(f) PREPARATION OF FORMS OF OBLIGATIONS AND CERTIFICATES.—In order that the Association may be supplied with such forms of obligations or certificates as it may need for issuance under this title, the Secretary of the Treasury is authorized, upon request of the Association, to prepare such forms as shall be suitable and approved by the Association, to be held in the Treasury subject to delivery, upon order of the Association. The engraved plates, dies, bed pieces, and other material executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Association shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, custody, and delivery of such forms.

(g) DEPOSITARIES, CUSTODIANS, AND FISCAL AGENTS.—The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for each of the bodies corporate named in section 302(a)(2), for its own account or as fiduciary, and such banks shall be reimbursed for such services in such manner as may be agreed upon; and each of such bodies corporate may itself act in such capacities, for its own account or as fiduciary, and for the account of others.

(h) Repealed.

(i) Repealed.

(j) AUDIT; ACCESS TO BOOKS, ETC.; REPORT OF AUDIT.—

(1) The programs, activities, receipts, expenditures, and financial transactions of the corporation shall be subject to audit by the Comptroller General of the United States under such rules and regulations as may be prescribed by the Comptroller General. The representatives of the Government Accountability Office shall have access to such books, accounts, financial records, reports, files, and such other papers, things, or property belonging to or in use by the corporation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. A report on each such audit shall be made by the Comptroller General to the Congress. The corporation shall reimburse the Government Accountability Office for the full cost of any such audit as billed therefor by the Comptroller General.

(2) To carry out this subsection, the representatives of the Government Accountability Office shall have access, upon request to the corporation or any auditor for an audit of the corporation under subsection (l), to any books, accounts, financial records, reports, files, or other papers, things, or property belonging to or in use by the corporation and used in any such audit and to any papers, records, files and reports of the auditor used in such an audit.

(k) FINANCIAL REPORTS; SUBMISSION TO DIRECTOR; CONTENTS.—

(1) The corporation shall submit to the Director of the Federal Housing Finance Agency annual and quarterly reports of the financial condition and operations of the corporation which shall be in such form, contain such information, and be submitted on such dates as the Director shall require.

(2) Each such annual report shall include—

(A) financial statements prepared in accordance with generally accepted accounting principles;

(B) any supplemental information or alternative presentation that the Director may require; and

(C) an assessment (as of the end of the corporation's most recent fiscal year), signed by the chief executive officer and chief accounting or financial officer of the corporation, of—

(i) the effectiveness of the internal control structure and procedures of the corporation; and

(ii) the compliance of the corporation with designated safety and soundness laws.

(3) The corporation shall also submit to the Director any other reports required by the Director pursuant to section 1314 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

(4) Each report of financial condition shall contain a declaration by the president, vice president, treasurer, or any other officer designated by the board of directors of the corporation to make such declaration, that the report is true and correct to the best of such officer's knowledge and belief.

(l) INDEPENDENT AUDITS OF FINANCIAL STATEMENTS.—

(1) The corporation shall have an annual independent audit made of its financial statements by an independent public accountant in accordance with generally accepted auditing standards.

(2) In conducting an audit under this subsection, the independent public accountant shall determine and report on whether the financial statements of the corporation (A) are presented fairly in accordance with generally accepted accounting principles, and (B) to the extent determined necessary by the Director, comply with any disclosure requirements imposed under subsection (k)(2)(B).

(m) MORTGAGE DATA COLLECTION AND REPORTING REQUIREMENTS.—

(1) The corporation shall collect, maintain, and provide to the Director of the Federal Housing Finance Agency, in a form determined by the Director, data relating to its mortgages on housing consisting of 1 to 4 dwelling units. Such data shall include—

(A) the income, census tract location, race, and gender of mortgagors under such mortgages;

(B) the loan-to-value ratios of purchased mortgages at the time of origination;
(C) whether a particular mortgage purchased is newly originated or seasoned;

(D) the number of units in the housing subject to the mortgage and whether the units are owner-occupied; and

(E) any other characteristics that the Secretary considers appropriate, to the extent practicable.

(2) The corporation shall collect, maintain, and provide to the Director of the Federal Housing Finance Agency, in a form determined by the Director, data relating to its mortgages on housing consisting of more than 4 dwelling units. Such data shall include—

(A) census tract location of the housing;

(B) income levels and characteristics of tenants of the housing (to the extent practicable);

(C) rent levels for units in the housing;

(D) mortgage characteristics (such as the number of units financed per mortgage and the amount of loans);

(E) mortgagor characteristics (such as nonprofit, for-profit, limited equity cooperatives);

(F) use of funds (such as new construction, rehabilitation, refinancing);

(G) type of originating institution; and

(H) any other information that the Secretary considers appropriate to the extent practicable.

(3)(A) Except as provided in subparagraph (B), this subsection shall apply only to mortgages purchased by the corporation after December 31, 1992.

(B) This subsection shall apply to any mortgage purchased by the corporation after the date determined under subparagraph (A) if the mortgage was originated before such date, but only to the extent that the data referred in paragraph (1) or (2), as applicable, is available to the corporation.

(n) REPORT ON HOUSING ACTIVITIES; CONTENTS; PUBLIC DISCLOSURE.—

(1) The corporation shall submit to the Committee on Banking, Finance and Urban Affairs of the House of Representatives, the Committee on Banking, Housing and Urban Affairs of the Senate, and the Director of the Federal Housing Finance Agency a report on its activities under subpart B of part 2 of subtitle A of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

(2) The report under this subsection shall—

(A) include, in aggregate form and by appropriate category, statements of the dollar volume and number of mortgages on owner-occupied and rental properties purchased which relate to each of the annual housing goals established under such subpart;

(B) include, in aggregate form and by appropriate category, statements of the number of families served by the corporation, the income class, race, and gender of homebuyers served, the income class of tenants of rental housing (to the extent such information is available), the characteristics of the census tracts, and the geographic distribution of the housing financed;

(C) include a statement of the extent to which the mortgages purchased by the corporation have been used in conjunction with public subsidy programs under Federal law;

(D) include statements of the proportion of mortgages on housing consisting of 1 to 4 dwelling units purchased by the corporation that have been made to first-time homebuyers, as soon as providing such data is practicable, and identifying any special programs (or revisions to conventional practices) facilitating homeownership opportunities for first-time homebuyers;

(E) include, in aggregate form and by appropriate category, the data provided to the Secretary under subsection (m)(1)(B);

(F) compare the level of securitization versus portfolio activity;

(G) assess underwriting standards, business practices, repurchase requirements, pricing, fees, and procedures, that affect the purchase of mortgages for low- and moderate-income families, or that may yield disparate results based on the race of the borrower, including revisions thereto to promote affordable housing or fair lending;

(H) describe trends in both the primary and secondary multifamily housing mortgage markets, including a description of the progress made, and any factors impeding progress toward standardization and securitization of mortgage products for multifamily housing;

(I) describe trends in the delinquency and default rates of mortgages secured by housing for low- and moderate-income families that have been purchased by the corporation, including a comparison of such trends with delinquency and default information for mortgage products serving households with incomes above the median level that have been purchased by the corporation, and evaluate the impact of such trends on the standards and levels of risk of mortgage products serving low- and moderate-income families;

(J) describe in the aggregate the seller and servicer network of the corporation, including the volume of mortgages purchased from minority-owned, women-owned, and community-oriented lenders, and any efforts to facilitate relationships with such lenders;

(K) describe the activities undertaken by the corporation with nonprofit and for-profit organizations with State and local governments and housing finance agencies, including how the corporation’s activities support the objectives of comprehensive housing affordability strategies under section 105 of the Cranston-Gonzalez National Affordable Housing Act; and

(L) include any other information that the Director of the Federal Housing Finance Agency considers appropriate.

(3)(A) The corporation shall make each report under this subsection available to the public at the principal and regional offices of the corporation.

(B) Before making a report under this subsection available to the public, the corporation may exclude from the report information that the Director of the Federal Housing Finance Agency has determined is proprietary information under section 1326 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

(o) AFFORDABLE HOUSING ADVISORY COUNCIL.—

(1) Not later than 4 months after the date of enactment of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 [October 28, 1992], the corporation shall appoint an Affordable Housing Advisory Council to advise the corporation regarding possible methods for promoting affordable housing for low- and moderate-income families.
(2) The Affordable Housing Advisory Council shall consist of 15 individuals, who shall include representatives of community-based and other nonprofit and for-profit organizations and State and local government agencies actively engaged in the promotion, development, or financing of housing for low- and moderate-income families.

12 U.S.C. § 1723b

SEC 310. INVESTMENT OF FUNDS

Moneys of the Association not invested in mortgages or other security holdings or in operating facilities shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed thereby, or in obligations, participations, or other instruments which are lawful investments for fiduciary, trust, or public funds.

12 U.S.C. § 1723c

SEC. 311. OBLIGATIONS, PARTICIPATIONS, OR OTHER INSTRUMENTS AS LAWFUL INVESTMENTS; ACCEPTANCE AS SECURITY; EXEMPT SECURITIES

All obligations, participations, or other instruments issued by either of the bodies corporate named in section 302(a)(2) shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority and control of the United States or any officer or officers thereof. All stock, obligations, securities, participations, or other instruments issued pursuant to this title shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission.

12 U.S.C. § 1716 note

SEC. 312. SHORT TITLE

This title III may be referred to as the “Federal National Mortgage Association Charter Act”.

12 U.S.C. § 1723e

SEC. 313. INTERIM AUTHORITY TO PURCHASE CERTAIN MORTGAGES

Repealed.

12 U.S.C. § 1723f

SEC. 314. PURCHASE OF ENERGY CONSERVING IMPROVEMENT LOANS TO LOW- AND MODERATE-INCOME FAMILIES

Repealed.

12 U.S.C. § 1723g

SEC. 315. AUTHORITY OF SOLAR ENERGY AND ENERGY CONSERVATION BANK TO PURCHASE LOANS AND ADVANCES OF CREDIT FOR ENERGY CONSERVING IMPROVEMENTS OR SOLAR ENERGY SYSTEMS

Repealed.

12 U.S.C. § 1723h

SEC. 316. AUTHORITY OF SOLAR ENERGY AND ENERGY CONSERVATION BANK TO PURCHASE MORTGAGES SECURED BY NEWLY CONSTRUCTED HOMES WITH SOLAR ENERGY SYSTEMS

Repealed.

12 U.S.C. § 1723i

SEC. 317. CIVIL MONEY PENALTIES AGAINST ISSUERS

(a) IN GENERAL.—

(1) AUTHORITY.—Whenever an issuer or custodian approved under section 306(g) knowingly and materially violates any provisions of subsection (b), the Secretary of Housing and Urban Development may impose a civil money penalty on the issuer or the custodian in accordance with the provisions of this section. The penalty shall be in addition to any other available civil remedy or any available criminal penalty and may be imposed whether or not the Secretary imposes other administrative sanctions.

(2) AMOUNT OF PENALTY.—The amount of the penalty, as determined by the Secretary, may not exceed $5,000 for each violation, except that the maximum penalty for all violations by a particular issuer or custodian during any one-year period shall not exceed $1,000,000. Each violation of a provision of subsection (b)(1) shall constitute a separate violation with respect to each pool of mortgages. In the case of a continuing violation, as determined by the Secretary, each day shall constitute a separate violation.

(b) VIOLATIONS FOR WHICH A PENALTY MAY BE IMPOSED.—

(1) VIOLATIONS.—The violations by an issuer or a custodian for which the Secretary may impose a civil money penalty under subsection (a) are the following:

(A) Failure to make timely payments of principal and interest to holders of securities guaranteed under section 306(g).

(B) Failure to segregate cash flow from pooled mortgages or to deposit either principal and interest funds or escrow funds into special accounts with a depository institution whose accounts are insured by the National Credit Union Administration or by the Federal Deposit Insurance Corporation through the Deposit Insurance Fund.

(C) Use of escrow funds for any purpose other than that for which they were received.

(D) Transfer of servicing for a pool of mortgages to an issuer not approved under this title, unless expressly permitted by statute, regulation, or contract approved by the Secretary.

(E) Failure to maintain a minimum net worth in accordance with requirements prescribed by the Association.

(F) Failure to promptly notify the Association in writing of any changes that materially affect the business status of an issuer.

(G) Submission to the Association of false information in connection with any securities guaranteed, or mortgages pooled, under section 306(g).

(H) Hiring, or retaining in employment, an officer, director, principal, or employee whose duties involve, directly or indirectly, programs administered by the Association while such person was under suspension or debarment by the Secretary.

(I) Submission to the Association of a false certification either on its own behalf or on behalf of another person or entity.

(J) Failure to comply with an agreement, certification, or condition of approval set forth on, or applicable to, the application for approval as an issuer of securities under section 306(g).

(K) Violation of any provisions of this title or any implementing regulation, handbook, or participant letter issued under authority of this title.

(2) NOTIFICATION TO ATTORNEY GENERAL.—Before taking action to impose a civil money penalty for a violation under paragraph (1)(G) or paragraph (1)(I), the Secretary shall inform the Attorney General of the United States.

(c) AGENCY PROCEDURES.—

(1) ESTABLISHMENT.—The Secretary shall establish standards and procedures governing the imposition of civil money penalties under subsection (a). The standards and procedures—

(A) shall provide for the Secretary to make the determination to impose the penalty;

(B) shall provide for the imposition of a penalty only after an issuer or a custodian has been given notice of, and opportunity for, a hearing on the record; and

(C) may provide for review by the Secretary of any determination or order, or interlocutory ruling, arising from a hearing.

(2) FINAL ORDERS.—If no hearing is requested within 15 days of receipt of a notice of opportunity for hearing, the imposition of a penalty shall constitute a final and unappealable determination. If the Secretary reviews the determination or order, the Secretary may affirm, modify, or reverse that determination or order. If the Secretary does not review the determination or order within 90 days of the issuance of the determination or order, the determination or order shall be final.

(3) FACTORS IN DETERMINING AMOUNT OF PENALTY.—In determining the amount of a penalty under subsection (a), consideration shall be given to such factors as the gravity of the offense, any history of prior offenses (including offenses occurring before enactment of this section), ability to pay the penalty, injury to the public, benefits received, deterrence of future violations, and such other factors as the Secretary may determine by regulations.

(4) REVIEWABILITY OF IMPOSITION OF PENALTY.—The Secretary's determination or order imposing a penalty under subsection (a) shall not be subject to review, except as provided in subsection (d).

(d) JUDICIAL REVIEW OF AGENCY DETERMINATION.—

(1) IN GENERAL.—After exhausting all administrative remedies established by the Secretary under subsection (c)(1), an issuer or a custodian against which the Secretary has imposed a civil money penalty under subsection (a) may obtain a review of the penalty and such ancillary issues as may be addressed in the notice provided under subsection (c)(1)(A) in the appropriate court of appeals of the United States, by filing in such court, within 20 days after the entry of such order or determination, a written petition praying that the Secretary's order or determination be modified or be set aside in whole or in part.

(2) OBJECTIONS NOT RAISED IN HEARING.—A court shall not consider any objection that was not raised in the hearing conducted pursuant to subsection (c)(1) unless a demonstration is made of extraordinary circumstances causing the failure to raise the objection. If any party demonstrates to the satisfaction of the court that additional evidence, which was not presented at such hearing, is material and that there were reasonable grounds for the failure to present such evidence at the hearing, the court shall remand the matter to the Secretary for consideration of such additional evidence.

(3) SCOPE OF REVIEW.—The decisions, findings, and determinations of the Secretary shall be reviewed pursuant to section 706 of title 5, United States Code.

(4) ORDER TO PAY PENALTY.—Notwithstanding any other provision of law, the court shall have the power in any such review to order payment of the penalty imposed by the Secretary.

(e) ACTION TO COLLECT PENALTY.—If any issuer or custodian fails to comply with the Secretary's determination or order imposing a civil money penalty under subsection (a), after the determination or order is no longer subject to review as provided by subsections (c)(1) and (d), the Secretary may request the Attorney General of the United States to bring an action in an appropriate United States district court to obtain a monetary judgment against the issuer or custodian and such other relief as may be available. The monetary judgment may, in the discretion of the court, include any attorneys fees and other expenses incurred by the United States in connection with the action. In an action under this subsection, the validity and appropriateness of the Secretary's determination or order imposing the penalty shall not be subject to review.

(f) SETTLEMENT BY SECRETARY.—The Secretary may compromise, modify, or remit any civil money penalty which may be, or has been, imposed under this section.

(g) "KNOWINGLY" DEFINED.—The term "knowingly" means having actual knowledge of or acting with deliberate ignorance of or reckless disregard for the prohibitions under this section.

(h) REGULATIONS.—The Secretary shall issue such regulations as the Secretary deems appropriate to implement this section.

(i) DEPOSIT OF PENALTIES.—The Secretary shall deposit all civil money penalties collected under this section into moneys of the Association pursuant to section 307.

Exhibit 31.1

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, Timothy J. Mayopoulos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 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/ Timothy J. Mayopoulos
Timothy J. Mayopoulos
President and Chief Executive Officer

Date: August 6, 2015

Exhibit 31.2

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 June 30, 2015 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
Executive Vice President and
Chief Financial Officer

Date: August 6, 2015

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 June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy J. Mayopoulos, President and 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/ Timothy J. Mayopoulos
Timothy J. Mayopoulos
President and Chief Executive Officer

Date: August 6, 2015

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 June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David C. Benson, 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/ David C. Benson
David C. Benson
Executive Vice President and
Chief Financial Officer

Date: August 6, 2015

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