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, 2023

OR

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

For the transition period from to

Commission file number: 0-50231

Federal National Mortgage Association

(Exact name of registrant as specified in its charter)

Fannie Mae

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

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

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

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

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

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

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

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

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

As of July 14, 2023, there were 1,158,087,567 shares of common stock of the registrant outstanding.

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PART I—FINANCIAL INFORMATION

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

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

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

We are not currently permitted to pay dividends or other distributions to stockholders. Our agreements with the U.S. Department of the Treasury ("Treasury") include a commitment from Treasury to provide us with funds to maintain a positive net worth under specified conditions; however, the U.S. government does not guarantee our securities or other obligations. Our agreements with Treasury also include covenants that significantly restrict our business activities. For additional information on the conservatorship, the uncertainty of our future, and our agreements with Treasury, see "Business—Conservatorship and Treasury Agreements" and "Risk Factors—GSE and Conservatorship Risk" in our Form 10-K for the year ended December 31, 2022 ("2022 Form 10-K").

You should read this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in conjunction with our unaudited condensed consolidated financial statements and related notes in this report and the more detailed information in our 2022 Form 10-K. You can find a "Glossary of Terms Used in This Report" in MD&A in our 2022 Form 10-K.

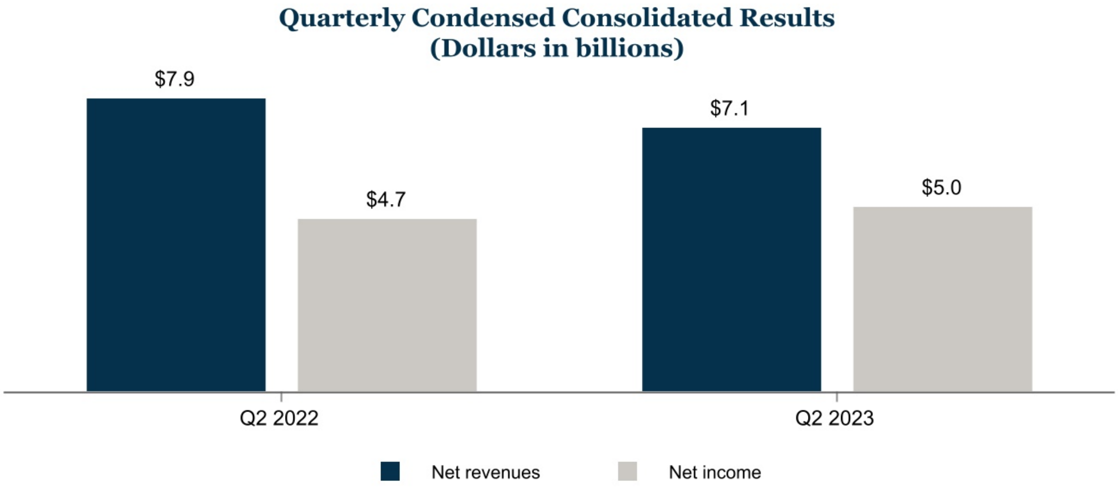
Forward-looking statements in this report are based on management's current expectations and are subject to significant uncertainties and changes in circumstances, as we describe in "Forward-Looking Statements." Future events and our future results may differ materially from those reflected in our forward-looking statements due to a variety of factors, including those discussed in "Risk Factors" in our 2022 Form 10-K and elsewhere in our 2022 Form 10-K and in this report.

Introduction

Fannie Mae is a leading source of financing for mortgages in the United States. Organized as a government-sponsored enterprise, Fannie Mae is a shareholder-owned corporation. We were chartered by Congress to provide liquidity and stability to the residential mortgage market and to promote access to mortgage credit. Our revenues are primarily driven by guaranty fees we receive for assuming the credit risk on loans underlying the mortgage-backed securities we issue. We do not originate mortgage loans or lend money directly to borrowers. Rather, we work primarily with lenders who originate mortgage loans to borrowers. We acquire and securitize those loans into mortgage-backed securities that we guarantee (which we refer to as Fannie Mae MBS or our MBS).

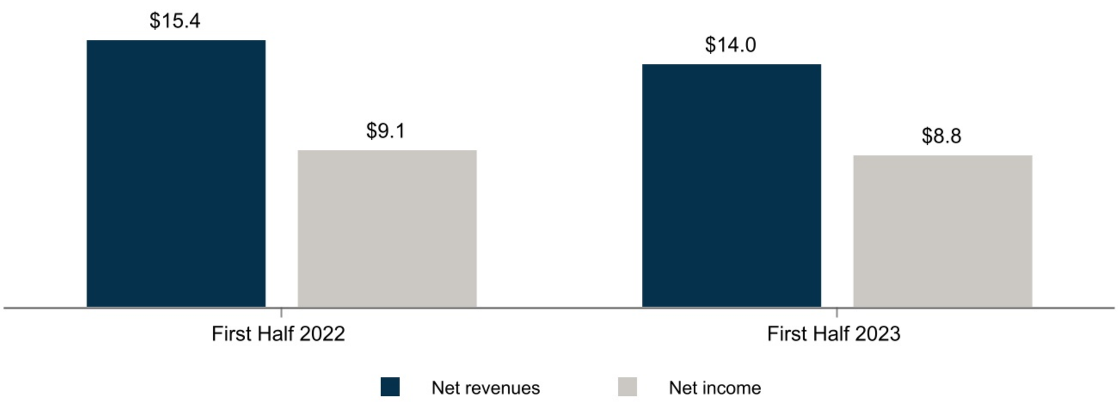
Executive Summary

Summary of Our Financial Performance



- *Net revenues* decreased $784 million in the second quarter of 2023 compared with the second quarter of 2022, primarily due to lower net amortization income, partially offset by higher income from portfolios.
    - Lower amortization income was driven by a higher interest-rate environment in the second quarter of 2023, which significantly slowed refinancing activity, driving lower loan prepayment volumes compared with the second quarter of 2022.
    - Higher income from portfolios was primarily driven by higher interest rates in the second quarter of 2023 than in the second quarter of 2022 on securities in our other investments portfolio.
- *Net income* increased $341 million for the second quarter of 2023 compared with the second quarter of 2022, driven primarily by a shift to benefit for credit losses in the second quarter of 2023 from provision for credit losses in the second quarter of 2022, partially offset by a decrease in net revenues. Our benefit for credit losses in the second quarter of 2023 was driven primarily by increases in actual and forecasted single-family home prices.
- *Net worth* increased to $69.0 billion as of June 30, 2023 from $64.0 billion as of March 31, 2023. The increase is attributable to $5.0 billion of comprehensive income for the second quarter of 2023.

Year-to-Date Condensed Consolidated Results
(Dollars in billions)



- *Net revenues* decreased $1.4 billion in the first half of 2023 compared with the first half of 2022, primarily due to lower net amortization income, partially offset by higher income from portfolios.
    - Lower amortization income was driven by a higher interest-rate environment in the first half of 2023, which significantly slowed refinancing activity, driving lower loan prepayment volumes compared with the first half of 2022.
    - Higher income from portfolios was primarily driven by higher interest rates in the first half of 2023 than in the first half of 2022 on securities in our other investments portfolio.
- *Net income* decreased $295 million for the first half of 2023 compared with the first half of 2022, driven primarily by lower net revenues and a decrease in fair value gains, partially offset by a shift to benefit for credit losses in the first half of 2023 from provision for credit losses in the first half of 2022 due to increases in actual and forecasted single-family home prices.
- *Net worth* increased to $69.0 billion as of June 30, 2023 from $60.3 billion as of December 31, 2022. The increase is attributable to $8.8 billion of comprehensive income for the first half of 2023.

Liquidity Provided in the First Half of 2023

Through our single-family and multifamily business segments, we provided $182 billion in liquidity to the mortgage market in the first half of 2023, enabling the financing of approximately 726,000 home purchases, refinancings and rental units.

Fannie Mae Provided $182 Billion in Liquidity in the First Half of 2023

Unpaid Principal Balance	Units
$133B	397K Single-Family Home Purchases
$24B	99K Single-Family Refinancings
$25B	230K Multifamily Rental Units

Legislation and Regulation

The information in this section updates and supplements information regarding legislative, regulatory, conservatorship and other developments affecting our business set forth in "Business—Conservatorship and Treasury Agreements" and "Business—Legislation and Regulation" in our 2022 Form 10-K, as well as in "MD&A—Legislation and Regulation" in our Form 10-Q for the quarter ended March 31, 2023 ("First Quarter 2023 Form 10-Q"). Also see "Risk Factors" in our 2022 Form 10-K for discussions of risks relating to legislative and regulatory matters.

Middle Class Borrower Protection Act of 2023

On May 1, 2023, Fannie Mae implemented changes to our single-family pricing framework that introduced redesigned and recalibrated upfront fee matrices for purchase, rate-term refinance, and cash-out refinance loans. These changes are described in "MD&A—Single-Family Business—Single-Family Business Metrics—Recent and Future Price Changes" in our 2022 Form 10-K and "Single-Family Business—Single-Family Business Metrics—Recent Price Changes" in this report.

On June 23, 2023, the House of Representatives passed the Middle Class Borrower Protection Act of 2023. If enacted, the bill would require the Director of FHFA to revise Fannie Mae and Freddie Mac's (together, referred to as the "Enterprises") single-family pricing framework to the version that was in effect immediately before May 1, 2023, and to maintain the revised framework without further adjustment until 90 days after the Government Accountability Office submits a report to Congress on its analysis of the May 1, 2023 pricing changes. After this period, the bill would restrict FHFA's authority to engage in future pricing changes, including prohibiting any loan-level pricing adjustments based on debt-to-income ratio and requiring FHFA to follow procedures similar to those required for a federal agency issuing a rule under the Administrative Procedure Act when proposing adjustments to the Enterprises' single-family pricing framework. In addition, the bill would extend by one year (to October 1, 2033) the Enterprises' obligations under the Temporary Payroll Tax Cut Continuation Act of 2011 to collect 10 basis points in guaranty fees on single-family residential mortgages delivered to us and pay the associated revenue to Treasury.

A companion bill has been introduced in the Senate; however, as of the date of this filing, neither the House nor Senate bill has been considered by the Senate. If either bill is enacted, our single-family guaranty fees on new acquisitions could decline, which could adversely affect our revenues, our ability to improve our capital position and our ability to meet FHFA's minimum return on equity targets for single-family acquisitions. In addition, the changes in our pricing could significantly affect our single-family loan acquisition volumes, the credit risk profile of our single-family acquisitions, our competitive position, and the type and mix of loans we acquire.

Single-Family Pricing Request for Input

In May 2023, FHFA issued a request for input ("RFI") on the Enterprises' single-family pricing framework. The RFI seeks public feedback on the goals and policy priorities that FHFA should pursue in its oversight of the pricing framework, as well as input on the process for setting the Enterprises' single-family upfront guaranty fees. Specific topics on which FHFA requested input included, among other things, the appropriate long-term commercially reasonable return on capital threshold for the Enterprises to achieve, whether upfront guaranty fees should be eliminated, and whether risk-based pricing should be calibrated to the enterprise regulatory capital framework. As described in "Risk Factors—GSE and Conservatorship Risk" in our 2022 Form 10-K, FHFA's control over our guaranty fee pricing can constrain our ability to address changing market conditions, pursue certain strategic objectives, or manage the mix of loans we acquire.

Multifamily Tenant Protections Request for Input

In May 2023, FHFA issued an RFI to gather input on tenant protections at multifamily properties with mortgages backed by the Enterprises. The RFI states that FHFA is soliciting public input on issues faced by tenants in multifamily properties, and on any opportunities and potential impacts associated with requiring or encouraging specific tenant protections at multifamily properties backed by the Enterprises.

Stress Testing

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires certain financial companies to conduct annual stress tests to determine whether the companies have the capital necessary to absorb losses as a result of adverse economic conditions. Under FHFA regulations implementing this requirement, each year we are required to conduct a stress test using two different scenarios of financial conditions provided by FHFA—baseline and severely adverse—and to publish a summary of our stress test results for the severely adverse scenario by August 15.

Following our publication of our 2022 stress test results on our website in August 2022, we discovered errors in a model we use to prepare our annual stress test results that affected these results for 2022 and prior years. We have completed our evaluation of the errors relating to our stress test results for 2018 to 2022. We have posted corrected 2022 and 2021 stress test results for the severely adverse scenario on our website. We posted 2022 results on June 12, 2023 and 2021 results on July 27, 2023. We determined the errors for 2018, 2019 and 2020 were not material and therefore will not post revised stress test results for these years.

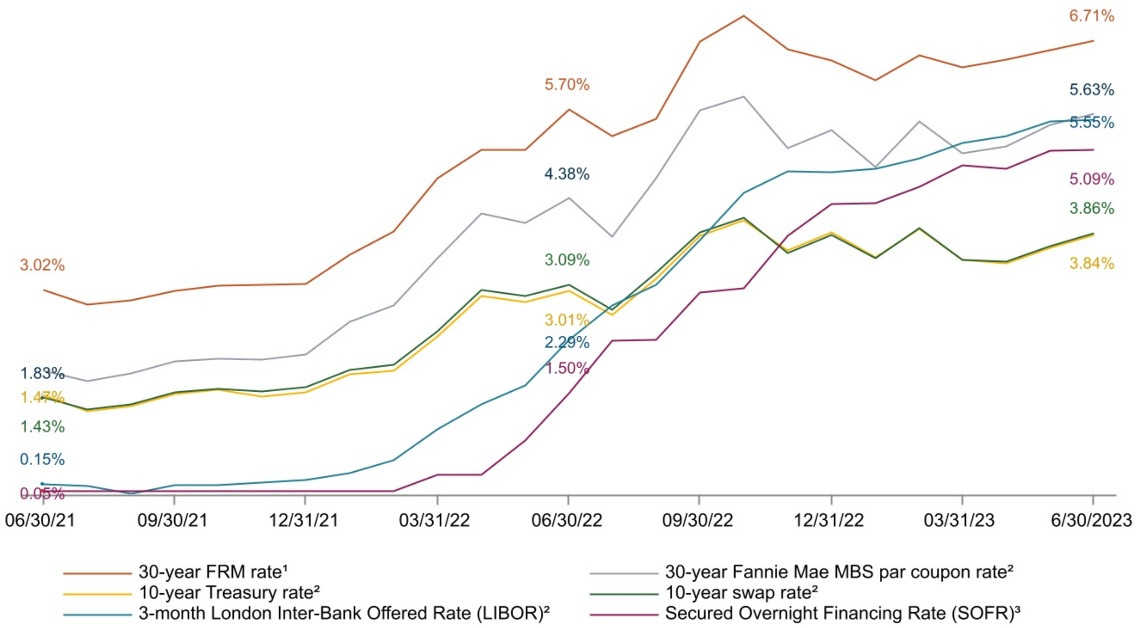
Quality Control Standards for Automated Valuation Models Proposed Rule

In June 2023, FHFA and five other federal regulatory agencies issued a proposed rule to implement the quality control standards mandated by the Dodd-Frank Act for the use of automated valuation models (referred to as “AVMs”) by mortgage originators and secondary market issuers in determining the collateral worth of a mortgage secured by a consumer’s principal dwelling. Under the proposed rule, the agencies would require institutions that engage in certain credit decisions or securitization determinations to adopt policies, practices, procedures and control systems to: ensure that AVMs used to determine the value of mortgage collateral in these transactions adhere to quality control standards designed to ensure a high level of confidence in the estimates produced by AVMs; protect against the manipulation of data; seek to avoid conflicts of interest; require random sample testing and reviews; and comply with applicable nondiscrimination laws.

Key Market Economic Indicators

Below we discuss how varying macroeconomic conditions can influence our financial results across different business and economic environments. Our forecasts and expectations are based on many assumptions, subject to many uncertainties and may change, perhaps substantially, from our current forecasts and expectations. See “Risk Factors” in our 2022 Form 10-K and “Forward-Looking Statements” in this report for a discussion of factors that could cause actual results to differ materially from our current forecasts and expectations. For further discussion on housing activity, see “Single-Family Business—Single-Family Mortgage Market” and “Multifamily Business—Multifamily Mortgage Market.”

Selected Benchmark Interest Rates



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

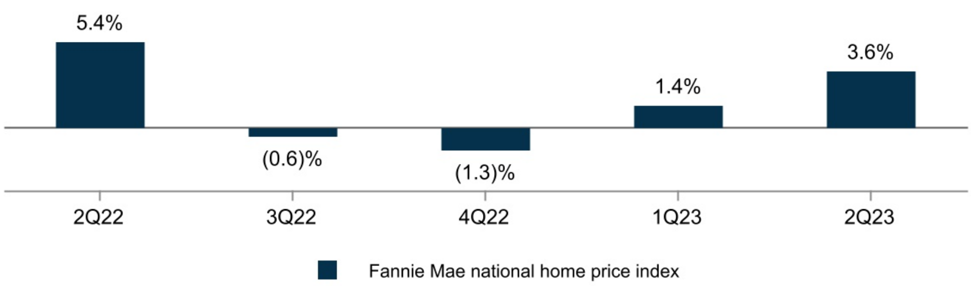
(2) According to Bloomberg. The final U.S. dollar LIBOR bank panel ended on June 30, 2023.

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

How Interest Rates Can Affect Our Financial Results

- *Net interest income*. In a rising interest-rate environment, our mortgage loans generally prepay more slowly as borrowers are less likely to refinance. We amortize various cost basis adjustments over the life of the mortgage loan, including those relating to certain upfront fees we receive at the time we acquire single-family loans. As a result, prepayment of a loan results in an accelerated realization of those upfront fees as income. Therefore, as loan prepayments slow, the accelerated realization of amortization income also slows. Conversely, in a declining interest-rate environment, our mortgage loans generally prepay faster as borrowers are more likely to refinance, typically resulting in the opposite trend of higher amortization income from cost basis adjustments on mortgage loans. Interest rates also affect the amount of interest income we earn on our assets. Our other investments portfolio and our retained mortgage portfolio typically earn more interest income in a higher interest-rate environment and less interest income in a lower interest-rate environment, which, depending on the size of these portfolios, can impact the amount of interest income we recognize during the period. See “Consolidated Results of Operations—Net Interest Income” for a discussion of how interest rate changes impacted our financial results.
- *Fair value gains (losses)*. We have exposure to fair value gains and losses resulting from changes in interest rates, primarily through our mortgage commitment derivatives and risk management derivatives, which we mark to market through earnings. Fair value gains and losses on our mortgage commitment derivatives fluctuate depending on how interest rates and prices move between the time a commitment is opened and when it settles. The net position and composition across the yield curve of our risk management derivatives changes over time. As a result, interest rate changes (increases or decreases) and yield curve changes (parallel, steepening or flattening shifts) will generate varying amounts of fair value gains or losses in a given period. For more information about fair value gains (losses), including the impact of hedge accounting, see “Consolidated Results of Operations—Fair Value Gains, Net.”
- *Benefit (provision) for credit losses.* Increases in mortgage interest rates tend to lengthen the expected lives of our loans as borrowers are less likely to refinance, which generally increases the expected impairment and provision for credit losses on loans. Decreases in mortgage interest rates tend to shorten the expected lives of our loans as borrowers are more likely to refinance, which generally reduces the impairment and provision for credit losses on such loans. For more information on benefit (provision) for credit losses, see “Consolidated Results of Operations—Benefit (Provision) for Credit Losses.”

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



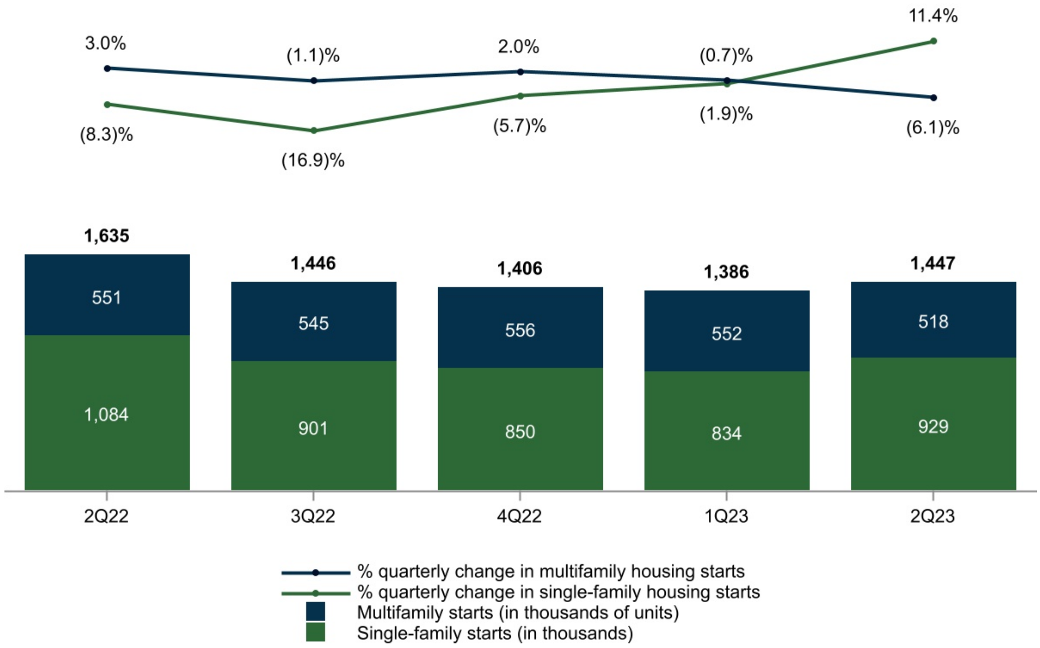
[1] Calculated internally using property data on loans purchased by Fannie Mae, Freddie Mac and other third-party home sales data. Fannie Mae’s home price index is a weighted repeat-transactions index, measuring average price changes in repeat sales on the same properties. Fannie Mae’s home price index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

How Home Prices Can Affect Our Financial Results

- Actual and forecasted home prices impact our provision or benefit for credit losses as well as the growth and size of our guaranty book of business.
- Changes in home prices affect the amount of equity that borrowers have in their homes. Borrowers with less equity typically have higher delinquency and default rates, particularly in times of economic stress.

- As home prices increase, the severity of losses we incur on defaulted loans that we hold or guarantee decreases because the amount we can recover from the properties securing the loans increases. Declines in home prices increase the losses we incur on defaulted loans.
- As home prices rise, the principal balance of loans associated with newly acquired purchase loans may increase, causing growth in the size of our guaranty book. Additionally, rising home prices can increase the amount of equity borrowers have in their home, which may lead to an increase in origination volumes for cash-out refinance loans with higher principal balances than the existing loan. Replacing existing loans with newly acquired cash-out refinances can affect the growth and size of our guaranty book.
- Home prices on a national basis grew by 5.0% in the first half of 2023. We forecast home prices will decline in the second half of 2023; however, as a result of the strong home price growth in the first half of the year, we forecast national home price growth of 3.9% for the full year of 2023. We expect regional variation in home price changes.

New Housing Starts[(1)]



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

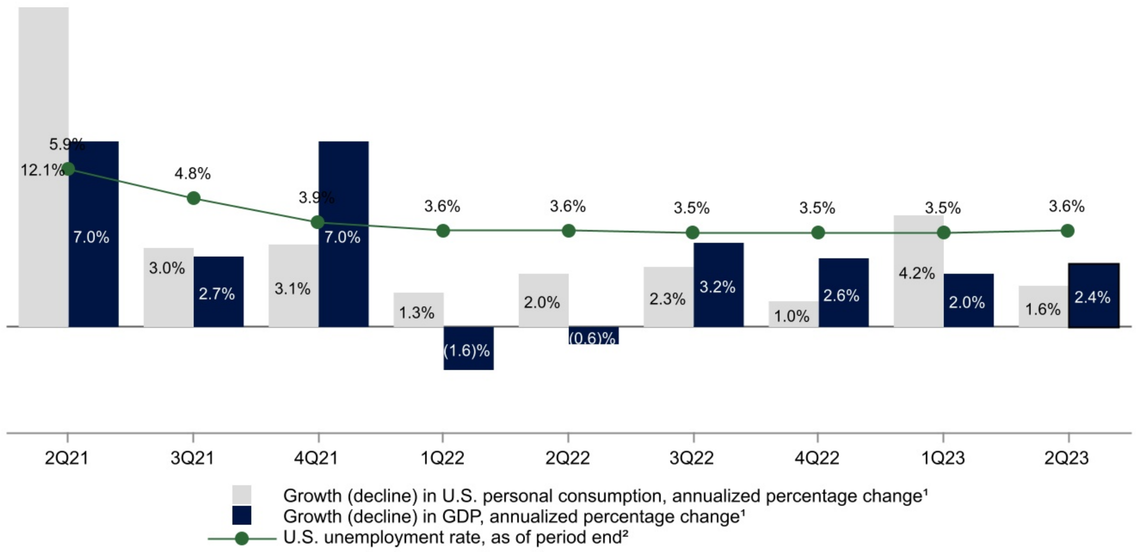
How Housing Activity Can Affect Our Financial Results

- Housing is among the most interest-rate sensitive sectors of the economy. In addition to interest rates, two key aspects of economic activity that can impact supply and demand for housing, and thus our business and financial results, are the rates of household formation and housing construction.
- Household formation is a key driver of demand for both single-family and multifamily housing as a newly formed household will either rent or purchase a home. Thus, changes in the pace of household formation can affect home prices, multifamily property values and credit performance as well as the degree of loss on defaulted loans.
- Growth of household formation stimulates homebuilding. Homebuilding has typically been a cyclical leader, weakening prior to a slowdown in U.S. economic activity and accelerating prior to a recovery, which contributes to the growth of U.S. gross domestic product ("GDP") and employment.
- A decline in housing starts results in fewer new homes being available for purchase and potentially a lower volume of mortgage originations. Construction activity can also affect credit losses through its impact on home prices. If the growth of demand exceeds the growth of supply, prices will appreciate and impact the risk profile of newly originated home purchase mortgages, depending on where in the housing cycle the market is. A

reduced pace of construction is often associated with a broader economic slowdown and may signal expected increases in delinquency and losses on defaulted loans.

- Although we expect continued increases in new home construction and new home sales over the short term, we expect total home sales to decrease due to a decline in sales of existing homes. We expect existing home sales to decline due to the reluctance of existing homeowners to give up their low mortgage rates and the likelihood of a recession beginning in the fourth quarter of 2023 or the first quarter of 2024.

GDP, Unemployment Rate and Personal Consumption



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

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

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

- Changes in GDP, the unemployment rate and personal consumption can affect several mortgage market factors, including the demand for both single-family and multifamily housing and the level of loan delinquencies, which impacts credit losses.
- Economic growth is a key factor for the performance of mortgage-related assets. In a growing economy, employment and income are typically rising, thus allowing borrowers to meet payment requirements, existing homeowners to consider purchasing and moving to another home, and renters to consider becoming homeowners. Homebuilding typically increases to meet the rise in demand. Mortgage delinquencies typically fall in an expanding economy, thereby decreasing credit losses.
- In a slowing economy, income growth and housing activity typically slow as an early indicator of reduced economic activity, followed by slowing employment. Typically, as an economic slowdown intensifies, households reduce their spending. This reduction in consumption then accelerates the slowdown. An economic slowdown can lead to employment losses, impairing the ability of borrowers and renters to meet mortgage and rental payments, thus causing loan delinquencies to rise. Home sales and mortgage originations also typically fall in a slowing economy.
- GDP increased in the first half of 2023. We expect that a modest recession is likely to occur beginning in the fourth quarter of 2023 or the first quarter of 2024, resulting in an increase in the unemployment rate. We expect our economic outlook will be influenced by a number of factors that are subject to change, such as the persistence of inflationary pressures, the speed at which expected monetary policy tightening is adjusted and the risk of further financial market disruptions.

- Stress in the banking sector, particularly for regional banks with significant exposure to commercial real estate, could further tighten bank credit conditions, dampen consumer and business confidence, and lead to reduced consumer spending, business investment, and hiring activity.

See “Market and Industry Risk” and “Credit Risk” in “Risk Factors” in our 2022 Form 10-K for further discussion of risks to our business and financial results associated with interest rates, home prices, housing activity, economic conditions, and our reliance on institutional counterparties and mortgage servicers.

Consolidated Results of Operations

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

Summary of Condensed Consolidated Results of Operations

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2023	**2022**	**Variance**	**2023**	**2022**	**Variance**
	(Dollars in millions)					
Net interest income	**$ 7,035**	$ 7,808	$ (773)	**$ 13,821**	$ 15,207	$ (1,386)
Fee and other income	**70**	81	(11)	**133**	164	(31)
Net revenues	**7,105**	7,889	(784)	**13,954**	15,371	(1,417)
Investment gains (losses), net	**25**	(49)	74	**(42)**	(151)	109
Fair value gains, net	**404**	529	(125)	**608**	1,009	(401)
Administrative expenses	**(864)**	(795)	(69)	**(1,732)**	(1,603)	(129)
Benefit (provision) for credit losses	**1,266**	(218)	1,484	**1,134**	(458)	1,592
TCCA fees[(1)]	**(856)**	(841)	(15)	**(1,711)**	(1,665)	(46)
Credit enhancement expense[(2)]	**(384)**	(332)	(52)	**(725)**	(610)	(115)
Change in expected credit enhancement recoveries[(3)]	**(160)**	(47)	(113)	**(40)**	13	(53)
Other expenses, net[(4)]	**(257)**	(261)	4	**(387)**	(458)	71
Income before federal income taxes	**6,279**	5,875	404	**11,059**	11,448	(389)
Provision for federal income taxes	**(1,285)**	(1,222)	(63)	**(2,293)**	(2,387)	94
Net income	**$ 4,994**	$ 4,653	$ 341	**$ 8,766**	$ 9,061	$ (295)
Total comprehensive income	**$ 4,995**	$ 4,649	$ 346	**$ 8,767**	$ 9,050	$ (283)

(1) TCCA fees refers to the expense recognized as a result of the 10 basis point increase in guaranty fees on all single-family residential mortgages delivered to us on or after April 1, 2012 pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011 and as extended by the Infrastructure Investment and Jobs Act, which we remit to Treasury. For more information on TCCA fees, see “Note 1, Summary of Significant Accounting Policies—Related Parties—Transactions with Treasury” in our 2022 Form 10-K.

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

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

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

Net Interest Income

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

Guaranty fees consist of two primary components:

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

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

The timing of when we recognize the upfront fees received on loan acquisitions as amortization income can vary based on a number of factors, the most significant of which is a change in mortgage interest rates. Although we amortize these upfront fees over the contractual life of the mortgage loan, when a loan prepays, the remaining upfront fees on the loan are recognized as income in that period. As a result, in a declining interest-rate environment, our mortgage loans generally prepay faster as borrowers are more likely to refinance, typically resulting in higher amortization income as it accelerates the realization of those upfront fees as income. Conversely, in a rising interest-rate environment, our mortgage loans generally prepay more slowly as borrowers are less likely to refinance, which typically results in lower amortization income as those upfront fees are amortized over a longer period of time.

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

We recognize the effects of hedge accounting as a component of net interest income, as demonstrated in the table below. As of June 30, 2023, we had $4.2 billion in net cumulative fair value hedge basis adjustments, which will be amortized as net expenses over the remaining contractual life of the respective hedged items in the “Income (expense) from hedge accounting” line item in the table below. The substantial majority of these hedge basis adjustments relate to our funding debt. See “Fair Value Gains, Net” below and “Note 8, Derivative Instruments” in this report for more information about our hedge accounting program, as well as “Note 1, Summary of Significant Accounting Policies” in our 2022 Form 10-K.

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

Components of Net Interest Income

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2023	2022	Variance	2023	2022	Variance
	(Dollars in millions)					
Net interest income from guaranty book of business:						
Base guaranty fee income[1]	**$ 4,025**	$ 4,078	$ (53)	**$ 8,017**	$ 7,975	$ 42
Base guaranty fee income related to TCCA[2]	**856**	841	15	**1,711**	1,665	46
Net amortization income[3]	**888**	2,121	(1,233)	**1,669**	4,495	(2,826)
Total net interest income from guaranty book of business	**5,769**	7,040	(1,271)	**11,397**	14,135	(2,738)
Net interest income from portfolios[4]	**1,568**	711	857	**2,958**	953	2,005
Income (expense) from hedge accounting	**(302)**	57	(359)	**(534)**	119	(653)
Total net interest income	**$ 7,035**	$ 7,808	$ (773)	**$ 13,821**	$ 15,207	$ (1,386)
Income (expense) from hedge accounting included in net interest income:						
Fair value losses on designated risk management derivatives in fair value hedges	**$ (371)**	$ (231)	$ (140)	**$ (153)**	$ (1,528)	$ 1,375
Fair value gains on hedged mortgage loans held for investment and debt of Fannie Mae[5]	**525**	404	121	**463**	1,789	(1,326)
Contractual interest income (expense) accruals related to interest-rate swaps designated as hedging instruments	**(266)**	(2)	(264)	**(469)**	37	(506)
Discontinued hedge-related basis adjustment amortization	**(190)**	(114)	(76)	**(375)**	(179)	(196)
Total income (expense) from hedge accounting in net interest income	**$ (302)**	$ 57	$ (359)	**$ (534)**	$ 119	$ (653)

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

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

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

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

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

Net interest income decreased in the second quarter and first half of 2023 compared with the second quarter and first half of 2022, primarily as a result of lower net amortization income partially offset by higher income from portfolios.

- *Lower net amortization income.* Throughout the second quarter and first half of 2023, we were in a higher interest-rate environment and observed significantly lower volumes of refinancing activity compared with the second quarter and first half 2022, which drove fewer loan prepayments. As a result, we had lower amortization income in the second quarter and first half of 2023 compared with the second quarter and first half of 2022.

- *Higher income from portfolios.* Higher income from portfolios in the second quarter and first half of 2023 compared with the second quarter and first half of 2022 was primarily driven by higher interest rates in the first half of 2023 than in the first half of 2022 on securities in our other investments portfolio, primarily U.S. Treasuries and securities purchased under agreements to resell. This was partially offset by higher interest expense on funding debt, also as a result of higher interest rates. See "Liquidity and Capital Management—Liquidity Management—Other Investments Portfolio" for more information about our other investments portfolio.

We expect significantly lower amortization income in 2023 compared with 2022, driven by our expectation that refinancing activity will remain low, as we expect most single-family loans in our guaranty book of business will continue to have interest rates significantly lower than current market rates. However, we expect the decline in our amortization income in 2023 to be partially offset by higher interest income on our other investments portfolio.

As of June 29, 2023, the U.S. weekly average interest rate for a single-family 30-year fixed-rate mortgage was 6.71%, according to Freddie Mac's Primary Mortgage Market Survey®. Ninety percent of our single-family conventional guaranty book of business as of June 30, 2023 had an interest rate below 5.50%, resulting in a low likelihood these loans would refinance at current rates. In addition, over 70% of our single-family conventional guaranty book of business as of June 30, 2023 had an interest rate below 4.00%. Accordingly, even if interest rates decline meaningfully from current levels, most of the borrowers whose loans are in our single-family conventional guaranty book of business still would not be incentivized to refinance.

Analysis of Net Interest Income

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

Analysis of Net Interest Income and Yield[1]

	For the Three Months Ended June 30,					
	2023			2022		
	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	**$ 51,961**	**$ 611**	**4.70 %**	$ 63,702	$ 945	5.93 %
Mortgage loans of consolidated trusts	**4,075,543**	**32,044**	**3.15**	4,021,070	28,137	2.80
Total mortgage loans[2]	**4,127,504**	**32,655**	**3.16**	4,084,772	29,082	2.85
Investments in securities[3]	**117,921**	**1,101**	**3.73**	136,680	318	0.93
Securities purchased under agreements to resell	**41,131**	**524**	**5.10**	16,171	28	0.69
Advances to lenders	**3,798**	**60**	**6.32**	5,508	27	1.96
Total interest-earning assets	**$ 4,290,354**	**$ 34,340**	**3.20 %**	$ 4,243,131	$ 29,455	2.78 %
Interest-bearing liabilities:						
Short-term funding debt	**$ 14,841**	**$ (183)**	**4.93 %**	$ 3,125	$ (5)	0.64 %
Long-term funding debt	**119,572**	**(936)**	**3.13**	143,064	(539)	1.51
CAS debt	**4,319**	**(109)**	**10.09**	10,046	(128)	5.10
Total debt of Fannie Mae	**138,732**	**(1,228)**	**3.54**	156,235	(672)	1.72
Debt securities of consolidated trusts held by third parties	**4,078,979**	**(26,077)**	**2.56**	4,024,468	(20,975)	2.08
Total interest-bearing liabilities	**$ 4,217,711**	**$ (27,305)**	**2.59 %**	$ 4,180,703	$ (21,647)	2.07 %
Net interest income/net interest yield		**$ 7,035**	**0.66 %**		$ 7,808	0.74 %

	For the Six Months Ended June 30,					
	2023			2022		
	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	**$ 52,251**	**$ 1,218**	**4.66 %**	$ 65,006	$ 1,574	4.84 %
Mortgage loans of consolidated trusts	**4,074,813**	**63,574**	**3.12**	3,983,347	54,650	2.74
Total mortgage loans[2]	**4,127,064**	**64,792**	**3.14**	4,048,353	56,224	2.78
Investments in securities[3]	**116,882**	**2,082**	**3.54**	146,941	484	0.66
Securities purchased under agreements to resell	**38,951**	**942**	**4.81**	18,260	34	0.37
Advances to lenders	**3,082**	**94**	**6.07**	6,233	53	1.69
Total interest-earning assets	**$ 4,285,979**	**$ 67,910**	**3.17 %**	$ 4,219,787	$ 56,795	2.69 %
Interest-bearing liabilities:						
Short-term funding debt	**$ 12,733**	**$ (302)**	**4.72 %**	$ 4,019	$ (6)	0.30 %
Long-term funding debt	**119,016**	**(1,744)**	**2.93**	158,158	(1,089)	1.38
CAS debt	**4,727**	**(232)**	**9.82**	10,444	(247)	4.73
Total debt of Fannie Mae	**136,476**	**(2,278)**	**3.34**	172,621	(1,342)	1.55
Debt securities of consolidated trusts held by third parties	**4,078,066**	**(51,811)**	**2.54**	3,995,645	(40,246)	2.01
Total interest-bearing liabilities	**$ 4,214,542**	**$ (54,089)**	**2.57 %**	$ 4,168,266	$ (41,588)	2.00 %
Net interest income/net interest yield		**$ 13,821**	**0.64 %**		$ 15,207	0.72 %

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

(2) Average balance includes mortgage loans on nonaccrual status. Interest income from yield maintenance revenue and the amortization of loan fees, primarily consisting of upfront cash fees, was $746 million and $1.4 billion, respectively, for the second quarter of 2023 and first half of 2023, compared with $1.4 billion and $3.2 billion, respectively, for the second quarter of 2022 and first half of 2022.

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

Deferred Amortization Income

We initially recognize mortgage loans and debt of consolidated trusts in our condensed consolidated balance sheets at fair value. The difference between the initial fair value and the carrying value of these instruments is recorded as a cost basis adjustment, either as a premium or a discount, in our condensed consolidated balance sheets. We amortize these cost basis adjustments over the contractual lives of the loans or debt. On a net basis, for mortgage loans and debt of consolidated trusts, we are in a premium position with respect to debt of consolidated trusts, which represents deferred income we will recognize in our condensed consolidated statements of operations and comprehensive income as amortization income in future periods.

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

Fair Value Gains, Net

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

We apply fair value hedge accounting to reduce earnings volatility in our financial statements driven by changes in benchmark interest rates. Accordingly, we recognize the fair value gains and losses and the contractual interest income and expense associated with risk management derivatives designated in qualifying hedging relationships in net interest income. For more information about our hedge accounting program, see “Impact of Hedge Accounting on Fair Value Gains (Losses), Net” below and “Note 8, Derivative Instruments” in this report, as well as “Market Risk Management, including Interest-Rate Risk Management” and “Note 1, Summary of Significant Accounting Policies” in our 2022 Form 10-K.

The table below displays the components of our fair value gains and losses.

Fair Value Gains, Net

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
	(Dollars in millions)			
Risk management derivatives fair value gains (losses) attributable to:				
Net contractual interest expense on interest-rate swaps	**$ (394)**	$ (30)	**$ (775)**	$ (2)
Net change in fair value during the period	**505**	(219)	**692**	(1,702)
Impact of hedge accounting[1]	**637**	233	**622**	1,491
Risk management derivatives fair value gains (losses), net	**748**	(16)	**539**	(213)
Mortgage commitment derivatives fair value gains, net	**198**	844	**84**	2,416
Credit enhancement derivatives fair value gains (losses), net	**29**	(29)	**14**	(51)
Total derivatives fair value gains, net	**975**	799	**637**	2,152
Trading securities gains (losses), net	**(723)**	(665)	**23**	(2,435)
Long-term debt fair value gains (losses), net	**219**	558	**(50)**	1,637
Other, net[2]	**(67)**	(163)	**(2)**	(345)
Fair value gains, net	**$ 404**	$ 529	**$ 608**	$ 1,009

(1) The “Impact of hedge accounting” reflected in this table shows the net gain or loss from swaps in hedging relationships plus any accrued interest during the applicable periods.

(2) Consists primarily of fair value gains and losses on mortgage loans held at fair value.

Fair value gains, net in the second quarter of 2023 were primarily driven by gains on:

- risk management derivatives due to rising interest rates; and
- long-term debt of consolidated trusts held at fair value due to rising interest rates and widening of the secondary spread, which is the spread between the 30-year MBS current coupon yield and 10-year U.S. Treasury rate.

These gains were partially offset by losses on trading securities, primarily driven by rising interest rates, which resulted in losses on fixed-rate securities as prices fell.

Fair value gains, net in the first half of 2023 were primarily driven by rising interest rates, which drove gains on risk management derivatives.

Fair value gains, net in the second quarter and first half of 2022 were primarily driven by:

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

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

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

Our earnings can experience volatility due to interest-rate changes and differing accounting treatments that apply to certain financial instruments on our balance sheet. To help address this volatility, we apply hedge accounting to reduce the current-period impact on our earnings related to changes in specified benchmark interest rates. Hedge accounting aligns the timing of when we recognize fair value changes in hedged items attributable to these benchmark interest-rate movements with fair value changes in the hedging instrument. For additional information on our hedge accounting program, see “Risk Management—Market Risk Management, including Interest-Rate Risk Management—Earnings Exposure to Interest-Rate Risk” in our 2022 Form 10-K and in this report and “Note 8, Derivative Instruments” in this report. For additional discussion of our fair value hedge accounting policy, see “Note 1, Summary of Significant Accounting Policies” in our 2022 Form 10-K.

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Net contractual interest income (expense) accruals related to interest-rate swaps designated as hedging instruments recognized in net interest income	**$ (266)**	$ (2)	**$ (469)**	$ 37
Fair value losses on derivatives designated as hedging instruments recognized in net interest income	**(371)**	(231)	**(153)**	(1,528)
Fair value losses, net recognized in net interest income (expense) from hedge accounting	**$ (637)**	$ (233)	**$ (622)**	$ (1,491)

Benefit (Provision) for Credit Losses

Our benefit or provision for credit losses can vary substantially from period to period based on a number of factors, such as changes in actual and forecasted home prices or property valuations, fluctuations in actual and forecasted interest rates, borrower payment behavior, events such as natural disasters or pandemics, the types, volume and effectiveness of our loss mitigation activities, including forbearances and loan modifications, the volume of foreclosures completed and the volume and pricing of loans redesignated from held for investment (“HFI”) to held for sale (“HFS”). The benefit or provision for credit losses includes our benefit or provision for loan losses, accrued interest receivable losses, our guaranty loss reserves and credit losses on our available-for-sale (“AFS”) debt securities.

Our benefit or provision for credit losses and our related loss reserves can also be impacted by updates to the models, assumptions and data used in determining our allowance for loan losses. Although we believe the estimates underlying our allowance as of June 30, 2023 are reasonable, they are subject to uncertainty. Changes in future economic conditions and loan performance from our current expectations may result in volatility in our allowance for loan losses and, as a result, our benefit or provision for credit losses. See “Critical Accounting Estimates” for additional information about how our estimate of credit losses is subject to uncertainty.

The table below provides a quantitative analysis of the drivers of our single-family and multifamily benefit or provision for credit losses and the change in expected credit enhancement recoveries. Many of the drivers that contribute to our benefit or provision for credit losses overlap or are interdependent. The attribution shown below is based on internal allocation estimates.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Single-family benefit (provision) for credit losses:				
Changes in loan activity[1]	**$ (390)**	$ (252)	**$ (740)**	$ (591)
Redesignation of loans from HFI to HFS	**—**	(54)	**—**	(4)
Actual and forecasted home prices	**1,724**	272	**2,104**	538
Actual and projected interest rates	**(146)**	(288)	**(24)**	(891)
Release of economic concessions[2]	**17**	203	**44**	603
Other[3]	**213**	(87)	**81**	(131)
Single-family benefit (provision) for credit losses	**1,418**	(206)	**1,465**	(476)
Multifamily benefit (provision) for credit losses:				
Changes in loan activity[1]	**(74)**	21	**(84)**	11
Actual and projected interest rates	**(65)**	(112)	**8**	(161)
Actual and projected economic data[4]	**(121)**	82	**(303)**	88
Other[3]	**108**	(3)	**48**	80
Multifamily benefit (provision) for credit losses	**(152)**	(12)	**(331)**	18
Total benefit (provision) for credit losses[5]	**$ 1,266**	$ (218)	**$ 1,134**	$ (458)
Change in expected credit enhancement recoveries for active loans:				
Single-family	**$ (223)**	$ (43)	**$ (128)**	$ 26
Multifamily	**63**	(4)	**81**	(13)
Change in expected credit enhancement recoveries for active loans	**$ (160)**	$ (47)	**$ (47)**	$ 13

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

(2) Represents the benefit from the release of economic concessions related to loans previously designated as troubled debt restructurings that received loss mitigation arrangements during the period.

(3) Includes provision for allowance on accrued interest receivable. For single-family, also includes any benefit or provision for our guaranty loss reserves that are not separately included in the other components.

(4) Primarily consists of changes attributed to projected property net operating income, actual and projected property values, and labor market forecasts.

(5) For purposes of this attribution table, credit losses on AFS securities are excluded.

Single-Family Benefit (Provision) for Credit Losses

Our single-family benefit for credit losses in the second quarter and first half of 2023 was primarily driven by a benefit from actual and forecasted home price growth, partially offset by a provision from changes in loan activity, as described in more detail below:

- *Benefit from actual and forecasted home price growth.* During the second quarter and first half of 2023, we observed strong actual home price appreciation. In addition, our updated 2023 home price forecast changed from our prior estimate, resulting in a shift to positive home price appreciation for the year. Higher home prices decrease the likelihood that loans will default and reduce the amount of losses on loans that do default, which impacts our estimate of losses and ultimately reduces our loss reserves and provision for credit losses. See “Key Market Economic Indicators” for additional information about how home prices affect our credit loss estimates, including a discussion of home price growth and declines, and our home price forecast. Also see “Critical Accounting Estimates” for more information about our home price forecast.
- *Provision from changes in loan activity*, which includes provision on newly acquired loans. The portion of our single-family acquisitions consisting of purchase loans increased in the second quarter and first half of 2023 compared with the second quarter and first half of 2022. As our acquisitions consisted of a greater percentage of purchase loans, which generally have higher origination loan to value (“LTV”) ratios than refinance loans, the credit profile of our acquisitions weakened. This factor drove a higher estimated risk of default and loss severity in the allowance and therefore a higher credit loss provision for those loans at the time of acquisition. See “Single-Family Business—Single-Family Mortgage Credit Risk Management” for more information on our single-family loan acquisitions in the second quarter and first half of 2023.

The largest driver of our single-family provision for credit losses in the second quarter and first half of 2022 was an increase in actual and projected interest rates as of June 30, 2022 compared with March 31, 2022 and December 31, 2021. As mortgage rates increased, we expected a decrease in future prepayments on single-family loans, including modified loans accounted for as troubled debt restructurings (“TDRs”). Lower expected prepayments extended the expected lives of these TDR loans, which increased the expected impairment relating to economic concessions provided on them, resulting in a provision for credit losses.

Some of the provision from increased actual and projected interest rates in the first half of 2022 was offset by a benefit from actual and forecasted home price growth. While home price growth was strong in the second quarter and first half of 2022, some market indicators at that time suggested that home price growth may have been moderating at a faster pace than indicated by our home price forecast, which reduced the benefit from home price growth recognized in the second quarter and first half of 2022.

Multifamily Benefit (Provision) for Credit Losses

Our multifamily provision for credit losses for the second quarter and first half of 2023 was primarily driven by decreases in estimated multifamily property values. This resulted in higher estimated LTV ratios on the loans in our multifamily guaranty book of business, which increased our estimate of expected credit losses on these loans. This provision is included in the “actual and projected economic data” line item in the table above.

See “Multifamily Business—Multifamily Mortgage Credit Risk Management—Multifamily Portfolio Monitoring” for a discussion of risks within specific property types that we are monitoring, including a discussion of seniors housing loans and loans with adjustable-rates.

The primary factor that contributed to our multifamily provision for credit losses in the second quarter of 2022 was a provision for higher actual and projected interest rates. This provision was partially offset by a benefit from actual and projected economic data, including strong property value growth, driven by continued demand for multifamily housing.

The primary factor that contributed to our multifamily benefit for credit losses in the first half of 2022 was a benefit from actual and projected economic data. This benefit was partially offset by a provision from higher actual and projected interest rates.

Consolidated Balance Sheet Analysis

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

Summary of Condensed Consolidated Balance Sheets

	As of		
	June 30, 2023	December 31, 2022	Variance
		(Dollars in millions)	
Assets			
Cash and cash equivalents and securities purchased under agreements to resell	**$ 85,279**	$ 72,552	$ 12,727
Restricted cash and cash equivalents	**27,206**	29,854	(2,648)
Investments in securities, at fair value	**51,231**	50,825	406
Mortgage loans:			
Of Fannie Mae	**50,293**	54,085	(3,792)
Of consolidated trusts	**4,080,814**	4,071,698	9,116
Allowance for loan losses	**(9,982)**	(11,347)	1,365
Mortgage loans, net of allowance for loan losses	**4,121,125**	4,114,436	6,689
Deferred tax assets, net	**11,990**	12,911	(921)
Other assets	**26,879**	24,710	2,169
Total assets	**$ 4,323,710**	$ 4,305,288	$ 18,422
Liabilities and equity			
Debt:			
Of Fannie Mae	**$ 137,696**	$ 134,168	$ 3,528
Of consolidated trusts	**4,094,654**	4,087,720	6,934
Other liabilities	**22,316**	23,123	(807)
Total liabilities	**4,254,666**	4,245,011	9,655
Fannie Mae stockholders' equity:			
Senior preferred stock	**120,836**	120,836	—
Other net deficit	**(51,792)**	(60,559)	8,767
Total equity	**69,044**	60,277	8,767
Total liabilities and equity	**$ 4,323,710**	$ 4,305,288	$ 18,422

Cash and Cash Equivalents and Securities Purchased Under Agreements to Resell

Cash and cash equivalents and securities purchased under agreements to resell increased from December 31, 2022 to June 30, 2023 primarily driven by our corporate debt issuances outpacing maturities, proceeds from the sale of securities and loans, and the continued accumulation of earnings retained from our operations. For further discussion, see "Liquidity and Capital Management—Liquidity Management."

Mortgage Loans, Net of Allowance

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

Mortgage loans, net of allowance for loan losses modestly increased from December 31, 2022 to June 30, 2023, driven primarily by acquisition volumes being higher than loan paydowns during the first half of 2023, as well as a decline in our allowance for loan losses.

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

Debt

The increase in debt of Fannie Mae from December 31, 2022 to June 30, 2023 was due to new issuances outpacing redemptions. The increase in debt of consolidated trusts from December 31, 2022 to June 30, 2023 was primarily driven by sales of Fannie Mae MBS, which also includes sales of Fannie Mae MBS that were previously held in our retained mortgage portfolio. Sales of Fannie Mae MBS are accounted for as issuances of debt of consolidated trusts in our condensed consolidated balance sheets, since the MBS certificate ownership is transferred from us to a third party. See "Liquidity and Capital Management—Liquidity Management—Debt Funding" for a summary of activity in short-term and long-term debt of Fannie Mae. Also see "Note 7, Short-Term and Long-Term Debt" for additional information on our total outstanding debt.

Stockholders' Equity

Our stockholders' equity (also referred to as our net worth) increased to $69.0 billion as of June 30, 2023, compared with $60.3 billion as of December 31, 2022, due to the $8.8 billion in comprehensive income recognized during the first half of 2023.

The aggregate liquidation preference of the senior preferred stock increased to $185.5 billion as of June 30, 2023 from $181.8 billion as of March 31, 2023, due to the $3.8 billion increase in our net worth in the first quarter of 2023. The aggregate liquidation preference of the senior preferred stock will further increase to $190.5 billion as of September 30, 2023 due to the $5.0 billion increase in our net worth in the second quarter of 2023. For more information about how this liquidation preference is determined, see "Business—Conservatorship and Treasury Agreements—Treasury Agreements—Senior Preferred Stock" in our 2022 Form 10-K and "Liquidity and Capital Management—Capital Management—Capital Activity" in this report.

Retained Mortgage Portfolio

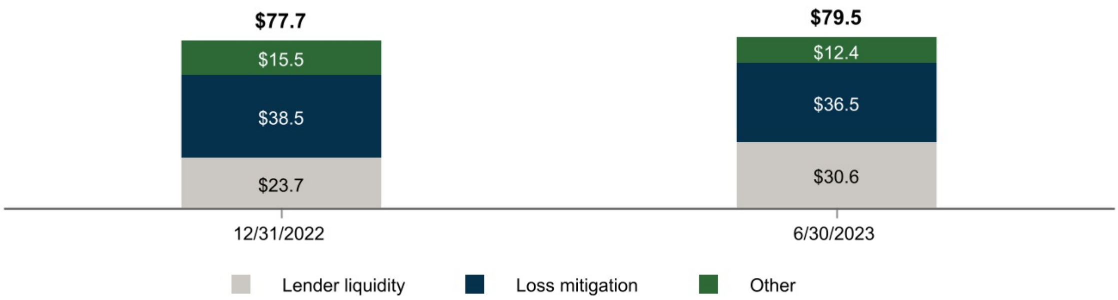
We use our retained mortgage portfolio primarily to provide liquidity to the mortgage market through our whole loan conduit and to support our loss mitigation activities, particularly in times of economic stress when other sources of liquidity to the mortgage market may decrease or withdraw.

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

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

- *Lender liquidity*, which includes balances related to our whole loan conduit activity, supports our efforts to provide liquidity to the single-family and multifamily mortgage markets.
- *Loss mitigation* supports our loss mitigation efforts through the purchase of delinquent loans from our MBS trusts.
- *Other* represents assets that were previously purchased for investment purposes. The majority of the balance of "Other" as of June 30, 2023 consisted of Fannie Mae reverse mortgage securities and reverse mortgage loans. We expect the amount of assets in "Other" will continue to decline over time as they liquidate, mature or are sold.

Retained Mortgage Portfolio
(Dollars in billions)



The table below displays the components of our retained mortgage portfolio, measured by unpaid principal balance. Based on the nature of the asset, these balances are included in either "Investments in securities, at fair value" or "Mortgage loans, net of allowance for loan losses" in our "Summary of Condensed Consolidated Balance Sheets" table above.

Retained Mortgage Portfolio

	As of	
	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Lender liquidity:		
Agency securities[1]	**$ 23,367**	$ 16,410
Mortgage loans	**7,256**	7,329
Total lender liquidity	**30,623**	23,739
Loss mitigation mortgage loans[2]	**36,510**	38,458
Other:		
Reverse mortgage loans[3]	**4,755**	6,565
Mortgage loans	**3,306**	3,365
Reverse mortgage securities[4]	**3,600**	4,811
Other[5]	**690**	804
Total other	**12,351**	15,545
Total retained mortgage portfolio	**$ 79,484**	$ 77,742
Retained mortgage portfolio by segment:		
Single-family mortgage loans and mortgage-related securities	**$ 74,019**	$ 73,769
Multifamily mortgage loans and mortgage-related securities	**$ 5,465**	$ 3,973

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

(2) Includes single-family loans on nonaccrual status of $6.8 billion and $7.1 billion as of June 30, 2023 and December 31, 2022, respectively. Also includes multifamily loans on nonaccrual status of $1.0 billion and $243 million as of June 30, 2023 and December 31, 2022, respectively.

(3) We stopped acquiring newly originated reverse mortgage loans in 2010.

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

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

The amount of mortgage assets that we may own is capped at $225 billion under the terms of our senior preferred stock purchase agreement with Treasury. In addition, we are currently required to cap our mortgage assets at $202.5 billion per instructions from FHFA. See "Business—Conservatorship and Treasury Agreements" in our 2022 Form 10-K for additional information on our mortgage assets cap.

We include 10% of the notional value of the interest-only securities we hold in calculating the size of the retained portfolio for the purpose of determining compliance with the senior preferred stock purchase agreement retained portfolio limits and associated FHFA guidance. As of June 30, 2023, 10% of the notional value of our interest-only securities was $1.6 billion, which is not included in the table above.

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

In support of our loss mitigation strategies, we purchased $4.5 billion of loans from our single-family MBS trusts in the first half of 2023, the substantial majority of which were delinquent, compared with $11.2 billion of loans purchased from single-family MBS trusts in the first half of 2022. We expect the amount of loans we buy out of trusts will decrease in 2023 relative to the prior year as loans exiting COVID-19-related forbearance drove a higher number of loan modifications in 2022. The size of our retained mortgage portfolio will be impacted by the volume of loans we ultimately buy, the timing of those purchases, and the length of time those loans remain in our retained mortgage portfolio.

Guaranty Book of Business

Our “guaranty book of business” consists of:

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

“Total Fannie Mae guarantees” consists of:

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

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

Some Fannie Mae MBS that we issue are backed in whole or in part by Freddie Mac securities. When we resecuritize Freddie Mac securities into Fannie Mae-issued structured securities, such as Supers and REMICs, our guaranty of principal and interest extends to the underlying Freddie Mac securities. However, Freddie Mac continues to guarantee the payment of principal and interest on the underlying Freddie Mac securities that we have resecuritized. See “Business—Mortgage Securitizations—Uniform Mortgage-Backed Securities, or UMBS—UMBS and Structured Securities” in our 2022 Form 10-K for information regarding the upfront fee we charge to include Freddie Mac securities in our structured securities. Effective April 1, 2023, the upfront fee for commingled securities decreased from 50 basis points to 9.375 basis points on the portion of the securities made up of Freddie Mac-issued collateral. References to our single-family guaranty book of business exclude Freddie Mac-acquired mortgage loans underlying Freddie Mac securities that we have resecuritized.

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

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

Composition of Fannie Mae Guaranty Book of Business

	As of					
	June 30, 2023			December 31, 2022		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
	(Dollars in millions)					
Conventional guaranty book of business[(1)]	**$ 3,649,552**	**$ 456,029**	**$ 4,105,581**	$ 3,646,981	$ 442,067	$ 4,089,048
Government guaranty book of business[(2)]	**9,879**	**550**	**10,429**	12,450	572	13,022
Guaranty book of business	**3,659,431**	**456,579**	**4,116,010**	3,659,431	442,639	4,102,070
Freddie Mac securities guaranteed by Fannie Mae[(3)]	**224,877**	**—**	**224,877**	234,023	—	234,023
Total Fannie Mae guarantees	**$ 3,884,308**	**$ 456,579**	**$ 4,340,887**	$ 3,893,454	$ 442,639	$ 4,336,093

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

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

(3) Consists of off-balance sheet arrangements of approximately (i) $186.6 billion and $193.9 billion in unpaid principal balance of Freddie Mac-issued UMBS backing Fannie Mae-issued Supers as of June 30, 2023 and December 31, 2022, respectively; and (ii) $38.3 billion and $40.1 billion in unpaid principal balance of Freddie Mac securities backing Fannie Mae-issued REMICs as of June 30, 2023 and December 31, 2022, respectively. See “Liquidity and Capital Management—Liquidity Management—Off-Balance Sheet Arrangements” for more information regarding our maximum exposure to loss on consolidated Fannie Mae MBS and Freddie Mac securities.

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, including by the Housing and Economic Recovery Act of 2008 (together, the "GSE Act") requires us to set aside each year an amount equal to 4.2 basis points of the unpaid principal balance of our new business purchases and to pay this amount to specified U.S. Department of Housing and Urban Development ("HUD") and Treasury funds in support of affordable housing. In March 2023, we paid $287 million to the funds based on our new business purchases in 2022. For the first half of 2023, we recognized an expense of $77 million related to this obligation based on $182.2 billion in new business purchases during the period. We expect to pay this amount to the funds in 2024, plus additional amounts to be accrued based on our new business purchases in the second half of 2023. See "Business—Legislation and Regulation—GSE-Focused Matters—Affordable Housing Allocations" in our 2022 Form 10-K for more information regarding this obligation.

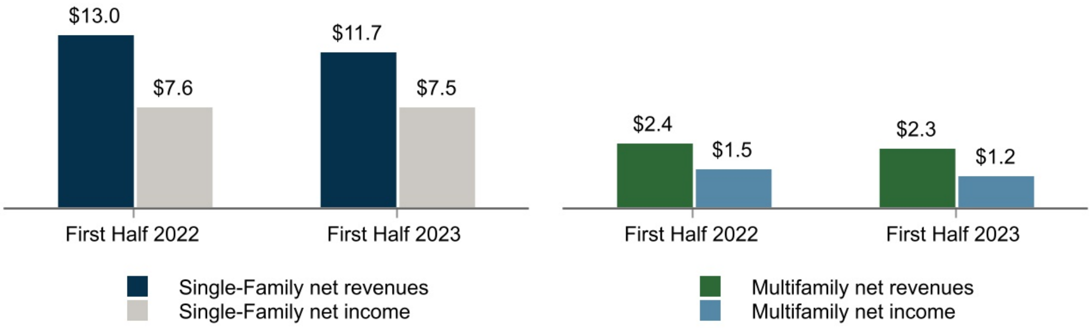
Business Segments

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

The chart below displays net revenues and net income for each of our business segments for the first half of 2023 compared with the first half of 2022. Net revenues consist of net interest income and fee and other income.

Business Segment Net Revenues and Net Income

(Dollars in billions)



In the following sections, we describe each segment's business metrics, financial results and credit performance.

Single-Family Business

This section supplements and updates information regarding our Single-Family business segment in our 2022 Form 10-K. See "MD&A—Single-Family Business" in our 2022 Form 10-K for additional information regarding the primary business activities, lenders, investors and competition of our Single-Family business.

Single-Family Mortgage Market

Housing activity was relatively flat in the second quarter of 2023 compared with the first quarter of 2023. Total existing home sales averaged 4.25 million units annualized in the second quarter of 2023, compared with 4.33 million units in the first quarter of 2023, according to data from the National Association of REALTORS®. According to the U.S. Census Bureau, new single-family home sales averaged an annualized rate of approximately 694,000 units in the second quarter of 2023, compared with approximately 638,000 units in the first quarter of 2023.

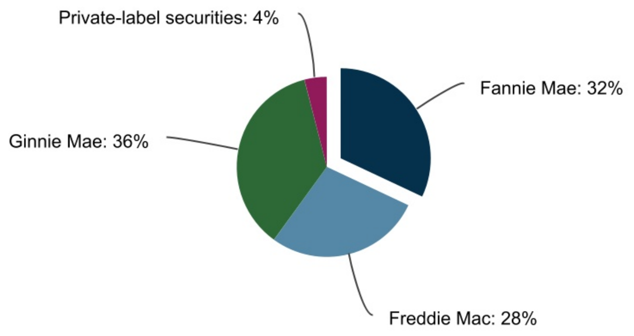
The 30-year fixed mortgage rate was 6.71% as of June 29, 2023, compared with 6.32% as of March 31, 2023, and averaged 6.51% in the second quarter of 2023, compared with 6.37% in the first quarter of 2023, according to Freddie Mac's Primary Mortgage Market Survey®.

Single-family mortgage market originations declined from an estimated $683 billion in the second quarter of 2022 to an estimated $443 billion in the second quarter of 2023. According to the July forecast from our Economic and Strategic Research Group, total originations in the U.S. single-family mortgage market in 2023 are forecasted to decrease from 2022 levels by approximately 32%, from an estimated $2.39 trillion in 2022 to $1.62 trillion in 2023, and the amount of refinance originations in the U.S. single-family mortgage market will decrease from an estimated $753 billion in 2022 to $264 billion in 2023. Our Economic and Strategic Research Group's July forecast is based on data available as of July 10, 2023. See "Key Market Economic Indicators" for additional discussion of how housing activity can affect our financial results and the uncertainties that may affect our forecasts and expectations.

Single-Family Mortgage-Related Securities Issuances Share

Our single-family Fannie Mae MBS issuances were $91.6 billion for the second quarter of 2023, compared with $174.5 billion for the second quarter of 2022. This decrease was primarily driven by lower volumes of refinance and purchase lending in the second quarter of 2023 due to higher mortgage rates. Based on the latest data available, the chart below displays our estimated share of single-family mortgage-related securities issuances in the second quarter of 2023 as compared with that of our primary competitors for the issuance of single-family mortgage-related securities.

Single-Family Mortgage-Related Securities Issuances Share
Second Quarter 2023



We estimate our share of single-family mortgage-related securities issuances was 31% in the first quarter of 2023 and 36% in the second quarter of 2022.

Presentation of Our Single-Family Conventional Guaranty Book of Business

For purposes of the information reported in this "Single-Family Business" section, we measure the single-family conventional guaranty book of business using the unpaid principal balance of our mortgage loans underlying Fannie Mae MBS outstanding. By contrast, the single-family conventional guaranty book of business presented in the "Composition of Fannie Mae Guaranty Book of Business" table in the "Guaranty Book of Business" section is based on the unpaid principal balance of the Fannie Mae MBS outstanding, rather than the unpaid principal balance of the underlying mortgage loans. These amounts differ primarily as a result of payments we receive on underlying loans that have not yet been remitted to the MBS holders or instances where we have advanced missed borrower payments on mortgage loans to make required distributions to related MBS holders. As measured for purposes of the information reported below, our single-family conventional guaranty book of business was $3,632.4 billion as of June 30, 2023 and $3,635.2 billion as of December 31, 2022.

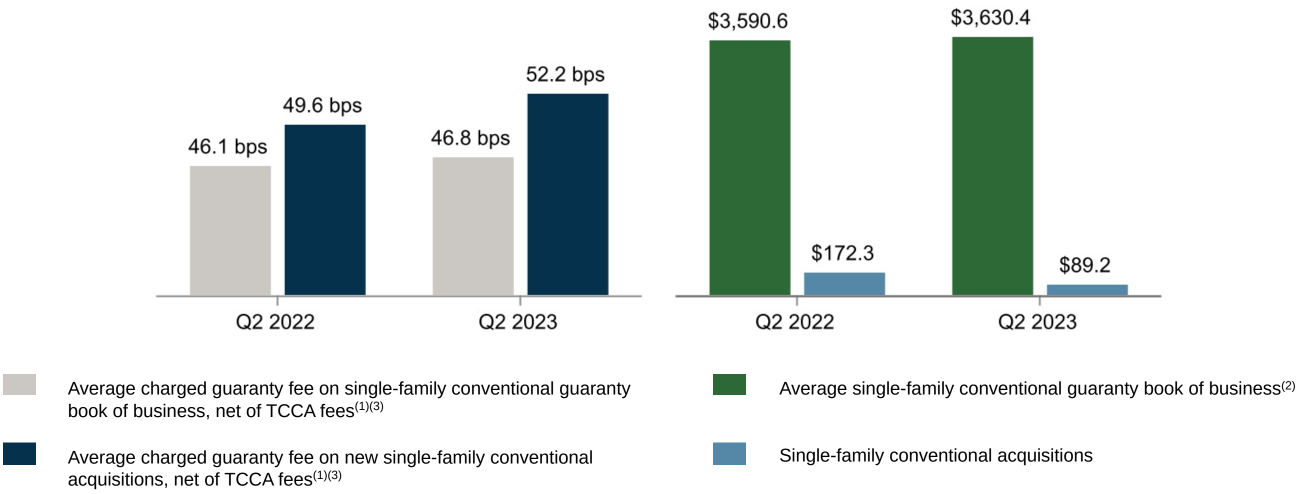
Single-Family Business Metrics

Select Business Metrics

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

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

Select Single-Family Business Metrics
(Dollars in billions)



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

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

(3) In the fourth quarter of 2022, we enhanced the method we use to estimate average loan life at acquisition. Charged fees reported in prior periods have been updated in this report to reflect this updated methodology.

Our single-family conventional loan acquisition volumes remained near historically low levels in the second quarter of 2023. This was primarily driven by historically low refinance volumes due to continued higher interest rates in the second quarter of 2023, as few borrowers could benefit from refinancing. In addition, housing affordability constraints and limited supply continued to put downward pressure on the volume of purchase loans we acquired.

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

Our average charged guaranty fee on newly acquired conventional single-family loans, net of TCCA fees, increased in the second quarter of 2023 compared with the second quarter of 2022, primarily driven by the overall weaker credit risk profile of our second quarter 2023 acquisitions. We generally charge higher guaranty fees on loans with weaker credit risk characteristics. Loans we acquired in the second quarter of 2023 had a weaker credit profile than loans we acquired in the second quarter of 2022 because a significantly larger share of our second quarter 2023 acquisitions were purchase loans, which generally have higher origination LTV ratios than refinance loans. In addition, a greater portion of our second quarter 2023 acquisitions were long-term fixed-rate loans, which generally have higher charged guaranty fees than intermediate-term fixed-rate loans. See “Single-Family Mortgage Credit Risk Management—Single-Family Portfolio Diversification and Monitoring” below for a description of key risk characteristics of our single-family acquisitions in the second quarter of 2023 and second quarter of 2022.

Recent Price Changes

In January 2023, FHFA announced changes to our single-family pricing framework by introducing redesigned and recalibrated upfront fee matrices for purchase, rate-term refinance, and cash-out refinance loans, in addition to a new upfront fee for certain borrowers with debt-to-income ratios above 40%. These price changes took effect on May 1, 2023, with the exception of the new upfront fee for certain borrowers with debt-to-income ratios above 40%, which FHFA rescinded. See "MD&A—Single-Family Business—Single-Family Business Metrics" in our 2022 Form 10-K for more information on the recent price changes on our single-family loan acquisitions. See "Legislation and Regulation" in this report for a description of potential future single-family loan price changes that may result from recent bills introduced in Congress and FHFA's request for input on Fannie Mae and Freddie Mac's single-family pricing framework.

Single-Family Business Financial Results

This section provides a discussion of the primary components of net income for our Single-Family business. This information complements the discussion of financial results in "Consolidated Results of Operations."

Single-Family Business Financial Results[1]

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2023	2022	Variance	2023	2022	Variance
			(Dollars in millions)			
Net interest income[2]	**$ 5,917**	$ 6,573	$ (656)	**$ 11,589**	$ 12,828	$ (1,239)
Fee and other income	**52**	60	(8)	**100**	121	(21)
Net revenues	**5,969**	6,633	(664)	**11,689**	12,949	(1,260)
Investment gains (losses), net	**27**	(27)	54	**(44)**	(93)	49
Fair value gains, net	**460**	543	(83)	**626**	1,070	(444)
Administrative expenses	**(718)**	(671)	(47)	**(1,438)**	(1,354)	(84)
Benefit (provision) for credit losses	**1,418**	(206)	1,624	**1,465**	(476)	1,941
TCCA fees[2]	**(856)**	(841)	(15)	**(1,711)**	(1,665)	(46)
Credit enhancement expense	**(327)**	(270)	(57)	**(614)**	(480)	(134)
Change in expected credit enhancement recoveries[3]	**(223)**	(43)	(180)	**(128)**	26	(154)
Other expenses, net[4]	**(203)**	(224)	21	**(319)**	(388)	69
Income before federal income taxes	**5,547**	4,894	653	**9,526**	9,589	(63)
Provision for federal income taxes	**(1,153)**	(1,008)	(145)	**(2,000)**	(1,994)	(6)
Net income	**$ 4,394**	$ 3,886	$ 508	**$ 7,526**	$ 7,595	$ (69)

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

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

(3) Includes estimated changes in benefits, as well as any realized amounts, from our single-family freestanding credit enhancements, which primarily relate to our CAS and CIRT™ programs.

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

Net Interest Income

The decrease in single-family net interest income in the second quarter and first half of 2023 compared with the second quarter and first half of 2022 was primarily the result of lower net amortization income, partially offset by higher income from portfolios.

The drivers of net interest income for the Single-Family segment are consistent with the drivers of net interest income in our condensed consolidated statements of operations and comprehensive income, which we discuss in "Consolidated Results of Operations—Net Interest Income."

Fair Value Gains, Net

Fair value gains, net in the second quarter of 2023 were primarily driven by gains on risk management derivatives and long-term debt of consolidated trusts held at fair value, partially offset by losses on trading securities.

Fair value gains, net in the first half of 2023 were primarily driven by gains on risk management derivatives.

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

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

Benefit (Provision) for Credit Losses

Our single-family benefit for credit losses in the second quarter and first half of 2023 was primarily driven by a benefit from actual and forecasted home prices, partially offset by a provision from changes in loan activity, which includes provision on newly acquired loans.

The largest driver of provision for credit losses for the second quarter and first half of 2022 was a provision for higher actual and projected interest rates due to interest rate increases in the first half of 2022. Some of the provision from increased actual and projected interest rates in the second quarter and first half of 2022 was offset by a benefit from actual and forecasted home price growth.

See “Consolidated Results of Operations—Benefit (Provision) for Credit Losses” for more information on the primary factors that contributed to our single-family benefit or provision for credit losses.

Single-Family Mortgage Credit Risk Management

This section updates our discussion of single-family mortgage credit risk management in our 2022 Form 10-K. For additional information on our acquisition and servicing policies, underwriting and servicing standards, quality control process, repurchase requests, and representation and warranty framework, see “MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management” in our 2022 Form 10-K.

Single-Family Portfolio Diversification and Monitoring

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

We provide additional information on the credit characteristics of our single-family loans in quarterly financial supplements, which we furnish to the Securities and Exchange Commission (the “SEC”) with current reports on Form 8-K and make available on our website.

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

	Percent of Single-Family Conventional Business Volume at Acquisition[2]				Percent of Single-Family Conventional Guaranty Book of Business[3] As of	
	For the Three Months Ended June 30,		For the Six Months Ended June 30,			
	2023	**2022**	**2023**	**2022**	**June 30, 2023**	**December 31, 2022**
Original loan-to-value ("LTV") ratio:[4]						
<= 60%	**16 %**	21 %	**16 %**	25 %	**26 %**	26 %
60.01% to 70%	**10**	12	**10**	14	**14**	15
70.01% to 80%	**33**	33	**33**	33	**33**	33
80.01% to 90%	**15**	12	**16**	10	**11**	10
90.01% to 95%	**19**	17	**19**	13	**11**	11
95.01% to 100%	**7**	5	**6**	5	**4**	4
Greater than 100%	**—**	—	**—**	*	**1**	1
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Weighted average	***78 %***	*75 %*	***78 %***	*73 %*	***73 %***	*72 %*
Average loan amount	**$ 317,748**	$ 300,556	**$ 316,117**	$ 299,852	**$ 206,929**	$ 206,049
Loan count (in thousands)	**281**	573	**496**	1,373	**17,554**	17,643
Estimated mark-to-market LTV ratio:[5]						
<= 60%					**68 %**	66 %
60.01% to 70%					**15**	16
70.01% to 80%					**10**	10
80.01% to 90%					**5**	5
90.01% to 100%					**2**	3
Greater than 100%					*****	*
Total					**100 %**	100 %
Weighted average					***51 %***	*52 %*
FICO credit score at origination:[6]						
< 620	***** **%**	* %	***** **%**	* %	***** **%**	1 %
620 to < 660	**2**	4	**3**	4	**4**	4
660 to < 680	**3**	5	**3**	5	**4**	4
680 to < 700	**5**	8	**6**	8	**6**	6
700 to < 740	**20**	22	**21**	21	**20**	19
>= 740	**70**	61	**67**	62	**66**	66
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Weighted average	***756***	*746*	***753***	*747*	***752***	*752*
Debt-to-income ("DTI") ratio at origination:[7]						
<= 43%	**66 %**	68 %	**65 %**	70 %	**75** %	75 %
43.01% to 45%	**10**	10	**10**	10	**9**	9
Greater than 45%	**24**	22	**25**	20	**16**	16
Total	**100 %**	100 %	**100 %**	100 %	**100** %	100 %
Weighted average	***38 %***	*37 %*	***38 %***	*36 %*	***35*** *%*	*35 %*

	Percent of Single-Family Conventional Business Volume at Acquisition(2)				Percent of Single-Family Conventional Guaranty Book of Business(3) As of	
	For the Three Months Ended June 30,		For the Six Months Ended June 30,			
	2023	2022	2023	2022	June 30, 2023	December 31, 2022
Product type:						
Fixed-rate:(8)						
Long-term	**95 %**	91 %	**95 %**	88 %	**87 %**	86 %
Intermediate-term	**4**	8	**4**	11	**12**	13
Total fixed-rate	**99**	99	**99**	99	**99**	99
Adjustable-rate	**1**	1	**1**	1	**1**	1
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Number of property units:						
1 unit	**98 %**	98 %	**98 %**	98 %	**98 %**	98 %
2-4 units	**2**	2	**2**	2	**2**	2
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Property type:						
Single-family homes	**91 %**	91 %	**91 %**	91 %	**91 %**	91 %
Condo/Co-op	**9**	9	**9**	9	**9**	9
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Occupancy type:						
Primary residence	**92 %**	91 %	**92 %**	91 %	**91 %**	91 %
Second/vacation home	**2**	2	**2**	3	**3**	3
Investor	**6**	7	**6**	6	**6**	6
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Loan purpose:						
Purchase	**86 %**	64 %	**85 %**	52 %	**42 %**	40 %
Cash-out refinance	**10**	26	**10**	30	**21**	22
Other refinance	**4**	10	**5**	18	**37**	38
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Geographic concentration:(9)						
Midwest	**14 %**	13 %	**13 %**	12 %	**14 %**	14 %
Northeast	**12**	12	**12**	13	**16**	16
Southeast	**30**	27	**29**	26	**23**	23
Southwest	**24**	24	**25**	22	**19**	19
West	**20**	24	**21**	27	**28**	28
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
Origination year:						
2017 and prior					**20 %**	22 %
2018					**2**	2
2019					**4**	5
2020					**25**	25
2021					**31**	32
2022					**14**	14
2023					**4**	—
Total					**100 %**	100 %

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

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

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

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

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

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

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

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

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

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

Characteristics of our New Single-Family Loan Acquisitions

Refinancing activity was significantly lower in the second quarter of 2023 compared with the second quarter of 2022 as the sharp rise in interest rates over the last year resulted in fewer borrowers who could benefit from refinancing. Accordingly, the share of our single-family loan acquisitions consisting of refinance loans (versus home purchase loans) decreased to 14% in the second quarter of 2023 compared with 36% in the second quarter of 2022. Typically, home purchase loans have higher LTV ratios than refinance loans. This trend contributed to an increase in the percentage of our single-family loan acquisitions with LTV ratios over 80%, from 34% in the second quarter of 2022 to 41% in the second quarter of 2023.

Our share of acquisitions of loans with DTI ratios above 45% increased to 24% in the second quarter of 2023 compared with 22% in the second quarter of 2022. This increase was also driven by the higher share of home purchase acquisitions, which tend to have higher DTI ratios than refinance loan acquisitions. It also reflects the impact of higher interest rates and inflation on borrowers' monthly obligations.

For a discussion of factors that may impact the volume and credit characteristics of loans we acquire in the future, see "MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Portfolio Diversification and Monitoring" in our 2022 Form 10-K. In this section of our 2022 Form 10-K, we also provide more information on the credit characteristics of loans in our single-family conventional guaranty book of business, including high-balance loans and adjustable-rate mortgages.

Single-Family Credit Enhancement and Transfer of Mortgage Credit Risk

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

Our approved monoline mortgage insurers' financial ability and willingness to pay claims is an important determinant of our overall credit risk exposure. For a discussion of our exposure to and management of the counterparty credit risk associated with the providers of these credit enhancements, see "MD&A—Risk Management—Institutional Counterparty Credit Risk Management" and "Note 13, Concentrations of Credit Risk" in our 2022 Form 10-K and "Note 10, Concentrations of Credit Risk" in this report. Also see "Risk Factors" in our 2022 Form 10-K.

The table below displays information about loans in our single-family conventional guaranty book of business covered by one or more forms of credit enhancement, including mortgage insurance or a credit risk transfer transaction. For a description of primary mortgage insurance and the other types of credit enhancements specified in the table, see “MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Credit Enhancement and Transfer of Mortgage Credit Risk” in our 2022 Form 10-K.

Single-Family Loans with Credit Enhancement

	As of			
	June 30, 2023		December 31, 2022	
	Unpaid Principal Balance	Percentage of Single-Family Conventional Guaranty Book of Business	Unpaid Principal Balance	Percentage of Single-Family Conventional Guaranty Book of Business
	(Dollars in billions)			
Primary mortgage insurance and other	**$ 759**	**21 %**	$ 754	21 %
Connecticut Avenue Securities	**796**	**22**	726	20
Credit Insurance Risk Transfer	**406**	**11**	323	9
Lender risk-sharing	**55**	**1**	57	2
Less: Loans covered by multiple credit enhancements	**(410)**	**(11)**	(351)	(10)
Total single-family loans with credit enhancement	**$ 1,606**	**44 %**	$ 1,509	42 %

Transfer of Mortgage Credit Risk

In addition to primary mortgage insurance, our Single-Family business has developed other risk-sharing capabilities to transfer portions of our single-family mortgage credit risk to the private market. Our credit risk transfer transactions are designed to transfer a portion of the losses we expect would be incurred in an economic downturn or a stressed credit environment. Generally, loss reimbursement payments are received after the underlying property has been liquidated and all applicable proceeds, including private mortgage insurance benefits, have been applied to reduce the loss. As described in “MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Credit Enhancement and Transfer of Mortgage Credit Risk—Credit Risk Transfer Transactions” in our 2022 Form 10-K, we have used primarily three single-family credit risk transfer programs: Connecticut Avenue Securities® (“CAS”), Credit Insurance Risk Transfer™ (“CIRT™”), and lender risk-sharing.

In the first half of 2023, we transferred a portion of the mortgage credit risk on single-family mortgage loans with an unpaid principal balance of $202.8 billion at the time of the transactions; substantially all of the loans in these credit risk transfer transactions were acquired in 2022. Macroeconomic and housing market uncertainty negatively impacted investor demand for our credit risk transfer transactions in the first half of the year, although that demand has improved recently. As a result, investors have required increased premiums in our more recent credit risk transfer transactions. Taking into account the cost of these transactions, the resulting capital relief, and the credit risk transfer market capacity, we have generally chosen to increase the first loss position retained by Fannie Mae compared with similar transactions in the first half of 2022.

The following table displays the aggregate mortgage credit risk transferred to third parties and retained by Fannie Mae pursuant to our single-family credit risk transfer transactions. The table does not include the credit risk transferred on single-family transactions that were cancelled or terminated as of June 30, 2023. The following table also excludes coverage obtained through primary mortgage insurance.

Outstanding as of June 30, 2023

(Dollars in billions)

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

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

(3) Includes mortgage pool insurance transactions covering loans with an aggregate unpaid principal balance of approximately $1.2 billion outstanding as of June 30, 2023.

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

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

(6) For CAS and some lender risk-sharing transactions, represents outstanding reference pools, not the outstanding unpaid principal balance of the underlying loans. The outstanding unpaid principal balance for all loans covered by credit risk transfer programs, including all loans on which risk has been transferred in lender risk-sharing transactions, was $1,257 billion as of June 30, 2023.

The risk in force of these transactions, which refers to the maximum amount of losses that could be absorbed by credit risk transfer investors, was approximately $42 billion as of June 30, 2023, compared with approximately $38 billion as of December 31, 2022.

The table below displays information about the credit enhancement recovery receivables we have recognized within “Other assets” in our condensed consolidated balance sheets. The decrease in our single-family freestanding credit enhancement receivables as of June 30, 2023 compared with December 31, 2022, was primarily the result of a decrease in our estimate of credit losses in the first half of 2023. As our estimate of credit losses decreases, so does the benefit we expect to receive from our freestanding credit enhancements.

Single-Family Credit Enhancement Receivables

	As of	
	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Freestanding credit enhancement receivables	**$ 437**	$ 565
Primary mortgage insurance receivables, net of allowance(1)	**54**	53

(1) Amount is net of a valuation allowance of $462 million as of June 30, 2023 and December 31, 2022. The vast majority of this valuation allowance related to deferred payment obligations associated with unpaid claim amounts for which collectability is uncertain.

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

Credit Risk Transfer Transactions

	For the Six Months Ended June 30,	
	2023	2022
Cash paid or transferred for:	(Dollars in millions)	
CAS transactions[1]	**$ 450**	$ 419
CIRT transactions	**198**	143
Lender risk-sharing transactions	**68**	82

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

Cash paid or transferred to investors for CIRT transactions includes cancellation fees paid on certain CIRT transactions where we determined that the cost of these deals exceeded the expected remaining benefit. The table excludes cash paid upon the repurchase of legacy CAS debt. In the first half of 2023, we paid $1.3 billion to repurchase a portion of our outstanding CAS debt.

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

Single-Family Loans Currently without Credit Enhancement

	As of			
	June 30, 2023		December 31, 2022	
	Unpaid Principal Balance	Percentage of Single-Family Conventional Guaranty Book of Business	Unpaid Principal Balance	Percentage of Single-Family Conventional Guaranty Book of Business
	(Dollars in billions)			
Low LTV ratio or short-term[1]	**$ 1,139**	**31 %**	$ 1,171	32 %
Pre-credit risk transfer program inception[2]	**247**	**7**	265	7
Recently acquired[3]	**201**	**6**	403	11
Other[4]	**721**	**20**	669	18
Less: Loans in multiple categories	**(282)**	**(8)**	(382)	(10)
Total single-family loans currently without credit enhancement	**$ 2,026**	**56 %**	$ 2,126	58 %

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

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

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

(4) Includes adjustable-rate mortgage loans, loans with a combined LTV ratio greater than 97%, non-Refi Plus loans acquired after the inception of our credit risk transfer programs that became 30 or more days delinquent prior to inclusion in a credit risk transfer transaction, and loans that were delinquent as of June 30, 2023 or December 31, 2022, as applicable. Also includes loans that were previously included in a credit risk transfer transaction but subsequently had the coverage canceled.

Single-Family Problem Loan Management

Our problem loan management strategies focus primarily on reducing defaults to avoid losses that would otherwise occur and pursuing foreclosure alternatives to mitigate the severity of the losses we incur. See “MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Problem Loan Management” in our 2022 Form 10-K for a discussion of delinquency statistics on our problem loans, efforts undertaken to manage our problem loans, metrics regarding our loan workout activities, real estate owned (“REO”) management and other single-family credit-related information. The discussion below updates some of that information. We also provide ongoing credit performance information on loans underlying single-family Fannie Mae MBS and loans covered by single-family credit risk transfer transactions. For loans backing Fannie Mae MBS, see the “Forbearance and Delinquency Dashboard” available in the MBS section of our Data Dynamics® tool, which is available at www.fanniemae.com/datadynamics. For loans covered by credit risk transfer transactions, see the “Deal Performance Data” report available in the CAS and CIRT sections of the tool. Information on our website is not incorporated into this report. Information in Data Dynamics may differ from similar measures presented in our financial statements and other public disclosures for a variety of reasons, including as a result of variations in the loan population covered, timing differences in reporting and other factors.

Delinquency

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

Delinquency Status and Activity of Single-Family Conventional Loans

	As of		
	June 30, 2023	**December 31, 2022**	**June 30, 2022**
Delinquency status:			
30 to 59 days delinquent	**0.84 %**	0.96 %	0.84 %
60 to 89 days delinquent	**0.21**	0.23	0.19
Seriously delinquent (“SDQ”):	**0.55**	0.65	0.81
Percentage of SDQ loans that have been delinquent for more than 180 days	**54**	55	68
Percentage of SDQ loans that have been delinquent for more than two years	**15**	16	19

	For the Six Months Ended June 30,	
	2023	**2022**
Single-family SDQ loans (number of loans):		
Beginning balance	**114,960**	218,329
Additions	**81,064**	84,409
Removals:		
Modifications and other loan workouts	**(43,047)**	(104,559)
Liquidations and sales	**(15,506)**	(22,083)
Cured or less than 90 days delinquent	**(41,671)**	(33,462)
Total removals	**(100,224)**	(160,104)
Ending balance	**95,800**	142,634

Our single-family serious delinquency rate as of June 30, 2023 remained at historically low levels. Given our expectation of an economic recession, higher unemployment rates and home price declines, we expect the credit performance of loans in our single-family guaranty book of business will decline compared with recent performance, which could lead to higher delinquencies or an increase in our single-family serious delinquency rate following the onset of the recession. For additional information about factors that impact our single-family serious delinquency rate, see “MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Problem Loan Management” in our 2022 Form 10-K. Also see “Key Market Economic Indicators” for more information about our economic outlook.

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

Single-Family Conventional Seriously Delinquent Loan Concentration Analysis

	As of								
	June 30, 2023			December 31, 2022			June 30, 2022		
	Percentage of Book Outstanding	Percentage of Seriously Delinquent Loans[1]	Serious Delinquency Rate	Percentage of Book Outstanding	Percentage of Seriously Delinquent Loans[1]	Serious Delinquency Rate	Percentage of Book Outstanding	Percentage of Seriously Delinquent Loans[1]	Serious Delinquency Rate
States:									
California	**19 %**	**10 %**	**0.41 %**	19 %	9 %	0.46 %	19 %	10 %	0.59 %
Florida	**6**	**9**	**0.71**	6	9	0.90	6	8	0.92
Illinois	**3**	**5**	**0.71**	3	5	0.86	3	5	1.08
New Jersey	**3**	**4**	**0.69**	3	4	0.85	3	4	1.17
New York	**5**	**7**	**0.96**	5	7	1.12	5	8	1.54
All other states	**64**	**65**	**0.52**	64	66	0.62	64	65	0.76
Vintages:									
2008 and prior	**2**	**22**	**2.62**	2	23	2.78	2	26	3.74
2009-2023	**98**	**78**	**0.45**	98	77	0.53	98	74	0.63
Estimated mark-to-market LTV ratio:									
<= 60%	**68**	**72**	**0.50**	66	74	0.63	70	80	0.82
60.01% to 70%	**15**	**14**	**0.72**	16	14	0.77	16	12	0.83
70.01% to 80%	**10**	**8**	**0.67**	10	8	0.69	9	5	0.67
80.01% to 90%	**5**	**4**	**0.68**	5	3	0.68	4	2	0.52
90.01% to 100%	**2**	**2**	**0.54**	3	1	0.40	1	1	0.46
Greater than 100%	*****	*****	**4.00**	*	*	4.04	*	*	9.40
Credit enhanced:[2]									
Primary MI & other[3]	**21**	**31**	**1.01**	21	31	1.19	20	29	1.40
Credit risk transfer[4]	**34**	**28**	**0.51**	31	28	0.66	28	27	0.84
Non-credit enhanced	**56**	**54**	**0.47**	58	54	0.55	61	55	0.69

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

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

(2) The credit-enhanced categories are not mutually exclusive. A loan with primary mortgage insurance that is also covered by a credit risk transfer transaction will be included in both the “Primary MI & other” category and the “Credit risk transfer” category. As a result, the “Credit enhanced” and “Non-credit enhanced” categories do not sum to 100%. The total percentage of our single-family conventional guaranty book of business with some form of credit enhancement as of June 30, 2023 was 44%.

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

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

Forbearance Plans

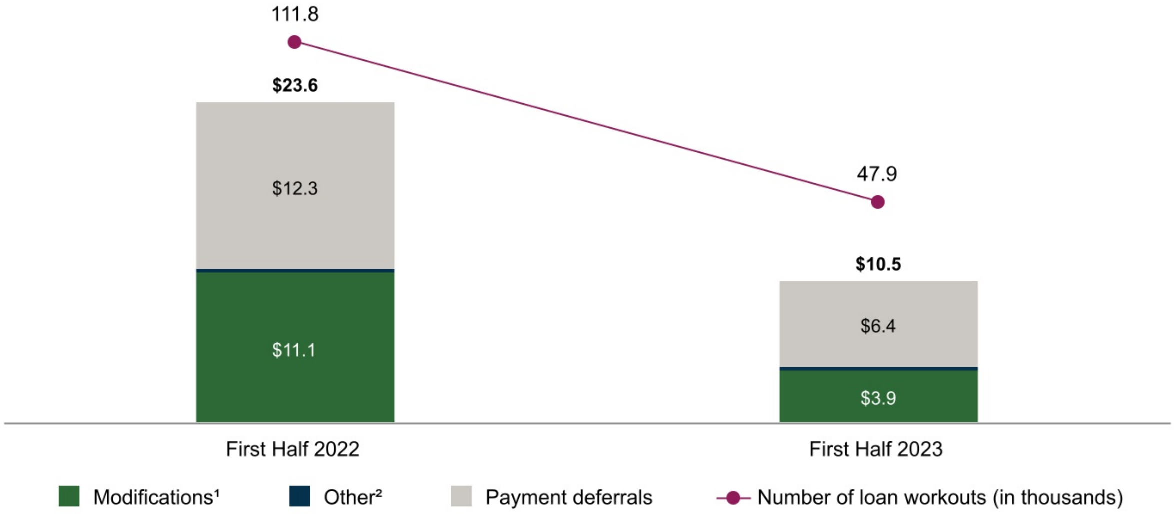
A forbearance plan is a short-term loss mitigation option that grants a period of time (typically in 6-month increments and generally not exceeding a total of 12 months) during which the borrower’s monthly payment obligations are reduced or suspended. Borrowers may exit a forbearance plan by repaying all past due amounts to fully reinstate the loan, paying off the loan in full, or entering into another loss mitigation option, such as a repayment plan, a payment deferral, or a loan modification. As of June 30, 2023, the unpaid principal balance of single-family loans in forbearance was $8.5 billion, or 0.2% of our single-family conventional guaranty book of business, compared with $11.9 billion, or 0.3% of our single-family conventional guaranty book of business, as of December 31, 2022.

Loan Workout Metrics

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

The chart below displays the unpaid principal balance of our completed single-family loan workouts by type, as well as the number of loan workouts, for the first half of 2022 compared with the first half of 2023. This table does not include loans in an active forbearance arrangement, trial modifications, loans to certain borrowers who have received bankruptcy relief and repayment plans that have been initiated but not completed.

Completed Loan Workout Activity
(Dollars in billions)



(1) There were approximately 16,300 loans and 25,000 loans in a trial modification period that was not yet complete as of June 30, 2023 and 2022, respectively.

(2) Other was $237 million and $212 million for the first half of 2023 and the first half of 2022, respectively. Other includes repayment plans and foreclosure alternatives. Repayment plans reflect only those plans associated with loans that were 60 days or more delinquent.

The overall decline in loan workout activity was driven by fewer outstanding forbearances in the first half of 2023 compared with the first half of 2022. Forbearances often result in a loan workout in order to resolve the loan’s delinquency.

Updated Payment Deferral Workout Option

In March 2023, FHFA announced an update to our standard payment deferral workout option to allow borrowers who have resolved their financial hardship to defer two to six months of past-due mortgage payments as a non-interest bearing balance that is due at maturity of the mortgage loan or earlier upon sale or transfer of the property or payoff of the interest-bearing balance. Our current payment deferral workout option generally allows borrowers to defer up to two months of past-due payments. This update does not impact disaster payment deferrals or COVID-19 payment deferrals, which allow for up to 12 or 18 months of past-due payments, respectively, to be deferred. Servicers have until October 1, 2023 to implement the updated payment deferral requirements, and may voluntarily implement them as early as July 1, 2023.

REO Management

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

Single-Family REO Properties

	For the Six Months Ended June 30,	
	2023	**2022**
Single-family REO properties (number of properties):		
Beginning of period inventory of single-family REO properties[1]	**8,779**	7,166
Acquisitions by geographic area:[2]		
Midwest	**624**	760
Northeast	**479**	550
Southeast	**524**	509
Southwest	**400**	351
West	**190**	112
Total REO acquisitions[1]	**2,217**	2,282
Dispositions of REO	**(2,381)**	(1,811)
End of period inventory of single-family REO properties[1]	**8,615**	7,637
Carrying value of single-family REO properties (dollars in millions)	**$ 1,332**	$ 1,137
Single-family foreclosure rate[3]	**0.03 %**	0.03 %
REO net sales price to unpaid principal balance[4]	**126 %**	117 %
Short sales net sales price to unpaid principal balance[5]	**91 %**	91 %

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

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

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

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

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

Single-Family Credit Loss Performance Metrics and Loan Sale Performance

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

The table below displays the components of our single-family credit loss performance metrics. Because sales of nonperforming and reperforming loans have been a part of our credit loss mitigation strategy in recent periods, we also provide information in the table below on our loan sale performance through the "Gains (losses) on sales and other valuation adjustments" line item.

Single-Family Credit Loss Performance Metrics and Loan Sale Performance

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
	(Dollars in millions)			
Write-offs	**$ (55)**	$ (40)	**$ (99)**	$ (56)
Recoveries	**29**	88	**107**	124
Foreclosed property income (expense)	**(22)**	(25)	**(33)**	9
Credit gains (losses)	**(48)**	23	**(25)**	77
Write-offs on the redesignation of mortgage loans from HFI to HFS[1]	**—**	(209)	**—**	(222)
Net credit gains (losses) and write-offs on redesignations	**(48)**	(186)	**(25)**	(145)
Gains (losses) on sales and other valuation adjustments[2]	**23**	(24)	**(49)**	(91)
Net credit gains (losses), write-offs on redesignations and gains (losses) on sales and other valuation adjustments	**$ (25)**	$ (210)	**$ (74)**	$ (236)
Credit gain (loss) ratio (in bps)[3]	**(0.5)**	0.3	**(0.1)**	0.4
Net credit gains (losses), write-offs on redesignations and gains (losses) on sales and other valuation adjustments ratio (in bps)[4]	**(0.3)**	(2.3)	**(0.4)**	(1.3)

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

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

(3) Calculated based on the annualized amount of "Credit gains (losses)" divided by the average single-family conventional guaranty book of business during the period.

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

In February 2023, FHFA instructed us to put sales of nonperforming and reperforming loans on hold until further notice. In June 2023, FHFA instructed us that we may resume these loan sales upon implementation of revised loan sale requirements that enhance or expand upon certain consumer protections that existed in our prior requirements. We intend to resume these loan sales in the second half of this year subject to market conditions.

The decrease in our net credit gains (losses), write-offs on redesignations and gains (losses) on sales and other valuation adjustments in the second quarter and first half of 2023 compared with the second quarter and first half of 2022 was primarily driven by the nonperforming and reperforming loan sales pause described above.

For information on our benefit (provision) for credit losses, which includes changes in our allowance, see "Consolidated Results of Operations—Benefit (Provision) for Credit Losses" and "Single-Family Business Financial Results."

Multifamily Business

This section supplements and updates information regarding our Multifamily business segment in our 2022 Form 10-K. See "MD&A—Multifamily Business" in our 2022 Form 10-K for additional information regarding the primary business activities, lenders, competition and market share of our Multifamily business.

Multifamily Mortgage Market

Multifamily market fundamentals, which include factors such as vacancy rates and rents, improved during the second quarter of 2023, due to slowing but still-positive job growth, elevated single-family housing prices keeping many renters in place and a continued large demographic population between the ages of 20-34, the primary age group that is likely to rent multifamily units.

- *Vacancy rates.* Based on preliminary third-party data, we estimate that the national multifamily vacancy rate for institutional investment-type apartment properties remained steady at 5.8% as of June 30, 2023, the same estimated level as of March 31, 2023, but up 100 basis points from 4.8% as of June 30, 2022. The estimated average national multifamily vacancy rate over the last 15 years remained at approximately 5.8%.
- *Rents*. Based on preliminary third-party data, we estimate that effective rents increased 1.0% during the second quarter of 2023, compared with no change in the first quarter of 2023, but down compared to an estimated increase of 2.5% during the second quarter of 2022.

Vacancy rates and rents are important to loan performance because multifamily loans are generally repaid from the cash flows generated by the underlying property. Several years of low vacancy rates and rising rents helped to increase property values in most metropolitan areas, but that trend reversed starting in early 2023. Based on preliminary multifamily property sales data, transaction volumes for the second quarter of 2023 remained well below average levels. As a result of declining transaction volumes, coupled with elevated interest rates, available data suggests capitalization rates increased slightly in the second quarter of 2023.

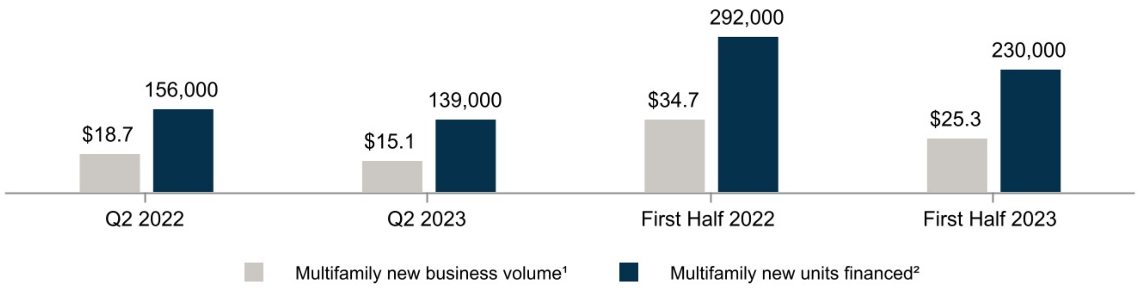
Multifamily construction underway remains elevated. More than 470,000 multifamily units were delivered in 2022 and we also expect a large number of multifamily units to be delivered in 2023.

We expect vacancy levels are likely to rise by year end and rent growth in 2023 will remain below recent averages as a result of continued elevated levels of new construction and slowing job growth.

Multifamily Business Metrics

Through the secondary mortgage market, we support rental housing for the workforce population, for senior citizens and students, and for households with the greatest economic need. Over 95% of the multifamily units we financed in the second quarter of 2023 that were potentially eligible for housing goals credit were affordable to those earning at or below 120% of the median income in their area, providing support for both workforce housing and affordable housing.

Multifamily New Business Volume
(Dollars in billions)



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

(2) Reflects new units financed by first liens; excludes second liens on units for which we had financed the first lien, as well as manufactured housing rentals. Second liens and manufactured housing rentals are included in unpaid principal balance.

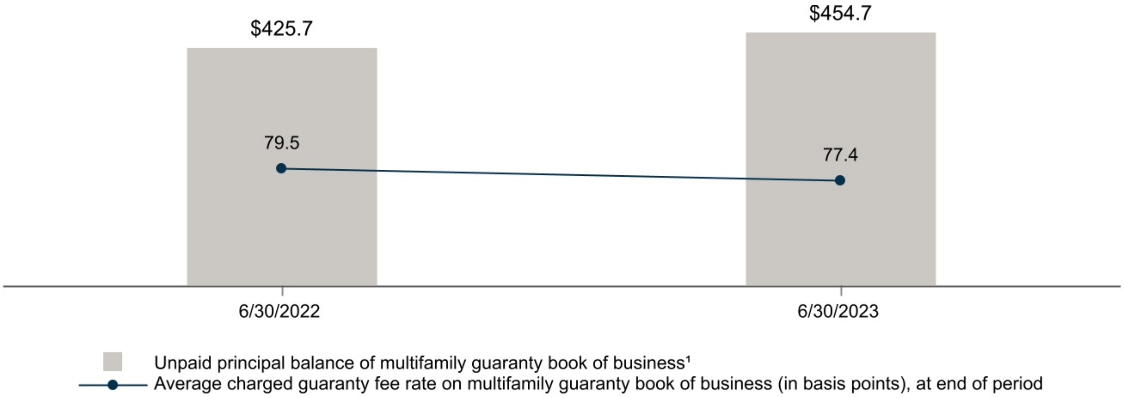
We had lower multifamily business volumes in the first half of 2023 compared with the first half of 2022, driven by lower overall multifamily market activity. For 2023, FHFA has capped our multifamily loan purchases at $75 billion. FHFA requires that a minimum of 50% of our multifamily loan purchases must be mission-driven, focused on specified affordable and underserved market segments.

For information on how conservatorship may affect our business activities, see “Risk Factors—GSE and Conservatorship Risk” in our 2022 Form 10-K.

Presentation of Our Multifamily Guaranty Book of Business

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

Multifamily Guaranty Book of Business
(Dollars in billions)



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

Average charged guaranty fee represents our effective revenue rate relative to the size of our multifamily guaranty book of business. Management uses this metric to assess the return we earn as compensation for the multifamily credit risk we manage. Average charged guaranty fee is impacted by the rate at which loans in our book of business turn over as well as the guaranty fees we charge, which are set at the time we acquire the loans. Our multifamily guaranty fee pricing is primarily based on the individual credit risk characteristics of the loans we acquire and the aggregate credit risk characteristics of our multifamily guaranty book of business. Our multifamily guaranty fee pricing is also influenced by external factors such as the availability of other sources of liquidity, our mission-related goals, the FHFA volume cap, interest rates, MBS spreads, and the management of the overall composition of our multifamily guaranty book of business. The average guaranty fee on our multifamily guaranty book of business decreased as of June 30, 2023 compared with June 30, 2022 due to lower average charged fees on new acquisitions compared to the existing loans in our multifamily guaranty book of business.

Multifamily Business Financial Results

This section provides a discussion of the primary components of net income for our Multifamily business.

Multifamily Business Financial Results[1]

	For the Three Months Ended June 30,						For the Six Months Ended June 30,					
	2023		2022		Variance		2023		2022		Variance	
	(Dollars in millions)											
Net interest income	**$**	**1,118**	$	1,235	$	(117)	**$**	**2,232**	$	2,379	$	(147)
Fee and other income		**18**		21		(3)		**33**		43		(10)
Net revenues		**1,136**		1,256		(120)		**2,265**		2,422		(157)
Fair value losses, net		**(56)**		(14)		(42)		**(18)**		(61)		43
Administrative expenses		**(146)**		(124)		(22)		**(294)**		(249)		(45)
Benefit (provision) for credit losses		**(152)**		(12)		(140)		**(331)**		18		(349)
Credit enhancement expense[2]		**(57)**		(62)		5		**(111)**		(130)		19
Change in expected credit enhancement recoveries[3]		**63**		(4)		67		**88**		(13)		101
Other expenses, net[4]		**(56)**		(59)		3		**(66)**		(128)		62
Income before federal income taxes		**732**		981		(249)		**1,533**		1,859		(326)
Provision for federal income taxes		**(132)**		(214)		82		**(293)**		(393)		100
Net income	**$**	**600**	$	767	$	(167)	**$**	**1,240**	$	1,466	$	(226)

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

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

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

(4) Consists of investment gains or losses, foreclosed property income (expense), gains or losses from partnership investments, debt extinguishment gains or losses, and other income or expenses.

Net Interest Income

Net interest income decreased in the second quarter and first half of 2023 compared with the second quarter and first half of 2022 due to lower liquidation volumes and therefore lower yield maintenance income, as well as lower average charged guaranty fees, partially offset by an increase in our multifamily guaranty book of business.

Benefit (Provision) for Credit Losses

Our multifamily provision for credit losses for the second quarter and first half of 2023 was primarily driven by decreases in estimated multifamily property values.

Provision for credit losses for the second quarter of 2022 was the result of an increase in our credit loss reserves primarily due to higher actual and projected interest rates, partially offset by solid multifamily market fundamentals.

Benefit for credit losses for the first half of 2022 was primarily driven by solid multifamily market fundamentals, partially offset by higher actual and projected interest rates.

See “Consolidated Results of Operations—Benefit (Provision) for Credit Losses” for more information on our multifamily benefit or provision for credit losses.

Multifamily Mortgage Credit Risk Management

This section supplements and updates our discussion of multifamily mortgage credit risk management in our 2022 Form 10-K in "MD&A—Multifamily Business—Multifamily Mortgage Credit Risk Management."

Multifamily Acquisition Policy and Underwriting Standards

The following table displays certain key risk characteristics of our multifamily guaranty book of business that we use to evaluate the risk profile and credit quality of our multifamily loans. For information on our multifamily acquisition policy and underwriting standards, see "MD&A—Multifamily Business—Multifamily Mortgage Credit Risk Management—Multifamily Acquisition Policy and Underwriting Standards" in our 2022 Form 10-K.

Key Risk Characteristics of Multifamily Guaranty Book of Business

	As of		
	June 30, 2023	**December 31, 2022**	**June 30, 2022**
Weighted-average original LTV ratio	**64** %	64 %	65 %
Original LTV ratio greater than 80%	**1**	1	1
Original Debt Service Coverage Ratio ("DSCR") less than or equal to 1.10[(1)]	**12**	12	12
Full term interest-only loans	**40**	38	35
Partial term interest-only loans[(2)]	**48**	49	50
Adjustable-rate mortgages	**10**	11	10

(1) The original DSCR is calculated using the underwritten debt service payments for the loan, which assumes both principal and interest payments, including stressed assumptions in certain cases, rather than the actual debt service payments. Depending on the loan's interest rate and structure, using the underwritten debt service payments will often result in a more conservative estimate of the debt service payments (for example, loans with an interest-only period).

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

We provide additional information on the credit characteristics of our multifamily loans in quarterly financial supplements, which we furnish to the SEC with current reports on Form 8-K.

Transfer of Multifamily Mortgage Credit Risk

We primarily transfer credit risk on the multifamily loans we guarantee through our Delegated Underwriting and Servicing ("DUS®") program, which delegates to DUS lenders the ability to underwrite and service multifamily loans, in accordance with our standards and requirements. See "MD&A—Multifamily Business—Multifamily Mortgage Credit Risk Management—Transfer of Multifamily Mortgage Credit Risk" in our 2022 Form 10-K for a description of our DUS program.

Our DUS model typically results in our lenders sharing approximately one-third of the credit risk on our multifamily loans, either on a pro-rata or tiered basis. Loans serviced by DUS lenders and their affiliates represented substantially all of our multifamily guaranty book of business as of June 30, 2023 and December 31, 2022. In certain situations, we do not allow the lenders to fully share in one-third of the credit risk, but have them share in a smaller portion, to reduce the risk that the counterparty will fail to meet its loss sharing responsibility to us in the event of a borrower default.

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

To complement our front-end lender-risk sharing program, we engage in back-end credit risk transfer transactions through our Multifamily CIRT™ ("MCIRT™") and Multifamily Connecticut Avenue Securities™ ("MCAS™") transactions. Through these transactions, we transfer a portion of the credit risk associated with a reference pool of multifamily mortgage loans to insurers, reinsurers, or investors. We completed one MCIRT transaction in the first half of 2023.

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

Multifamily Loans in Back-End Credit Risk Transfer Transactions

	As of			
	June 30, 2023		December 31, 2022	
	Unpaid Principal Balance	Percentage of Multifamily Guaranty Book of Business	Unpaid Principal Balance	Percentage of Multifamily Guaranty Book of Business
	(Dollars in millions)			
MCIRT	**$ 91,903**	**20 %**	$ 87,682	20 %
MCAS	**24,996**	**6**	25,071	6
Total	**$ 116,899**	**26 %**	$ 112,753	26 %

Multifamily Portfolio Monitoring

As part of our ongoing credit risk management process, we and our lenders monitor the performance and risk characteristics of our multifamily loans and the underlying properties on an ongoing basis throughout the loan term at the asset and portfolio level. We generally require lenders to provide quarterly and/or annual financial updates for multifamily loans. 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, 2023 and December 31, 2022.

We manage our exposure to interest-rate risk and monitor changes in interest rates, which can impact multiple aspects of our multifamily loans. Interest rates, especially short-term interest rates, have increased significantly in recent periods and may increase further. Rising interest rates may reduce the ability of multifamily borrowers to refinance their loans, which generally have balloon balances at maturity. We provide additional information on the maturity schedule of our multifamily loans in quarterly financial supplements, which we furnish to the SEC with current reports on Form 8-K and make available on our website.

Additionally, in a rising rate environment, multifamily borrowers with adjustable-rate mortgages will have higher monthly payments, which may lower their DSCRs. We generally require multifamily borrowers with adjustable-rate mortgages to maintain interest rate caps for the life of the loan to protect against large movements in rates as well as maintain escrows at our servicers to reserve for the cost of replacing these caps. Purchasing or replacing required interest rate caps, especially those with longer terms and/or lower capped interest rates, becomes more expensive as interest rates rise. These elevated costs in recent periods have added pressure to borrowers' ability to make payments and contributed to the increase in our multifamily serious delinquency rate and criticized loan population in the first half of 2023. In the recent high interest rate environment, more multifamily borrowers have started receiving payments from their interest rate cap providers, which helps to defray the higher cost of debt service and escrow payments. We actively monitor these interest-rate related risks as part of our risk management process.

We also monitor for risks manifesting within specific property types. A property type we have been monitoring closely is seniors housing, primarily independent living and assisted living facilities, some of which may have a limited capacity devoted to memory care. Seniors housing loans constituted 4% of our multifamily guaranty book of business as of June 30, 2023, based on unpaid principal balance, of which 38% were adjustable-rate mortgages. Seniors housing properties have been disproportionately affected by the COVID-19 pandemic and ongoing economic trends, higher operating costs exacerbated by the increase in inflation, and higher short-term interest rates for adjustable-rate mortgages, resulting in increased costs for these borrowers. We continue to monitor seniors housing loans in our multifamily guaranty book of business closely and actively manage loans that may be at risk of further deterioration or default.

Multifamily Problem Loan Management and Foreclosure Prevention

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

Credit Performance Statistics on Multifamily Problem Loans

The percentage of our multifamily loans in our guaranty book of business that are criticized increased as of June 30, 2023 compared with December 31, 2022, primarily driven by the recent elevated interest-rate environment. This has increased the number of properties reporting low DSCRs in their latest operating statement, particularly those properties financed with adjustable-rate mortgages. Criticized loans substantially consist of loans classified as “Substandard” and also include loans classified as “Special Mention” or “Doubtful.” Substandard loans are loans that have a well-defined weakness that could impact their timely full repayment. While the majority of the substandard loans in our multifamily guaranty book of business are currently making timely payments, we continue to monitor the performance of this population. For more information on our loan classifications based on our internally assigned credit risk ratings, see “Note 3, Mortgage Loans.”

Our multifamily serious delinquency rate increased to 0.37% as of June 30, 2023, compared with 0.24% as of December 31, 2022, largely driven by a seniors housing portfolio. Our multifamily serious delinquency rate consists of multifamily loans that were 60 days or more past due based on unpaid principal balance, expressed as a percentage of our multifamily guaranty book of business. The percentage of loans in our multifamily guaranty book of business that were 180 days or more delinquent was 0.25% as of June 30, 2023, compared with 0.15% as of December 31, 2022.

Management monitors the multifamily serious delinquency rate as an indicator of potential future credit losses and loss mitigation activities. Serious delinquency rates are reflective of our performance in assessing and managing credit risk associated with multifamily loans in our guaranty book of business. Typically, higher serious delinquency rates result in a higher allowance for loan losses. Our multifamily serious delinquency rate may further increase in the near term as a result of stress in our multifamily guaranty book of business, particularly related to our seniors housing and adjustable-rate mortgages.

Multifamily REO Management

The number of multifamily foreclosed properties held for sale was 29 properties with a carrying value of $273 million as of June 30, 2023, compared with 28 properties with a carrying value of $278 million as of December 31, 2022. We expect the amount of foreclosures on multifamily loans will increase over the coming year as some borrowers will not successfully cure their delinquencies through a repayment plan or other modification.

Multifamily Credit Loss Performance Metrics

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

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

Multifamily Credit Loss Performance Metrics

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
	(Dollars in millions)			
Write-offs[1]	**$ (17)**	$ —	**$ (254)**	$ —
Recoveries	**1**	10	**10**	17
Foreclosed property expense	**(36)**	(8)	**(40)**	(3)
Credit gains (losses)	**(52)**	2	**(284)**	14
Change in expected credit enhancement recoveries[2]	**23**	(3)	**31**	(10)
Credit gains (losses), net of freestanding loss-sharing arrangements	**$ (29)**	$ (1)	**$ (253)**	$ 4
Credit gain (loss) ratio (in bps)[3]	**(4.6)**	0.2	**(12.7)**	0.7
Credit gain (loss) ratio, net of freestanding loss-sharing benefit (in bps)[2][3]	**(2.6)**	(0.1)	**(11.3)**	0.2
Multifamily initial write-off severity rate[4][5]	**69.1 %**	6.9 %	**13.2 %**	5.6 %
Multifamily write-off loan count[6]	**4**	1	**6**	5

(1) Represents write-offs when a loan is determined to be uncollectible prior to a liquidation event, which includes foreclosure, a deed-in-lieu of foreclosure or a short-sale (collectively a "liquidation event"), as well as write-offs at liquidation. Write-offs associated with non-REO sales are net of loss sharing.

(2) Represents changes to the benefit we expect to receive only from write-offs as a result of certain freestanding loss-sharing arrangements, primarily multifamily DUS lender risk-sharing transactions. Changes to the expected benefits we will receive are recorded in "Change in expected credit enhancement recoveries" in our condensed consolidated statements of operations and comprehensive income.

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

(4) Rate is calculated as the initial write-off amount divided by the average defaulted unpaid principal balance.

(5) Consists of write-offs associated with a liquidation event. The rate excludes any costs, gains or losses associated with REO after initial acquisition through final disposition. The rate also excludes write-offs when a loan is determined to be uncollectible prior to a liquidation event. Write-offs are net of lender loss-sharing agreements.

(6) The multifamily write-off loan count includes only write-offs associated with a liquidation event.

Our multifamily credit losses increased in the first half of 2023 compared with the first half of 2022 primarily driven by the write-off of a seniors housing portfolio during the first quarter of 2023. As discussed above in "Multifamily Portfolio Monitoring," seniors housing loans in our guaranty book of business have been disproportionately affected by the COVID-19 pandemic and ongoing economic trends, as well as other factors.

Consolidated Credit Ratios and Select Credit Information

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

Consolidated Credit Ratios and Select Credit Information

	As of					
	June 30, 2023			December 31, 2022		
	Single-family	Multifamily	Consolidated Total	Single-family	Multifamily	Consolidated Total
	(Dollars in millions)					
Credit loss reserves as a percentage of:						
Guaranty book of business	**0.22 %**	**0.44 %**	**0.25 %**	0.26 %	0.43 %	0.28 %
Nonaccrual loans at amortized cost	**43.79**	**137.93**	**50.68**	90.69	86.86	90.03
Nonaccrual loans as a percentage of:						
Guaranty book of business	**0.51 %**	**0.32 %**	**0.48 %**	0.29 %	0.50 %	0.31 %
Select financial information used in calculating credit ratios:						
Credit loss reserves[1]	**$ (8,039)**	**$ (2,000)**	**$ (10,039)**	$ (9,554)	$ (1,911)	$ (11,465)
Guaranty book of business[2]	**3,632,404**	**454,710**	**4,087,114**	3,635,237	440,424	4,075,661
Nonaccrual loans at amortized cost	**18,357**	**1,450**	**19,807**	10,535	2,200	12,735
Components of credit loss reserves:						
Allowance for loan losses	**$ (7,990)**	**$ (1,992)**	**$ (9,982)**	$ (9,443)	$ (1,904)	$ (11,347)
Allowance for accrued interest receivable	**(49)**	**—**	**(49)**	(111)	—	(111)
Reserve for guaranty losses[3]	**—**	**(8)**	**(8)**	—	(7)	(7)
Total credit loss reserves[1]	**$ (8,039)**	**$ (2,000)**	**$ (10,039)**	$ (9,554)	$ (1,911)	$ (11,465)

(1) Our multifamily credit loss reserves exclude the expected benefit of freestanding credit enhancements on multifamily loans of $574 million as of June 30, 2023 and $492 million as of December 31, 2022, which are recorded in "Other assets" in our condensed consolidated balance sheets.

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

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

Our single-family nonaccrual loans increased as of June 30, 2023 compared with December 31, 2022 as delinquent loans that may have previously been subject to our COVID-19 nonaccrual policy, which maintained loans on accrual status for at least six months of delinquency, no longer met the requirements of the COVID-19-related guidance effective January 1, 2023. Under our current nonaccrual policy, we generally place a loan on nonaccrual status when the loan is three or more months past due. As a result, the balance of loans on nonaccrual status increased.

The balance of multifamily loans on nonaccrual decreased as of June 30, 2023 compared with December 31, 2022, primarily as a result of loans returning to accrual status after the completion of a performance period. In addition, write-offs during the first six months of 2023 reduced the amortized cost of multifamily loans on nonaccrual as of June 30, 2023 compared with December 31, 2022.

See "Note 3, Mortgage Loans" for more information on our nonaccrual policy, including additional information about our COVID-19-related nonaccrual policy.

Our single-family credit loss reserves decreased as of June 30, 2023 compared with December 31, 2022 primarily as a result of a benefit for credit losses for the first half of 2023, which reduced our allowance for loan losses. For additional information about our benefit for credit losses, including a description of the primary drivers of the current period benefit, see “Consolidated Results of Operations—Benefit (Provision) for Credit Losses.”

Consolidated Write-off Ratio and Select Credit Information

	For the Three Months Ended June 30,					
	2023			2022		
	Single-family	Multifamily	Total	Single-family	Multifamily	Total
	(Dollars in millions)					
Select credit ratio:						
Write-offs, net of recoveries annualized, as a percentage of the average guaranty book of business (in bps)	**0.3**	**1.4**	**0.4**	1.8	(0.9)	1.5
Select financial information used in calculating credit ratio:						
Write-offs	**$ 55**	**$ 17**	**$ 72**	$ 249	$ —	$ 249
Recoveries	**(29)**	**(1)**	**(30)**	(88)	(10)	(98)
Write-offs, net of recoveries	**$ 26**	**$ 16**	**$ 42**	$ 161	$ (10)	$ 151
Average guaranty book of business[(1)]	**3,630,397**	**450,067**	**4,080,464**	3,590,621	422,770	4,013,391

	For the Six Months Ended June 30,					
	2023			2022		
	Single-family	Multifamily	Total	Single-family	Multifamily	Total
	(Dollars in millions)					
Select credit ratio:						
Write-offs, net of recoveries annualized, as a percentage of the average guaranty book of business (in bps)	*	**10.9**	**1.2**	0.9	(0.8)	0.7
Select financial information used in calculating credit ratio:						
Write-offs	**$ 99**	**$ 254**	**$ 353**	$ 278	$ —	$ 278
Recoveries	**(107)**	**(10)**	**(117)**	(124)	(17)	(141)
Write-offs, net of recoveries	**$ (8)**	**$ 244**	**$ 236**	$ 154	$ (17)	$ 137
Average guaranty book of business[(1)]	**3,632,010**	**446,853**	**4,078,863**	3,554,766	419,544	3,974,310

* Represents credit ratio of less than 0.05 bps.

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

Liquidity and Capital Management

Liquidity Management

This section supplements and updates information regarding liquidity management in our 2022 Form 10-K. See “MD&A—Liquidity and Capital Management—Liquidity Management” in our 2022 Form 10-K for additional information, including discussions of our primary sources and uses of funds, our liquidity and funding risk management practices and contingency planning, our liquidity requirements, factors that influence our debt funding activity, factors that may impact our access to or the cost of our debt funding and factors that could adversely affect our liquidity and funding. As of June 30, 2023, we were in compliance with all four components of the liquidity requirements outlined in our 2022 Form 10-K. Also see “Risk Factors—Liquidity and Funding Risk” in our 2022 Form 10-K for a discussion of liquidity and funding risks.

Debt Funding

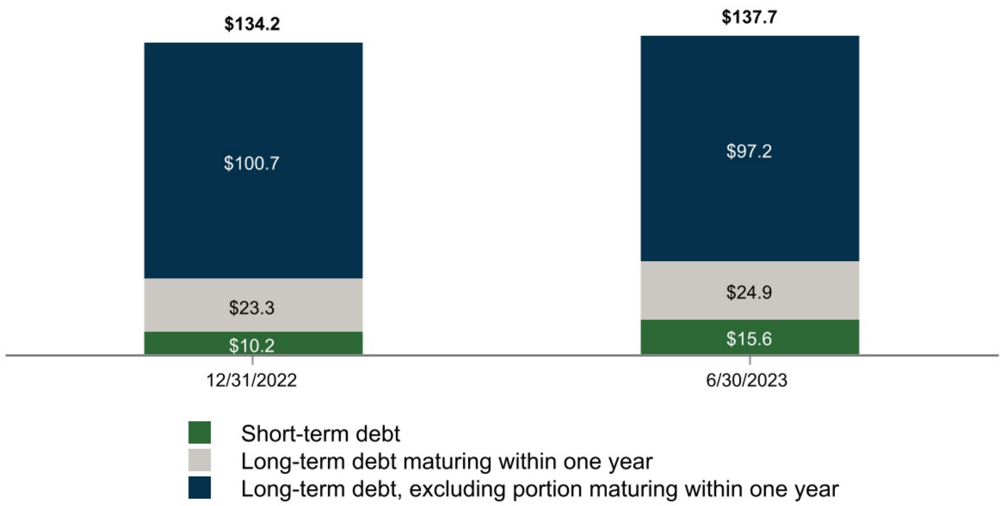
We are currently subject to a $270 billion debt limit under our senior preferred stock purchase agreement with Treasury. The unpaid principal balance of our aggregate indebtedness was $142.8 billion as of June 30, 2023. Pursuant to the terms of the senior preferred stock purchase agreement, we are prohibited from issuing debt without the prior consent of Treasury if it would result in our aggregate indebtedness exceeding our outstanding debt limit. The calculation of our indebtedness for purposes of complying with our debt limit reflects the unpaid principal balance and excludes debt basis adjustments and debt of consolidated trusts.

Outstanding Debt of Fannie Mae

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

The following chart and table display information on our outstanding short-term and long-term debt based on original contractual maturity.

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



(1) Outstanding debt balance consists of the unpaid principal balance, premiums and discounts, fair value adjustments, hedge-related basis adjustments and other cost basis adjustments. Reported amounts include net discount unamortized cost basis adjustments and fair value adjustments of $5.1 billion as of June 30, 2023 and December 31, 2022.

Selected Debt Information

	As of	
	June 30, 2023	December 31, 2022
	(Dollars in billions)	
Selected Weighted-Average Interest Rates[1]		
Interest rate on short-term debt	**5.05 %**	3.93 %
Interest rate on long-term debt, including portion maturing within one year	**2.46**	2.23
Interest rate on callable debt	**2.51**	1.79
Selected Maturity Data		
Weighted-average maturity of debt maturing within one year (in days)	**119**	156
Weighted-average maturity of debt maturing in more than one year (in months)	**47**	52
Other Data		
Outstanding callable debt[2]	**$ 48.9**	$ 43.3
Connecticut Avenue Securities debt[3]	**3.8**	5.2

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

(2) Includes short-term callable debt of $5.0 billion and $590 million as of June 30, 2023 and December 31, 2022, respectively.

(3) Represents CAS debt issued prior to November 2018. See “MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Credit Enhancement and Transfer of Mortgage Credit Risk—Credit Risk Transfer Transactions” in our 2022 Form 10-K for information regarding our Connecticut Avenue Securities.

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

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

Debt Funding Activity

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

Activity in Debt of Fannie Mae

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Issued during the period:				
Short-term:				
Amount	**$ 56,045**	$ 19,468	**$ 111,151**	$ 67,945
Weighted-average interest rate	**4.68 %**	0.79 %	**4.53 %**	0.27 %
Long-term:[1]				
Amount	**$ 3,093**	$ —	**$ 5,961**	$ —
Weighted-average interest rate	**5.28 %**	— %	**5.33 %**	— %
Total issued:				
Amount	**$ 59,138**	$ 19,468	**$ 117,112**	$ 67,945
Weighted-average interest rate	**4.71 %**	0.79 %	**4.57 %**	0.27 %
Paid off during the period:[2]				
Short-term:				
Amount	**$ 54,405**	$ 14,452	**$ 105,711**	$ 61,679
Weighted-average interest rate	**4.14 %**	0.45 %	**4.07 %**	0.14 %
Long-term:[1]				
Amount	**$ 5,782**	$ 38,561	**$ 7,887**	$ 58,914
Weighted-average interest rate	**2.45 %**	0.99 %	**2.55 %**	1.00 %
Total paid off:				
Amount	**$ 60,187**	$ 53,013	**$ 113,598**	$ 120,593
Weighted-average interest rate	**3.98 %**	0.84 %	**3.96 %**	0.56 %

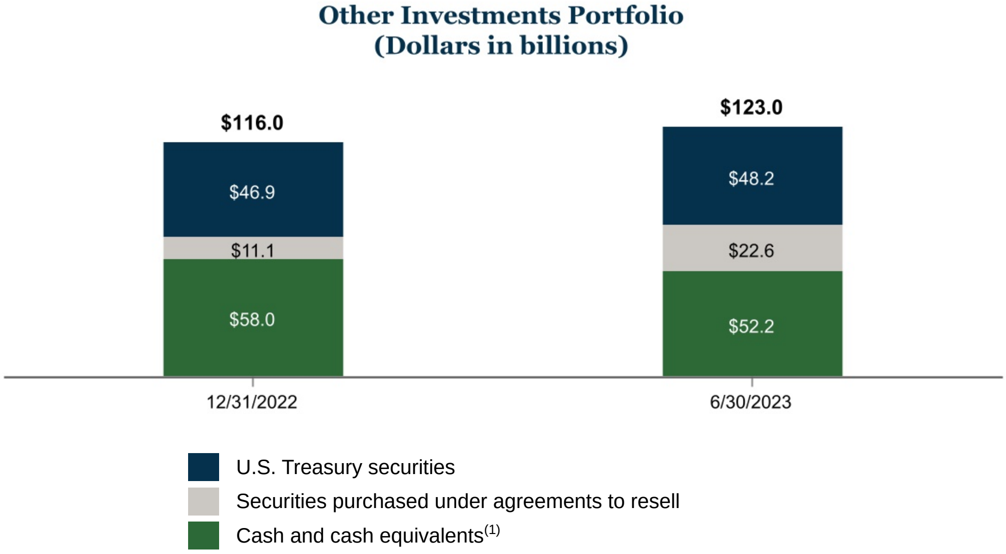
(1) Includes credit risk-sharing securities issued as CAS debt prior to November 2018. For information on our credit risk transfer transactions, see "MD&A—Single-Family Business—Single-Family Mortgage Credit Risk Management—Single-Family Credit Enhancement and Transfer of Mortgage Credit Risk—Credit Risk Transfer Transactions" in our 2022 Form 10-K.

(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.

Other Investments Portfolio

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

Our other investments portfolio increased during the first half of 2023 primarily due to our corporate debt issuances outpacing maturities, proceeds from the sale of securities and loans, and the continued accumulation of earnings retained from our operations.



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

Off-Balance Sheet Arrangements

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

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

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

The total amount of our off-balance sheet exposure related to unconsolidated Fannie Mae MBS net of any beneficial interest that we retain, and other financial guarantees was $237.2 billion as of June 30, 2023 and $246.7 billion as of December 31, 2022. The majority of the other financial guarantees consists of Freddie Mac securities backing Fannie Mae structured securities. See “Guaranty Book of Business” and “Note 6, Financial Guarantees” for more information regarding our maximum exposure to loss on unconsolidated Fannie Mae MBS and Freddie Mac securities.

Our total outstanding liquidity commitments to advance funds for securities backed by multifamily housing revenue bonds totaled $4.7 billion as of June 30, 2023 and $4.8 billion as of December 31, 2022. These commitments require us to advance funds to third parties that enable them to repurchase tendered bonds or securities that are unable to be remarketed. We hold cash and cash equivalents in our other investments portfolio in excess of these commitments to advance funds.

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

Cash Flows

Six Months Ended June 30, 2023. Cash, cash equivalents and restricted cash and cash equivalents decreased from $87.8 billion as of December 31, 2022 to $79.4 billion as of June 30, 2023. The decrease was primarily driven by cash outflows from (1) payments on outstanding debt of consolidated trusts, (2) purchases of loans held for investment and (3) advances to lenders.

Partially offsetting these cash outflows were cash inflows from (1) proceeds from repayments and sales of loans, (2) the sale of Fannie Mae MBS to third parties, and (3) the issuances of funding debt, which outpaced redemptions.

Six Months Ended June 30, 2022. Cash, cash equivalents and restricted cash and cash equivalents decreased from $108.6 billion as of December 31, 2021 to $75.9 billion as of June 30, 2022. The decrease was primarily driven by cash outflows from (1) payments on outstanding debt of consolidated trusts, (2) the redemption of funding debt, which outpaced issuances, and (3) purchases of loans held for investment.

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

Credit Ratings

The table below displays our credit ratings issued by the three major credit rating agencies.

Fannie Mae Credit Ratings

	June 30, 2023		
	S&P	**Moody's**	**Fitch**
Long-term senior debt	AA+[1]	Aaa[1]	AAA[2]
Short-term senior debt	A-1+	P-1	F1+[2]
Preferred stock	D	Ca(hyb)	C/RR6

[1] Outlook: Stable.

[2] Rating Watch Negative.

On May 25, 2023, Fitch Ratings ("Fitch") placed our 'AAA' Long-term Issuer Default Rating, 'F1+' Short-term Issuer Default Rating, Government Support Rating and debt ratings on "Rating Watch Negative," following Fitch's placement of the United States' 'AAA' Long-term Foreign and Local Currency Issuer Default Ratings on Rating Watch Negative on May 24, 2023. Fitch noted that our Long-Term Issuer Default Rating and Government Support Rating are directly linked to the U.S. government's Long-Term Issuer Default Ratings, based on Fitch's view of the U.S. government's direct financial support of Fannie Mae.

We have no covenants in our existing debt agreements that would be violated by a downgrade in our credit ratings. However, in connection with certain derivatives counterparties, we could be required to provide additional collateral to or terminate transactions with certain counterparties in the event that our senior unsecured debt ratings are downgraded. For a discussion of additional risks to our business relating to a decrease in our credit ratings, which could include an increase in our borrowing costs and limits on our ability to issue debt, see "MD&A—Liquidity and Capital Management—Liquidity Management—Credit Ratings" and "Risk Factors" in our 2022 Form 10-K.

Capital Management

Capital Requirements

The table below sets forth information about our capital requirements under the standardized approach of the enterprise regulatory capital framework. Available capital for purposes of the enterprise regulatory capital framework excludes the stated value of the senior preferred stock ($120.8 billion) and other amounts specified in the Regulatory Capital Components table below. Because of these exclusions, we had a deficit in available capital as of June 30, 2023, even though we had positive net worth under GAAP of $69.0 billion as of June 30, 2023. See "Business—Legislation and Regulation—GSE-Focused Matters—Capital Requirements" in our 2022 Form 10-K for a description of our capital requirements under the enterprise regulatory capital framework. Although the enterprise regulatory capital framework went into effect in February 2021, we are not required to hold capital according to the framework's requirements until the date of termination of our conservatorship, or such later date as may be ordered by FHFA.

We had a $248 billion shortfall of our available capital (deficit) to the adjusted total capital requirement (including buffers) of $184 billion under the standardized approach of the enterprise regulatory capital framework as of June 30, 2023. Our capital shortfall decreased to $248 billion from $258 billion as of December 31, 2022, primarily as a result of an increase in our retained earnings.

Capital Metrics under the Enterprise Regulatory Capital Framework as of June 30, 2023[1]

(Dollars in billions)

Adjusted total assets	$ 4,562
Risk-weighted assets	1,316

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

	Minimum Capital Ratio Requirement	Minimum Capital Requirement	Applicable Buffers[2]	Total Capital Requirement (including Buffers)	Available Capital (Deficit)[3]	Capital Shortfall[4]
Risk-based capital:						
Total capital (statutory)[5]	8.0 %	$ 105	N/A	$ 105	$ (42)	$ (147)
Common equity tier 1 capital	4.5	59	$ 79	138	(83)	(221)
Tier 1 capital	6.0	79	79	158	(64)	(222)
Adjusted total capital	8.0	105	79	184	(64)	(248)
Leverage capital:						
Core capital (statutory)[6]	2.5	114	N/A	114	(52)	(166)
Tier 1 capital	2.5	114	23	137	(64)	(201)

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

(2) The applicable buffer for common equity tier 1 capital, tier 1 capital, and adjusted total capital is the prescribed capital conservation buffer amount ("PCCBA"), which is composed of a stress capital buffer, a stability capital buffer, and a countercyclical capital buffer. The applicable buffer for tier 1 capital (leverage based) is the prescribed leverage buffer amount ("PLBA"). The stress capital buffer and countercyclical capital buffer are each calculated by multiplying prescribed factors by adjusted total assets as of the last day of the previous calendar quarter. The 2023 stability capital buffer is calculated by multiplying a factor determined based on our share of mortgage debt outstanding by adjusted total assets as of December 31, 2020. The prescribed leverage buffer for 2023 is set at 50% of the 2023 stability buffer. Going forward the stability buffer and the prescribed leverage buffer will be updated with an effective date that depends on whether the stability capital buffer increases or decreases relative to the previously calculated value.

(3) Available capital (deficit) for all line items excludes the stated value of the senior preferred stock ($120.8 billion). Available capital (deficit) for all line items except total capital and core capital also deducts a portion of deferred tax assets. Deferred tax assets arising from temporary differences between GAAP and tax requirements are deducted from capital to the extent they exceed 10% of common equity. As of June 30, 2023, this resulted in the full deduction of deferred tax assets ($12.0 billion) from our available capital (deficit). Available capital (deficit) for common equity tier 1 capital also excludes the value of the non-cumulative perpetual preferred stock ($19.1 billion).

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

(5) The sum of (a) core capital (see definition in footnote 6 below); and (b) a general allowance for foreclosure losses, which (i) shall include an allowance for portfolio mortgage losses, an allowance for non-reimbursable foreclosure costs on government claims, and an allowance for liabilities reflected on the balance sheet for estimated foreclosure losses on mortgage-backed securities; and (ii) shall not include any

reserves made or held against specific assets; and (c) any other amounts from sources of funds available to absorb losses that the Director of FHFA by regulation determines are appropriate to include in determining total capital.

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

As a result of our capital shortfall, our maximum payout ratio under the enterprise regulatory capital framework as of June 30, 2023 was 0%. While it is not applicable until the date of termination of our conservatorship, our maximum payout ratio represents the percentage of eligible retained income that we are permitted to pay out in the form of distributions or discretionary bonus payments under the enterprise regulatory capital framework. The maximum payout ratio for a given quarter is the lowest of the payout ratios determined by our capital conservation buffer and our leverage buffer. See “Note 14, Regulatory Capital Requirements” for information on our capital ratios as of June 30, 2023 under the enterprise regulatory capital framework.

The table below presents certain components of our regulatory capital.

Regulatory Capital Components

	As of June 30, 2023
	(Dollars in billions)
Total equity	$ 69.0
Less:	
Senior preferred stock	120.8
Preferred stock	19.1
Common equity	(70.9)
Less: deferred tax assets arising from temporary differences that exceed 10% of common equity tier 1 capital and other regulatory adjustments	12.0
Common equity tier 1 capital (deficit)	(82.9)
Add: non-cumulative perpetual preferred stock	19.1
Tier 1 capital (deficit)	(63.8)
Tier 2 capital adjustments	—
Adjusted total capital (deficit)	$ (63.8)

The table below presents certain components of our core capital.

Statutory Capital Components

	As of June 30, 2023
	(Dollars in billions)
Total equity	$ 69.0
Less:	
Senior preferred stock	120.8
Accumulated other comprehensive income (loss), net of taxes	—
Core capital (deficit)	(51.8)
Less: general allowance for foreclosure losses	(10.2)
Total capital (deficit)	$ (41.6)

Capital Activity

Under the terms governing the senior preferred stock, no dividends were payable to Treasury for the second quarter of 2023 and none are payable for the third quarter of 2023.

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

As a result of these terms governing the senior preferred stock, the aggregate liquidation preference of the senior preferred stock increased to $185.5 billion as of June 30, 2023 from $181.8 billion as of March 31, 2023, due to the $3.8 billion increase in our net worth in the first quarter of 2023. The aggregate liquidation preference of the senior preferred stock will further increase to $190.5 billion as of September 30, 2023, due to the $5.0 billion increase in our net worth in the second quarter of 2023. See “Business—Conservatorship and Treasury Agreements—Treasury Agreements” in our 2022 Form 10-K for more information on the terms of our senior preferred stock, including how the aggregate liquidation preference is determined.

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

Treasury Funding Commitment

Treasury made a commitment under the senior preferred stock purchase agreement to provide funding to us under certain circumstances if we have a net worth deficit. As of June 30, 2023, the remaining amount of Treasury’s funding commitment to us was $113.9 billion. See “Note 11, Equity” in our 2022 Form 10-K for more information on the funding commitment provided by Treasury under the senior preferred stock purchase agreement.

Risk Management

Our business activities expose us to the following major categories of risk: credit risk (including mortgage credit risk and institutional counterparty credit risk), market risk (including interest-rate risk), liquidity and funding risk, and operational risk (including cyber/information security risk, third-party risk and model risk), as well as strategic risk, compliance risk and reputational risk. We are also exposed to climate risk, which can manifest through our existing categories of risk, particularly credit risk. See “MD&A—Risk Management” in our 2022 Form 10-K for a discussion of our management of these risks. This section supplements and updates that discussion but does not address all of the risk management categories described in our 2022 Form 10-K.

Market Risk Management, including Interest-Rate Risk Management

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

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

We are also exposed to interest-rate risk in connection with mortgage assets held by our consolidated MBS trusts. One exposure is cost basis adjustments that often result from upfront cash fees exchanged at the time of loan acquisition, which include buy-ups, buy-downs, and loan-level risk-based price adjustments. Another exposure is the float income earned by MBS trusts on the short-term reinvestment of loan payments received from borrowers in highly liquid investments with short maturities, such as U.S. Treasury securities. This float income is paid to us as trust management income and recorded within “Net interest income” in our condensed consolidated financial statements. We do not currently actively manage or hedge, on an economic basis, our spread risk or the interest-rate risk arising from cost basis adjustments and float income associated with mortgage assets held by our consolidated MBS trusts.

This section supplements and updates information regarding market risk management in our 2022 Form 10-K. See “MD&A—Risk Management—Market Risk Management, including Interest-Rate Risk Management” and “Risk Factors—Market and Industry Risk” in our 2022 Form 10-K for additional information, including our sources of interest-rate risk exposure, business risks posed by changes in interest rates, and our strategy for managing interest-rate risk. For additional information on the impact of interest-rate risk on our earnings, see “Earnings Exposure to Interest-Rate Risk” below.

Measurement of Interest-Rate Risk

The table below displays the pre-tax market value sensitivity of our net portfolio to changes in the level of interest rates and the slope of the applicable yield curve as measured on the last day of each period presented. The table below also provides the daily average, minimum, maximum and standard deviation values for duration gap and for the most adverse market value impact on the net portfolio to changes in the level of interest rates and the slope of the applicable yield curve for the three months ended June 30, 2023 and 2022. Our practice is to allow interest rates to go below zero in the downward shock models unless otherwise prevented through contractual floors.

Effective April 2023, we transitioned our portfolio interest-rate risk measurement process from using LIBOR to using SOFR as the benchmark interest rate. This change did not have a significant impact on the measurement of our interest-rate risk or our financial results for the three months ended June 30, 2023. The interest-rate sensitivity metrics in the table below as of December 31, 2022 and for the three months ended June 30, 2022 were not revised.

For information on how we measure our interest-rate risk, see “MD&A—Risk Management—Market Risk Management, including Interest-Rate Risk Management” in our 2022 Form 10-K.

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

	As of[1][2]	
	June 30, 2023	**December 31, 2022**
	(Dollars in millions)	
Rate level shock:		
-100 basis points	**$ 34**	$ (10)
-50 basis points	**20**	5
+50 basis points	**(28)**	(14)
+100 basis points	**(54)**	(35)
Rate slope shock:		
-25 basis points (flattening)	**(7)**	(8)
+25 basis points (steepening)	**4**	10

	For the Three Months Ended June 30,[1][3]					
	2023			**2022**		
	Duration Gap	**Rate Slope Shock 25 bps**	**Rate Level Shock 50 bps**	**Duration Gap**	**Rate Slope Shock 25 bps**	**Rate Level Shock 50 bps**
		Market Value Sensitivity			**Market Value Sensitivity**	
	(In years)	**(Dollars in millions)**		**(In years)**	**(Dollars in millions)**	
Average	**0.01**	**$ (9)**	**$ (16)**	(0.03)	$ (5)	$ (36)
Minimum	**(0.02)**	**(15)**	**(48)**	(0.05)	(8)	(62)
Maximum	**0.03**	**(4)**	**(5)**	0.02	—	(12)
Standard deviation	**0.01**	**3**	**9**	0.02	2	13

(1) Computed based on changes in SOFR interest-rates swap curve as of and for the three months ended June 30, 2023. Computed based on changes in U.S. LIBOR interest-rates swap curve as of December 31, 2022 and for the three months ended June 30, 2022. Changes in the level of interest rates assume a parallel shift in all maturities of the SOFR or U.S. LIBOR interest-rate swap curve, as applicable. Changes in the slope of the yield curve assume a constant 7-year rate, a shift of 16.7 basis points for the 1-year rate (and shorter tenors) and an opposite shift of 8.3 basis points for the 30-year rate. Rate shocks for remaining maturity points are interpolated.

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

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

The market value sensitivity of our net portfolio varies across a range of interest-rate shocks depending upon the duration and convexity profile of our net portfolio. The market value sensitivity of the net portfolio is measured by quantifying the change in the present value of the cash flows of our financial assets and liabilities that would result from an instantaneous shock to interest rates, assuming spreads are held constant.

We use derivatives to help manage the residual interest-rate risk exposure between the assets and liabilities in our net portfolio. Derivatives have enabled us to keep our economic interest-rate risk exposure at consistently low levels in a wide range of interest-rate environments. The table below displays an example of how derivatives impacted the net market value exposure for a 50 basis point parallel interest-rate shock. For additional information on our derivative positions, see “Note 8, Derivative Instruments” in our 2022 Form 10-K and in this report.

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

	As of[1]	
	June 30, 2023	**December 31, 2022**
	(Dollars in millions)	
Before derivatives	**$ (249)**	$ (177)
After derivatives	**(28)**	(14)
Effect of derivatives	**221**	163

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

Earnings Exposure to Interest-Rate Risk

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

We apply fair value hedge accounting to address some of the exposure to interest rates, particularly the earnings volatility related to changes in benchmark interest rates. Our hedge accounting program is specifically designed to address the volatility of our financial results associated with changes in fair value related to changes in these benchmark interest rates. As such, earnings variability driven by other factors, such as spreads or changes in cost basis amortization recognized in net interest income, remains. In addition, our ability to effectively reduce earnings volatility is dependent upon the volume and type of interest-rate swaps available for hedging, which is driven by our interest-rate risk management strategy discussed above and in our 2022 Form 10-K. As our range of available interest-rate swaps varies over time, our ability to reduce earnings volatility through hedge accounting may vary as well. When the shape of the yield curve shifts significantly from period to period, hedge accounting may be less effective. In our current program, we establish new hedging relationships daily to provide flexibility in our overall risk management strategy.

See “Note 1, Summary of Significant Accounting Policies” in our 2022 Form 10-K and “Note 8, Derivative Instruments” in this report for additional information on our fair value hedge accounting policy and related disclosures.

Critical Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America (“GAAP”) requires management to make a number of judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in our condensed consolidated financial statements. Understanding our accounting policies and the extent to which we use management judgment and estimates in applying these policies is integral to understanding our financial statements. We describe our most significant accounting policies in “Note 1, Summary of Significant Accounting Policies” in this report and in our 2022 Form 10-K.

We evaluate our critical accounting estimates and judgments required by our policies on an ongoing basis and update them as necessary based on changing conditions. Management has discussed any significant changes in judgments and assumptions in applying our critical accounting estimates with the Audit Committee of our Board of Directors. See “Risk Factors—General Risk” in our 2022 Form 10-K for a discussion of the risks associated with the need for management to make judgments and estimates in applying our accounting policies and methods. We have identified one of our accounting estimates, allowance for loan losses, as critical because it involves significant judgments and assumptions about highly complex and inherently uncertain matters, and the use of reasonably different judgments and assumptions could have a material impact on our reported results of operations or financial condition.

Allowance for Loan Losses

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

The allowance for loan losses involves substantial judgment on a number of matters including the development and weighting of macroeconomic forecasts, the reversion period applied, the assessment of similar risk characteristics, which determines the historic loss experience used to derive probability of loan default, the valuation of collateral, and the determination of a loan's remaining expected life. Our most significant judgments involved in estimating our allowance for loan losses relate to the macroeconomic data used to develop reasonable and supportable forecasts for key economic drivers, which are subject to significant inherent uncertainty. Most notably, for single-family, the model uses forecasted single-family home prices as well as a range of possible future interest rate environments, which drive prepayment speeds and impact the measurement of the economic concession provided on loans modified in restructurings that were accounted for as TDRs. For multifamily, the model uses forecasted rental income and property valuations over the remaining life of each mortgage loan. In developing a reasonable and supportable forecast, the model simulates multiple paths of interest rates, rental income and property values based on current market conditions. In future periods, changes in projected interest rates may not be as significant to our measurement of expected credit losses. Pursuant to our adoption of Accounting Standards Update ("ASU") 2022-02, Financial Instruments – Credit Losses, Troubled Debt Restructurings and Vintage Disclosures, effective January 1, 2022, we prospectively discontinued TDR accounting and no longer measure the economic concession for loan modifications occurring on or after the adoption date. In addition, modifications to loans previously designated as TDRs that occur on or after January 1, 2022, are accounted for under this ASU and result in the elimination of any prior economic concession recorded in the allowance related to such loans. Although increases in interest rates were a meaningful driver of our credit losses in previous periods, we expect the decrease in the balance of loans that were previously designated as TDRs will reduce the sensitivity of our benefit (provision) for credit losses to interest rate volatility over time. See "Note 1, Summary of Significant Accounting Policies—New Accounting Guidance" in our 2022 Form 10-K for more information about ASU 2022-02.

Quantitative Component

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

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

Qualitative Component

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

Macroeconomic Variables and Sensitivities

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

The table below provides information about our most significant key macroeconomic inputs used in determining our single-family allowance for loan losses: forecasted home price growth rates and interest rates. Although the model consumes a wide range of possible regional home price forecasts and interest rate scenarios that take into account inherent uncertainty, the forecasts below represent the mean path of those simulations used in determining the allowance for each quarter through the six months ended June 30, 2023, and for each quarter during the year ended December 31, 2022, and how those forecasts have changed between periods of estimate. Below we present our home price and interest rate estimates for the current full year as well as the two succeeding years used in our estimate of expected credit losses. Our forecasts include estimates for periods beyond 2025 that are not presented in the table below.

Select Single-Family Macroeconomic Model Inputs(1)

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

	For the Full Year ending December 31,		
	2023	2024	2025
Second Quarter 2023	3.9 %	(0.7)%	(1.5)%
First Quarter 2023	(1.2)	(2.2)	(1.1)

	For the Full Year ending December 31,		
	2022	2023	2024
Fourth Quarter 2022	8.4 %	(4.2)%	(2.3)%
Third Quarter 2022	9.0	(1.5)	(1.4)
Second Quarter 2022	16.0	4.4	0.5
First Quarter 2022	10.8	3.2	1.3

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

	Through the end of December 31,	For the Full Year ending December 31,	
	2023	2024	2025
Second Quarter 2023	6.7 %	6.0 %	5.8 %
First Quarter 2023	6.2	5.7	5.5

	Through the end of December 31,	For the Full Year ending December 31,	
	2022	2023	2024
Fourth Quarter 2022	6.5 %	6.5 %	6.0 %
Third Quarter 2022	6.8	6.7	6.2
Second Quarter 2022	5.7	5.4	5.2
First Quarter 2022	4.7	4.8	4.7

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

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

(3) Forecasted 30-year interest rates represent the mean of possible future interest rate environments that are simulated by our interest rate model and used in the estimation of credit losses. Forecasts through the end of December 31, 2023 and 2022 represent the average forecasted rate from the quarter-end through the calendar year end of December 31st. The fourth quarter of 2022 interest rate represents the 30-year interest rate as of December 31, 2022. This table reflects the forecasted interest rate data we used in estimating credit losses for the periods shown and does not reflect changes in interest rates that occurred after the forecast date.

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

As noted above, our allowance for loan losses is sensitive to changes in home prices and interest rate changes. To consider the impact of a hypothetical change in home prices, assuming a positive one-percentage point change in the home price growth rate for the first twelve months of the forecast, on a normalized basis, with all other factors held constant, the single-family allowance for loan losses as of June 30, 2023 would decrease by approximately 4%. Conversely, assuming a negative one-percentage point change in the home price growth rate for the first twelve months of the forecast, on a normalized basis, the single-family allowance for loan losses would increase by approximately 4%.

To consider the impact of a hypothetical change in 30-year interest rates, assuming a 50-basis point increase in estimated 30-year interest rates, with all other factors held constant, the single-family allowance for loan losses as of June 30, 2023 would increase by approximately 2%. Conversely, assuming a 50-basis point decrease in 30-year interest rates, the single-family allowance for loan losses would decrease by approximately 3%.

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

We provide more detailed information on our accounting for the allowance for loan losses in "Note 1, Summary of Significant Accounting Policies" in our 2022 Form 10-K. See "Note 4, Allowance for Loan Losses" for additional information about our current period benefit (provision) for loan losses.

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

Impact of Future Adoption of New Accounting Guidance

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

Forward-Looking Statements

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

- our future financial performance and the factors that will affect such performance;
- our future aggregate liquidation preference;
- economic, mortgage market and housing market conditions (including expectations regarding economic recession, home price changes, unemployment rates, refinance volumes and interest rates), the factors that will affect those conditions, and the impact of those conditions on our business and financial results;

- our business plans and strategies, and their impact;
- the effects of our credit risk transfer transactions;
- volatility in our financial results and the impact of hedge accounting on such volatility;
- the size and composition of our retained mortgage portfolio, and the factors that will affect them;
- the impact of legislation and regulation on our business or financial results;
- the impact of the adoption of new accounting guidance;
- our payments to HUD and Treasury funds under the GSE Act;
- the risks to our business;
- the future credit performance of the loans in our guaranty book of business (including future loan delinquencies and foreclosures) and the factors that will affect such performance;
- how we intend to repay our debt obligations; and
- our expectations relating to legal and regulatory proceedings.

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

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

- factors that will affect future economic conditions, including the persistence of inflationary pressures, the speed at which expected monetary policy tightening is adjusted and the risk of further financial market disruptions, including additional stress in the banking sector, which could further tighten bank credit conditions, dampen consumer and business confidence, and lead to reduced consumer spending, business investment, and hiring activity;
- the impact of stress in the banking sector on the financial condition and business activities of our counterparties, including stress on regional banks and on banks with significant exposure to commercial real estate;
- defaults by one or more of our counterparties;
- uncertainty regarding our future, our exit from conservatorship and our ability to raise or earn the capital needed to meet our capital requirements;
- significant challenges we face in retaining and hiring qualified executives and other employees;
- the impact of the senior preferred stock purchase agreement and the enterprise regulatory capital framework, as well as future legislative and regulatory requirements or changes, governmental initiatives, or executive orders affecting us, such as the enactment of housing finance reform legislation, including changes that limit our business activities or our footprint, impose new mandates on us, or affect our ability to change our pricing;
- actions by FHFA, Treasury, HUD, the Consumer Financial Protection Bureau, the SEC or other regulators, Congress, the Executive Branch, or state or local governments that affect our business;
- a default by the United States government on its obligations;
- a shutdown of the United States government;
- changes in the structure and regulation of the financial services industry;
- the timing and level of, as well as regional variation in, home price changes;
- future interest rates and credit spreads;
- developments that may be difficult to predict, including: market conditions that result in changes in our amortization income from our guaranty book of business or changes in net interest income from our portfolios, fluctuations in the estimated fair value of our derivatives and other financial instruments that we mark to market through our earnings; and developments that affect our loss reserves, such as changes in interest rates, home prices or accounting standards, or events such as natural or other disasters, the emergence of widespread health emergencies or pandemics, or other disruptive or catastrophic events;

- uncertainties relating to the discontinuance of LIBOR, or other market changes that could impact the loans we own or guarantee or our MBS;
- disruptions or instability in the housing and credit markets;
- the size and our share of the U.S. mortgage market and the factors that affect them, including population growth and household formation;
- growth, deterioration and the overall health and stability of the U.S. economy, including U.S. GDP, unemployment rates, personal income, inflation and other indicators thereof;
- changes in fiscal or monetary policy of the U.S. or other countries, and the impact of such changes on domestic and international financial markets;
- our and our competitors' future guaranty fee pricing and the impact of that pricing on our competitive environment and guaranty fee revenues;
- the volume of mortgage originations;
- the size, composition, quality and performance of our guaranty book of business and retained mortgage portfolio;
- the competitive environment in which we operate, including the impact of legislative, regulatory or other developments on levels of competition in our industry and other factors affecting our market share;
- how long loans in our guaranty book of business remain outstanding;
- the effectiveness of our business resiliency plans and systems;
- changes in the demand for Fannie Mae MBS, in general or from one or more major groups of investors;
- our conservatorship, including any changes to or termination (by receivership or otherwise) of the conservatorship and its effect on our business;
- the investment by Treasury, including the impact of past or potential future changes to the terms of the senior preferred stock purchase agreement, and their effect on our business, including restrictions imposed on us by the terms of the senior preferred stock purchase agreement, the senior preferred stock, and the warrant, as well as the extent that these or other restrictions on our business and activities are applied to us through other mechanisms even if we cease to be subject to these agreements and instruments;
- adverse effects from activities we undertake to support the mortgage market and help borrowers, renters, lenders and servicers;
- actions we may be required to take by FHFA, in its role as our conservator or as our regulator, such as changes in the type of business we do, or actions relating to UMBS or our resecuritization of Freddie Mac-issued securities;
- limitations on our business imposed by FHFA, in its role as our conservator or as our regulator;
- our current and future objectives and activities in support of those objectives, including actions we may take to reach additional underserved borrowers or address barriers to sustainable housing opportunities and advance equity in housing finance;
- the possibility that changes in leadership at FHFA or the Administration may result in changes that affect our company or our business;
- our reliance on Common Securitization Solutions, LLC ("CSS"), a limited liability company we own jointly with Freddie Mac, and the common securitization platform CSS operates for a majority of our single-family securitization activities; provisions in the CSS limited liability company agreement that permit FHFA to add members to the CSS Board of Managers, which may limit the ability of Fannie Mae and Freddie Mac to control decisions of the Board; and changes FHFA may require in our relationship with or in our support of CSS;
- a decrease in our credit ratings;
- limitations on our ability to access the debt capital markets;
- constraints on our entry into new credit risk transfer transactions;
- significant changes in forbearance, modification and foreclosure activity;
- the volume and pace of any future nonperforming and reperforming loan sales and their impact on our results and serious delinquency rates;
- changes in borrower behavior;

- actions we may take to mitigate losses, and the effectiveness of our loss mitigation strategies, management of our REO inventory and pursuit of contractual remedies;
- 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”) and changes to our accounting policies;
- changes in the fair value of our assets and liabilities;
- the stability and adequacy of the systems and infrastructure that impact our operations, including ours and those of CSS, our other counterparties and other third parties;
- the impact of interdependence between the single-family mortgage securitization programs of Fannie Mae and Freddie Mac in connection with UMBS;
- operational control weaknesses;
- our reliance on models and future updates we make to our models, including the data and assumptions used by these models;
- the effectiveness of our risk management processes and related controls, including those relating to climate risk and model risk;
- domestic and global political risks and uncertainties, including the impact of the Russian war in Ukraine and tensions between China and Taiwan;
- natural disasters, environmental disasters, terrorist attacks, widespread health emergencies or pandemics, infrastructure failures, or other disruptive or catastrophic events;
- severe weather events, fires, floods or other climate change events or impacts, including those for which we may be uninsured or under-insured or that may affect our counterparties, and other risks resulting from climate change and efforts to address climate change and related risks;
- cyber attacks or other information security breaches or threats; and
- the other factors described in “Risk Factors” in our 2022 Form 10-K.

Readers are cautioned not to unduly rely on the forward-looking statements we make and to place these forward-looking statements into proper context by carefully considering the factors discussed in “Risk Factors” in our 2022 Form 10-K. These forward-looking statements are representative only as of the date they are made, and we undertake no obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under the federal securities laws.

Item 1. Financial Statements

FANNIE MAE

(In conservatorship)

Condensed Consolidated Balance Sheets — (Unaudited)

(Dollars in millions)

	As of	
	June 30, 2023	**December 31, 2022**
ASSETS		
Cash and cash equivalents	**$ 52,229**	$ 57,987
Restricted cash and cash equivalents (includes $21,605 and $23,348, respectively, related to consolidated trusts)	**27,206**	29,854
Securities purchased under agreements to resell (includes $10,450 and $3,475, respectively, related to consolidated trusts)	**33,050**	14,565
Investments in securities, at fair value	**51,231**	50,825
Mortgage loans:		
Loans held for sale, at lower of cost or fair value	**513**	2,033
Loans held for investment, at amortized cost:		
Of Fannie Mae	**49,785**	52,081
Of consolidated trusts	**4,080,809**	4,071,669
Total loans held for investment (includes $3,433 and $3,645, respectively, at fair value)	**4,130,594**	4,123,750
Allowance for loan losses	**(9,982)**	(11,347)
Total loans held for investment, net of allowance	**4,120,612**	4,112,403
Total mortgage loans	**4,121,125**	4,114,436
Advances to lenders	**3,483**	1,502
Deferred tax assets, net	**11,990**	12,911
Accrued interest receivable, net (includes $9,442 and $9,241 related to consolidated trusts and net of allowance of $49 and $111, respectively)	**9,930**	9,821
Other assets	**13,466**	13,387
Total assets	**$ 4,323,710**	$ 4,305,288
LIABILITIES AND EQUITY		
Liabilities:		
Accrued interest payable (includes $9,721 and $9,347, respectively, related to consolidated trusts)	**$ 10,413**	$ 9,917
Debt:		
Of Fannie Mae (includes $884 and $1,161, respectively, at fair value)	**137,696**	134,168
Of consolidated trusts (includes $15,172 and $16,260, respectively, at fair value)	**4,094,654**	4,087,720
Other liabilities (includes $1,699 and $1,748, respectively, related to consolidated trusts)	**11,903**	13,206
Total liabilities	**4,254,666**	4,245,011
Commitments and contingencies (Note 13)	**—**	—
Fannie Mae stockholders’ equity:		
Senior preferred stock (liquidation preference of $185,548 and $180,339, respectively)	**120,836**	120,836
Preferred stock, 700,000,000 shares are authorized—555,374,922 shares issued and outstanding	**19,130**	19,130
Common stock, no par value, no maximum authorization—1,308,762,703 shares issued and 1,158,087,567 shares outstanding	**687**	687
Accumulated deficit	**(64,245)**	(73,011)
Accumulated other comprehensive income	**36**	35
Treasury stock, at cost, 150,675,136 shares	**(7,400)**	(7,400)
Total stockholders’ equity (See Note 1: Senior Preferred Stock Purchase Agreement and Senior Preferred Stock for information on the related dividend obligation and liquidation preference)	**69,044**	60,277
Total liabilities and equity	**$ 4,323,710**	$ 4,305,288

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,	
	2023	**2022**	**2023**	**2022**
Interest income:				
Investments in securities	**$ 1,101**	$ 318	**$ 2,082**	$ 484
Mortgage loans	**32,655**	29,082	**64,792**	56,224
Other	**584**	55	**1,036**	87
Total interest income	**34,340**	29,455	**67,910**	56,795
Interest expense:				
Short-term debt	**(183)**	(5)	**(302)**	(6)
Long-term debt	**(27,122)**	(21,642)	**(53,787)**	(41,582)
Total interest expense	**(27,305)**	(21,647)	**(54,089)**	(41,588)
Net interest income	**7,035**	7,808	**13,821**	15,207
Benefit (provision) for credit losses	**1,266**	(218)	**1,134**	(458)
Net interest income after benefit (provision) for credit losses	**8,301**	7,590	**14,955**	14,749
Investment gains (losses), net	**25**	(49)	**(42)**	(151)
Fair value gains, net	**404**	529	**608**	1,009
Fee and other income	**70**	81	**133**	164
Non-interest income	**499**	561	**699**	1,022
Administrative expenses:				
Salaries and employee benefits	**(467)**	(398)	**(947)**	(805)
Professional services	**(192)**	(198)	**(376)**	(407)
Other administrative expenses	**(205)**	(199)	**(409)**	(391)
Total administrative expenses	**(864)**	(795)	**(1,732)**	(1,603)
TCCA fees	**(856)**	(841)	**(1,711)**	(1,665)
Credit enhancement expense	**(384)**	(332)	**(725)**	(610)
Change in expected credit enhancement recoveries	**(160)**	(47)	**(40)**	13
Other expenses, net	**(257)**	(261)	**(387)**	(458)
Total expenses	**(2,521)**	(2,276)	**(4,595)**	(4,323)
Income before federal income taxes	**6,279**	5,875	**11,059**	11,448
Provision for federal income taxes	**(1,285)**	(1,222)	**(2,293)**	(2,387)
Net income	**4,994**	4,653	**8,766**	9,061
Other comprehensive income (loss)	**1**	(4)	**1**	(11)
Total comprehensive income	**$ 4,995**	$ 4,649	**$ 8,767**	$ 9,050
Net income	**$ 4,994**	$ 4,653	**$ 8,766**	$ 9,061
Dividends distributed or amounts attributable to senior preferred stock	**(4,995)**	(4,649)	**(8,767)**	(9,050)
Net income (loss) attributable to common stockholders	**$ (1)**	$ 4	**$ (1)**	$ 11
Earnings per share:				
Basic	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.00
Diluted	**0.00**	0.00	**0.00**	0.00
Weighted-average common shares outstanding:				
Basic	**5,867**	5,867	**5,867**	5,867
Diluted	**5,867**	5,893	**5,867**	5,893

See Notes to Condensed Consolidated Financial Statements

FANNIE MAE

(In conservatorship)

Condensed Consolidated Statements of Cash Flows — (Unaudited)

(Dollars in millions)

	For the Six Months Ended June 30,	
	2023	**2022**
Net cash provided by operating activities	**$ 6,245**	$ 24,163
Cash flows provided by (used in) investing activities:		
Mortgage loans acquired held for investment:		
Purchases	**(61,064)**	(166,414)
Proceeds from sales	**1,540**	4,122
Proceeds from repayments	**169,452**	302,378
Advances to lenders	**(53,273)**	(114,263)
Proceeds from disposition of acquired property and preforeclosure sales	**2,662**	1,438
Net change in securities purchased under agreements to resell	**(18,485)**	5,352
Other, net	**(1,162)**	(1,248)
Net cash provided by investing activities	**39,670**	31,365
Cash flows provided by (used in) financing activities:		
Proceeds from issuance of debt of Fannie Mae	**206,879**	167,585
Payments to redeem debt of Fannie Mae	**(203,515)**	(221,707)
Proceeds from issuance of debt of consolidated trusts	**109,556**	308,293
Payments to redeem debt of consolidated trusts	**(167,241)**	(343,855)
Other, net	**—**	1,467
Net cash used in financing activities	**(54,321)**	(88,217)
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	**(8,406)**	(32,689)
Cash, cash equivalents and restricted cash and cash equivalents at beginning of period	**87,841**	108,631
Cash, cash equivalents and restricted cash and cash equivalents at end of period	**$ 79,435**	$ 75,942
Cash paid during the period for:		
Interest	**$ 54,887**	$ 49,255
Income taxes	**1,300**	1,900

See Notes to Condensed Consolidated Financial Statements

FANNIE MAE

(In conservatorship)

Condensed Consolidated Statements of Changes in Equity — (Unaudited)

(Dollars and shares in millions)

	Shares Outstanding			Fannie Mae Stockholders' Equity						
	Senior Preferred	Preferred	Common	Senior Preferred Stock	Preferred Stock	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
Balance as of March 31, 2023	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (69,239)	$ 35	$ (7,400)	$ 64,049
Comprehensive income:										
Net income	—	—	—	—	—	—	4,994	—	—	4,994
Other comprehensive income, net of tax effect:										
Changes in net unrealized gains on available-for-sale securities (net of taxes of $1)	—	—	—	—	—	—	—	2	—	2
Other (net of taxes of $1)	—	—	—	—	—	—	—	(1)	—	(1)
Total comprehensive income										4,995
Balance as of June 30, 2023	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (64,245)	$ 36	$ (7,400)	$ 69,044

	Shares Outstanding			Fannie Mae Stockholders' Equity						
	Senior Preferred	Preferred	Common	Senior Preferred Stock	Preferred Stock	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
Balance as of December 31, 2022	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (73,011)	$ 35	$ (7,400)	$ 60,277
Comprehensive income:										
Net income	—	—	—	—	—	—	8,766	—	—	8,766
Other comprehensive income, net of tax effect:										
Changes in net unrealized gains on available-for-sale securities (net of taxes of $1)	—	—	—	—	—	—	—	4	—	4
Other (net of taxes of $1)	—	—	—	—	—	—	—	(3)	—	(3)
Total comprehensive income										8,767
Balance as of June 30, 2023	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (64,245)	$ 36	$ (7,400)	$ 69,044

See Notes to Condensed Consolidated Financial Statements

FANNIE MAE

(In conservatorship)

Condensed Consolidated Statements of Changes in Equity — (Unaudited)

(Dollars and shares in millions)

	Shares Outstanding			Fannie Mae Stockholders' Equity						
	Senior Preferred	Preferred	Common	Senior Preferred Stock	Preferred Stock	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
Balance as of March 31, 2022	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (81,526)	$ 31	$ (7,400)	$ 51,758
Comprehensive income:										
Net income	—	—	—	—	—	—	4,653	—	—	4,653
Other comprehensive income, net of tax effect:										
Changes in net unrealized gains on available-for-sale securities (net of taxes of $2)	—	—	—	—	—	—	—	(6)	—	(6)
Reclassification adjustment for gains included in net income (net of taxes of $1)	—	—	—	—	—	—	—	4	—	4
Other (net of taxes of $1)	—	—	—	—	—	—	—	(2)	—	(2)
Total comprehensive income										4,649
Balance as of June 30, 2022	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (76,873)	$ 27	$ (7,400)	$ 56,407

	Shares Outstanding			Fannie Mae Stockholders' Equity						
	Senior Preferred	Preferred	Common	Senior Preferred Stock	Preferred Stock	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
Balance as of December 31, 2021	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (85,934)	$ 38	$ (7,400)	$ 47,357
Comprehensive income:										
Net income	—	—	—	—	—	—	9,061	—	—	9,061
Other comprehensive income, net of tax effect:										
Changes in net unrealized gains on available-for-sale securities (net of taxes of $4)	—	—	—	—	—	—	—	(15)	—	(15)
Reclassification adjustment for gains included in net income (net of taxes of $2)	—	—	—	—	—	—	—	8	—	8
Other (net of taxes of $1)	—	—	—	—	—	—	—	(4)	—	(4)
Total comprehensive income										9,050
Balance as of June 30, 2022	1	556	1,158	$ 120,836	$ 19,130	$ 687	$ (76,873)	$ 27	$ (7,400)	$ 56,407

See Notes to Condensed Consolidated Financial Statements

FANNIE MAE

(In conservatorship)

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Summary of Significant Accounting Policies

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

We have been under conservatorship, with FHFA acting as conservator, since September 6, 2008. See below and "Note 1, Summary of Significant Accounting Policies" in our annual report on Form 10-K for the year ended December 31, 2022 ("2022 Form 10-K") for additional information on our conservatorship and the impact of U.S. government support of our business.

The unaudited interim condensed consolidated financial statements as of and for the three and six months ended June 30, 2023 and related notes should be read in conjunction with our audited consolidated financial statements and related notes included in our 2022 Form 10-K.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and with the SEC's instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and note disclosures required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments of a normal recurring nature considered necessary for a fair presentation have been included. The accompanying condensed consolidated financial statements include our accounts as well as the accounts of other entities in which we have a controlling financial interest. All intercompany accounts and transactions have been eliminated. Results for the three and six months ended June 30, 2023 may not necessarily be indicative of the results for the year ending December 31, 2023.

Use of Estimates

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

Conservatorship

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

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

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

Senior Preferred Stock Purchase Agreement and Senior Preferred Stock

We discuss more fully our senior preferred stock and the terms of the senior preferred stock purchase agreement, as amended, including Treasury's funding commitment, in "Note 11, Equity" in our 2022 Form 10-K.

Treasury has made a commitment under the senior preferred stock purchase agreement to provide funding to us under certain circumstances if we have a net worth deficit. Pursuant to the senior preferred stock purchase agreement, we have received a total of $119.8 billion from Treasury as of June 30, 2023, and the amount of remaining funding available to us under the agreement is $113.9 billion. We have not received any funding from Treasury under this commitment since the first quarter of 2018. We had positive net worth of $69.0 billion as of June 30, 2023.

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

The aggregate liquidation preference of the senior preferred stock increased to $185.5 billion as of June 30, 2023 from $181.8 billion as of March 31, 2023, due to the $3.8 billion increase in our net worth in the first quarter of 2023. The aggregate liquidation preference of the senior preferred stock will further increase to $190.5 billion as of September 30, 2023, due to the $5.0 billion increase in our net worth in the second quarter of 2023.

Related Parties

Treasury holds an investment in our senior preferred stock with a liquidation preference as discussed in "Senior Preferred Stock Purchase Agreement and Senior Preferred Stock" above, as well as a warrant to purchase shares of Fannie Mae common stock equal to 79.9% of the total number of shares of Fannie Mae common stock. Therefore, we and Treasury are deemed related parties.

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

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

Transactions with Treasury

Treasury Making Home Affordable Program

Our administrative expenses were reduced by $3 million for the three months ended June 30, 2023 and 2022, and $6 million and $7 million for the six months ended June 30, 2023 and 2022, respectively, due to reimbursements from Treasury and Freddie Mac for expenses incurred as program administrator for Treasury's Home Affordable Modification Program and other initiatives under Treasury's Making Home Affordable Program.

Obligation to Pay TCCA Fees to Treasury

We recognized Temporary Payroll Tax Cut Continuation Act of 2011 ("TCCA") fees of $856 million and $841 million for the three months ended June 30, 2023 and 2022, respectively, and $1.7 billion for the six months ended June 30, 2023 and 2022, of which $856 million had not been remitted to Treasury as of June 30, 2023.

Treasury Interest in Affordable Housing Allocations

The GSE Act requires us to set aside certain funding obligations, a portion of which is attributable to Treasury's Capital Magnet Fund. These funding obligations are measured as the product of 4.2 basis points and the unpaid principal balance of our total new business purchases for the respective period, with 35% of this amount payable to Treasury's Capital Magnet Fund. We recognized a total of $16 million and $28 million in "Other expenses, net" for the three months ended June 30, 2023 and 2022, respectively, and $27 million and $66 million for the six months ended June 30, 2023 and 2022, respectively, in connection with Treasury's Capital Magnet Fund, of which $27 million had not been remitted as of June 30, 2023.

Transactions with FHFA

The GSE Act authorizes FHFA to establish an annual assessment for regulated entities, including Fannie Mae, which is payable on a semi-annual basis (April and October), for FHFA's costs and expenses, as well as to maintain FHFA's working capital. We recognized FHFA assessment fees, which are recorded in "Administrative expenses" in our condensed consolidated statements of operations and comprehensive income, of $40 million and $31 million for the three months ended June 30, 2023 and 2022, respectively, and $79 million and $63 million for the six months ended June 30, 2023 and 2022, respectively.

Transactions with CSS and Freddie Mac

We contributed funds to CSS, the company we jointly own with Freddie Mac, of $16 million for the three months ended June 30, 2023 and 2022, and $42 million and $38 million for the six months ended June 30, 2023 and 2022, respectively. Net operating losses associated with our investment in CSS are recorded in "Other expenses, net" in our condensed consolidated statements of operations and comprehensive income.

Acquired Property, Net

We recognize foreclosed property (*i.e.*, "Acquired property, net") upon the earlier of the loan foreclosure event or when we take physical possession of the property (*i.e.*, through a deed-in-lieu of foreclosure transaction). We present foreclosed property in "Other assets" in our condensed consolidated balance sheets. We held $1.6 billion of acquired property, net as of June 30, 2023 and December 31, 2022.

Earnings per Share

Earnings per share ("EPS") is presented for basic and diluted EPS. We compute basic EPS by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. However, as a result of our conservatorship status and the terms of the senior preferred stock, no amounts would be available to distribute as dividends to common or preferred stockholders (other than to Treasury as the holder of the senior preferred stock). Net income attributable to common stockholders excludes amounts attributable to the senior preferred stock liquidation preference, which increases as described in "Note 11, Equity" in our 2022 Form 10-K. Weighted average common shares include 4.7 billion shares for the periods ended June 30, 2023 and 2022 that would have been issued upon the full exercise of the warrant issued to Treasury from the date the warrant was issued through June 30, 2023 and 2022.

The calculation of diluted EPS includes all the components of basic earnings per share, plus the dilutive effect of common stock equivalents such as convertible securities and stock options. Weighted average shares outstanding is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. For the three and six months ended June 30, 2023, convertible preferred stock is not included in the calculation because it would have an anti-dilutive effect. For the three and six months ended June 30, 2022, our diluted EPS weighted-average shares outstanding includes 26 million shares issuable upon the conversion of convertible preferred stock.

New Accounting Guidance

Fair Value Hedging - Portfolio Layer Method

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

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

Investments - Equity Method and Joint Ventures

On March 29, 2023, the FASB issued ASU 2023-02, Investments - Equity Method and Joint Ventures (Topic 323), *Accounting for Investment in Tax Credit Structures Using the Proportional Amortization Method*. The ASU expands the scope of the proportional amortization method that is currently restricted to investments in low-income housing tax credit (“LIHTC”) structures by allowing an entity to elect this method on a program-by-program basis to other qualifying tax equity investments.

The ASU is effective for public business enterprises on January 1, 2024 and may be adopted using either a full or modified retrospective method. Early adoption is permitted. We do not expect the adoption of this guidance to have a material effect on our financial statements.

2. Consolidations and Transfers of Financial Assets

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

Unconsolidated VIEs

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

	As of	
	June 30, 2023	**December 31, 2022**
	(Dollars in millions)	
Assets and liabilities recorded in our condensed consolidated balance sheets related to unconsolidated mortgage-backed trusts:		
Investments in securities, at fair value	**$ 2,494**	$ 3,353
Other assets	**38**	40
Other liabilities	**(44)**	(45)
Net carrying amount	**$ 2,488**	$ 3,348

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

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

Our maximum exposure to loss related to unconsolidated securitization and resecuritization trusts, which includes but is not limited to our exposure to these Freddie Mac securities, was approximately $230 billion and $240 billion as of June 30, 2023 and December 31, 2022, respectively. The total assets of our unconsolidated securitization and resecuritization trusts were approximately $230 billion and $240 billion as of June 30, 2023 and December 31, 2022, respectively.

The maximum exposure to loss for our unconsolidated limited partnerships and similar legal entities, which consist of LIHTC investments, community investments and other entities, was $459 million and the related net carrying value was $454 million as of June 30, 2023. As of December 31, 2022, the maximum exposure to loss was $427 million and the related net carrying value was $424 million. The total assets of these limited partnership investments were $4.5 billion and $4.3 billion as of June 30, 2023 and December 31, 2022, respectively.

The maximum exposure to loss related to our involvement with unconsolidated SPVs that transfer credit risk represents the unpaid principal balance and accrued interest payable of obligations issued by the Connecticut Avenue Securities® (“CAS”) and Multifamily Connecticut Avenue Securities™ (“MCAS™”) SPVs. The maximum exposure to loss related to these unconsolidated SPVs was $19.8 billion and $16.9 billion as of June 30, 2023 and December 31, 2022, respectively. The total assets related to these unconsolidated SPVs were $19.8 billion and $17.0 billion as of June 30, 2023 and December 31, 2022, respectively.

The unpaid principal balance of our multifamily loan portfolio was $445.7 billion as of June 30, 2023. As our lending relationship does not provide us with a controlling financial interest in the borrower entity, we do not consolidate these borrowers regardless of their status as either a VIE or a voting interest entity. We have excluded these entities from our VIE disclosures. However, the disclosures we have provided in “Note 3, Mortgage Loans,” “Note 4, Allowance for Loan Losses” and “Note 6, Financial Guarantees” with respect to this population are consistent with the FASB’s stated objectives for the disclosures related to unconsolidated VIEs.

Transfers of Financial Assets

We issue Fannie Mae MBS through portfolio securitization transactions by transferring pools of mortgage loans or mortgage-related securities to one or more trusts or special purpose entities. We are considered to be the transferor when we transfer assets from our own retained mortgage portfolio in a portfolio securitization transaction. For the three months ended June 30, 2023 and 2022, the unpaid principal balance of portfolio securitizations was $36.9 billion and

$77.0 billion, respectively. For the six months ended June 30, 2023 and 2022, the unpaid principal balance of portfolio securitizations was $65.2 billion and $179.8 billion, respectively. The substantial majority of these portfolio securitization transactions generally do not qualify for sale treatment. Portfolio securitization trusts that do qualify for sale treatment primarily consist of loans that are guaranteed or insured, in whole or in part, by the U.S. government.

We retain interests from the transfer and sale of mortgage-related securities to unconsolidated single-class and multi-class portfolio securitization trusts. As of June 30, 2023, the unpaid principal balance of retained interests was $774 million and its related fair value was $1.2 billion. As of December 31, 2022, the unpaid principal balance of retained interests was $910 million and its related fair value was $1.4 billion. For the three months ended June 30, 2023 and 2022, the principal, interest and other fees received on retained interests was $70 million and $108 million, respectively. For the six months ended June 30, 2023 and 2022, the principal, interest and other fees received on retained interests was $148 million and $222 million, respectively.

3. Mortgage Loans

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

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

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

	As of	
	June 30, 2023	**December 31, 2022**
	(Dollars in millions)	
Single-family	**$ 3,638,886**	$ 3,644,158
Multifamily	**445,653**	431,440
Total unpaid principal balance of mortgage loans	**4,084,539**	4,075,598
Cost basis and fair value adjustments, net	**46,568**	50,185
Allowance for loan losses for HFI loans	**(9,982)**	(11,347)
Total mortgage loans[1]	**$ 4,121,125**	$ 4,114,436

[1] Excludes $9.7 billion and $9.5 billion of accrued interest receivable, net of allowance as of June 30, 2023 and December 31, 2022, respectively.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
	(Dollars in millions)			
Purchase of HFI loans:				
Single-family unpaid principal balance	**$ 89,175**	$ 172,303	**$ 156,642**	$ 411,771
Multifamily unpaid principal balance	**15,111**	18,674	**25,346**	34,683
Single-family loans redesignated from HFI to HFS:				
Amortized cost	**$ —**	$ 3,192	**$ —**	$ 4,373
Lower of cost or fair value adjustment at time of redesignation[1]	**—**	(209)	**—**	(222)
Allowance reversed at time of redesignation	**—**	155	**—**	218
Single-family loans sold:				
Unpaid principal balance	**$ —**	$ 4,310	**$ 1,842**	$ 4,310
Realized gains, net	**—**	71	**17**	71

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

The amortized cost of single-family mortgage loans for which formal foreclosure proceedings were in process was $4.5 billion as of June 30, 2023 and $4.6 billion as of December 31, 2022. Typically, a portion of the loans in the process of formal foreclosure proceedings will not ultimately foreclose as a result of our various loss mitigation and foreclosure prevention efforts.

Aging Analysis

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

	As of June 30, 2023							
	30 - 59 Days Delinquent	60 - 89 Days Delinquent	Seriously Delinquent[1]	Total Delinquent	Current	Total	Loans 90 Days or More Delinquent and Accruing Interest	Nonaccrual Loans with No Allowance
	(Dollars in millions)							
Single-family:								
20- and 30-year or more, amortizing fixed-rate	$ 25,262	$ 6,392	$ 17,676	$ 49,330	$ 3,126,385	$ 3,175,715	$ 3,962	$ 3,236
15-year or less, amortizing fixed-rate	1,475	272	667	2,414	457,079	459,493	212	137
Adjustable-rate	144	33	105	282	27,028	27,310	33	25
Other[2]	551	146	716	1,413	26,819	28,232	243	264
Total single-family	27,432	6,843	19,164	53,439	3,637,311	3,690,750	4,450	3,662
Multifamily[3]	581	N/A	1,377	1,958	444,192	446,150	341	728
Total	$ 28,013	$ 6,843	$ 20,541	$ 55,397	$ 4,081,503	$ 4,136,900	$ 4,791	$ 4,390

	As of December 31, 2022							
	30 - 59 Days Delinquent	60 - 89 Days Delinquent	Seriously Delinquent[1]	Total Delinquent	Current	Total	Loans 90 Days or More Delinquent and Accruing Interest	Nonaccrual Loans with No Allowance
	(Dollars in millions)							
Single-family:								
20- and 30-year or more, amortizing fixed-rate	$ 27,891	$ 6,774	$ 19,990	$ 54,655	$ 3,092,199	$ 3,146,854	$ 13,257	$ 3,254
15-year or less, amortizing fixed-rate	1,902	314	800	3,016	488,452	491,468	666	82
Adjustable-rate	176	38	127	341	26,767	27,108	90	24
Other[2]	660	179	898	1,737	30,362	32,099	424	324
Total single-family	30,629	7,305	21,815	59,749	3,637,780	3,697,529	14,437	3,684
Multifamily[3]	173	N/A	955	1,128	431,094	432,222	11	13
Total	$ 30,802	$ 7,305	$ 22,770	$ 60,877	$ 4,068,874	$ 4,129,751	$ 14,448	$ 3,697

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

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

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

Credit Quality Indicators and Write-offs by Year of Origination

The estimated mark-to-market loan-to-value (“LTV”) ratio is a primary factor we consider when estimating our allowance for loan losses for single-family loans. As a borrower’s LTV ratio increases, their equity in the home decreases, which may negatively affect the borrower's ability to refinance or to sell the property for an amount at or above the outstanding balance of the loan.

The following tables display information about the credit quality of our single-family HFI loans, based on total amortized cost. Effective January 1, 2023, we adopted amendments to ASU 2022-02 that require us to disclose current-period gross write-offs by year of origination for financing receivables. As a result, for the period beginning January 1, 2023, the tables below includes current year write-offs of our single-family HFI mortgage loans by class of financing receivable and year of origination, excluding loans for which we have elected the fair value option.

	Credit Quality Indicators as of June 30, 2023 and Write-offs For the Six Months Ended June 30, 2023, by Year of Origination[1]						
	2023	2022	2021	2020	2019	Prior	Total
	(Dollars in millions)						
Estimated mark-to-market LTV ratio:[2]							
20- and 30-year or more, amortizing fixed-rate:							
Less than or equal to 80%	$ 70,043	$ 308,622	$ 903,688	$ 793,746	$ 142,716	$ 684,941	$ 2,903,756
Greater than 80% and less than or equal to 90%	22,294	100,199	53,443	4,152	1,013	1,379	182,480
Greater than 90% and less than or equal to 100%	30,563	51,485	4,932	760	110	255	88,105
Greater than 100%	20	834	218	70	21	207	1,370
Total 20- and 30-year or more, amortizing fixed-rate	122,920	461,140	962,281	798,728	143,860	686,782	3,175,711
Current-year 20- and 30-year or more, amortizing fixed-rate write-offs	$ —	$ 9	$ 20	$ 12	$ 6	$ 33	$ 80
15-year or less, amortizing fixed-rate:							
Less than or equal to 80%	4,075	37,021	175,317	125,822	18,623	96,878	457,736
Greater than 80% and less than or equal to 90%	281	1,010	126	12	1	2	1,432
Greater than 90% and less than or equal to 100%	175	143	4	1	—	1	324
Greater than 100%	—	—	—	—	—	1	1
Total 15-year or less, amortizing fixed-rate	4,531	38,174	175,447	125,835	18,624	96,882	459,493
Current-year 15-year or less, amortizing fixed-rate write-offs	—	—	—	—	—	1	1
Adjustable-rate:							
Less than or equal to 80%	976	4,518	6,192	1,761	764	10,866	25,077
Greater than 80% and less than or equal to 90%	298	1,137	133	7	1	4	1,580
Greater than 90% and less than or equal to 100%	205	434	10	1	—	—	650
Greater than 100%	—	2	1	—	—	—	3
Total adjustable-rate	1,479	6,091	6,336	1,769	765	10,870	27,310
Current-year adjustable-rate write-offs	—	—	—	—	—	—	—
Other:							
Less than or equal to 80%	—	—	—	—	28	20,910	20,938
Greater than 80% and less than or equal to 90%	—	—	—	—	—	107	107
Greater than 90% and less than or equal to 100%	—	—	—	—	—	50	50
Greater than 100%	—	—	—	—	—	49	49
Total other	—	—	—	—	28	21,116	21,144
Current-year other write-offs	—	—	—	—	—	11	11
Total for all classes by LTV ratio:[2]							
Less than or equal to 80%	$ 75,094	$ 350,161	$ 1,085,197	$ 921,329	$ 162,131	$ 813,595	$ 3,407,507
Greater than 80% and less than or equal to 90%	22,873	102,346	53,702	4,171	1,015	1,492	185,599
Greater than 90% and less than or equal to 100%	30,943	52,062	4,946	762	110	306	89,129
Greater than 100%	20	836	219	70	21	257	1,423
Total	$ 128,930	$ 505,405	$ 1,144,064	$ 926,332	$ 163,277	$ 815,650	$ 3,683,658
Total current-year write-offs	$ —	$ 9	$ 20	$ 12	$ 6	$ 45	$ 92

	Credit Quality Indicators as of December 31, 2022, by Year of Origination[1]						
	2022	2021	2020	2019	2018	Prior	Total
	(Dollars in millions)						
Estimated mark-to-market LTV ratio:[2]							
20- and 30-year or more, amortizing fixed-rate:							
Less than or equal to 80%	$ 281,257	$ 896,977	$ 820,452	$ 149,067	$ 70,306	$ 651,297	$ 2,869,356
Greater than 80% and less than or equal to 90%	84,864	86,335	5,904	1,152	618	1,062	179,935
Greater than 90% and less than or equal to 100%	84,664	9,284	1,333	217	77	224	95,799
Greater than 100%	1,230	208	56	18	12	240	1,764
Total 20- and 30-year or more, amortizing fixed-rate	452,015	992,804	827,745	150,454	71,013	652,823	3,146,854
15-year or less, amortizing fixed-rate:							
Less than or equal to 80%	37,830	185,511	134,336	20,239	7,324	103,841	489,081
Greater than 80% and less than or equal to 90%	1,363	410	33	3	—	2	1,811
Greater than 90% and less than or equal to 100%	552	16	1	—	—	1	570
Greater than 100%	3	1	—	—	—	2	6
Total 15-year or less, amortizing fixed-rate	39,748	185,938	134,370	20,242	7,324	103,846	491,468
Adjustable-rate:							
Less than or equal to 80%	3,971	6,383	1,865	821	906	11,226	25,172
Greater than 80% and less than or equal to 90%	1,013	236	12	3	1	3	1,268
Greater than 90% and less than or equal to 100%	645	21	—	—	1	—	667
Greater than 100%	1	—	—	—	—	—	1
Total adjustable-rate	5,630	6,640	1,877	824	908	11,229	27,108
Other:							
Less than or equal to 80%	—	—	—	29	222	22,103	22,354
Greater than 80% and less than or equal to 90%	—	—	—	—	1	129	130
Greater than 90% and less than or equal to 100%	—	—	—	—	1	56	57
Greater than 100%	—	—	—	—	—	57	57
Total other	—	—	—	29	224	22,345	22,598
Total	$ 497,393	$ 1,185,382	$ 963,992	$ 171,549	$ 79,469	$ 790,243	$ 3,688,028
Total for all classes by LTV ratio:[2]							
Less than or equal to 80%	$ 323,058	$ 1,088,871	$ 956,653	$ 170,156	$ 78,758	$ 788,467	$ 3,405,963
Greater than 80% and less than or equal to 90%	87,240	86,981	5,949	1,158	620	1,196	183,144
Greater than 90% and less than or equal to 100%	85,861	9,321	1,334	217	79	281	97,093
Greater than 100%	1,234	209	56	18	12	299	1,828
Total	$ 497,393	$ 1,185,382	$ 963,992	$ 171,549	$ 79,469	$ 790,243	$ 3,688,028

(1) Excludes amortized cost of $7.1 billion and $9.5 billion as of June 30, 2023 and December 31, 2022, respectively, of mortgage loans guaranteed or insured, in whole or in part, by the U.S. government or one of its agencies, which represents primarily reverse mortgages for which we do not calculate an estimated mark-to-market LTV ratio. For the three months ended June 30, 2023, it also excludes write-offs of $3 million, of mortgage loans guaranteed or insured, in whole or in part, by the U.S. government or one of its agencies. Year of loan origination may not be the same as the period in which we subsequently acquired the loan.

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

The following tables display the total amortized cost of our multifamily HFI loans by year of origination and credit-risk rating, excluding loans for which we have elected the fair value option. Property rental income and property valuations are key inputs to our internally assigned credit risk ratings. For the periods beginning January 1, 2023, the tables below includes current year write-offs of our multifamily HFI mortgage loans by year of origination, excluding loans for which we have elected the fair value option.

	Credit Quality Indicators as of June 30, 2023 and Write-offs for the Six Months Ended June 30, 2023, by Year of Origination(1)						
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
	(Dollars in millions)						
Internally assigned credit risk rating:							
Pass(2)	$ 23,068	$ 55,124	$ 61,194	$ 74,157	$ 58,280	$ 143,885	$ 415,708
Special mention(3)	—	8	91	64	16	331	510
Substandard(4)	—	6,030	3,586	2,091	3,435	14,784	29,926
Doubtful(5)	—	—	—	—	5	1	6
Total	$ 23,068	$ 61,162	$ 64,871	$ 76,312	$ 61,736	$ 159,001	$ 446,150
Current-year write-offs	$ —	$ 3	$ —	$ 5	$ 5	$ 241	$ 254

	Credit Quality Indicators as of December 31, 2022, by Year of Origination(1)						
	2022	**2021**	**2020**	**2019**	**2018**	**Prior**	**Total**
	(Dollars in millions)						
Internally assigned credit risk rating:							
Pass(2)	$ 57,976	$ 64,165	$ 75,468	$ 59,507	$ 48,720	$ 103,772	$ 409,608
Special mention(3)	11	41	128	55	54	306	595
Substandard(4)	1,415	1,580	1,388	2,816	2,488	12,324	22,011
Doubtful(5)	—	—	—	—	8	—	8
Total	$ 59,402	$ 65,786	$ 76,984	$ 62,378	$ 51,270	$ 116,402	$ 432,222

(1) In the current period, we updated our presentation of credit quality indicators. Previously, “Pass” and “Special mention” were disclosed as “Non-classified,” and “Substandard” and “Doubtful” were disclosed as “Classified.” Prior periods have been updated to conform to the current period presentation. Year of loan origination may not be the same as the period in which we subsequently acquired the loan.

(2) A loan categorized as “Pass” is current or is adequately protected by the current financial strength and debt service capability of the borrower.

(3) “Special mention” refers to loans that are otherwise performing but have potential weaknesses that, if left uncorrected, may result in deterioration in the borrower’s ability to repay in full.

(4) Loans classified as “Substandard” have a well-defined weakness that jeopardizes the timely full repayment. We had seniors housing loans with an amortized cost of $9.2 billion as of June 30, 2023 and December 31, 2022 classified as substandard.

(5) “Doubtful” refers to a loan with a weakness that makes collection or liquidation in full highly questionable and improbable based on existing conditions and values.

Loss Mitigation Options for Borrowers Experiencing Financial Difficulty

As part of our loss mitigation activities, we offer several types of loan restructurings to assist borrowers who experience financial difficulties. We do not typically offer principal forgiveness to our single-family or multifamily borrowers.

For single-family borrowers, we may offer loan restructurings that are only in the form of a payment delay (*e.g.,* a forbearance plan, a repayment plan, or a payment deferral). We may also offer loan modifications that contractually change the terms of the loan, generally after the successful completion of a three to four month trial period. Single-family loan modifications may result in the capitalization of past due amounts (a form of payment delay), an interest rate reduction, a term extension, a principal forbearance (which is another form of payment delay), or a combination thereof. During the trial period, the borrower makes reduced payments that are an estimate of the anticipated modified payment amount. Additionally, during the trial period, the mortgage loan is not contractually modified such that the loan continues to be reported as past due and the trial period is considered a form of payment delay with respect to the original contractual terms of the loan. See “Note 3, Mortgage Loans” in our 2022 Form 10-K for additional information about our single-family loss mitigation options.

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

Below we provide disclosures relating to loan restructurings where borrowers were experiencing financial difficulty, including restructurings that resulted in an insignificant payment delay. The disclosures exclude loans classified as HFS and those for which we have elected the fair value option. See "Note 1, Summary of Significant Accounting Policies" in our 2022 Form 10-K for additional information on our accounting policies for single-family and multifamily loans that have been restructured.

Restructurings for Borrowers Experiencing Financial Difficulty

The following tables display the amortized cost of HFI mortgage loans that were restructured during the period indicated, presented by portfolio segment and class of financing receivable.

	For the Three Months Ended June 30, 2023						
	Payment Delay (Only)						
	Forbearance Plan	Payment Deferral	Trial Modification and Repayment Plans	Payment Delay and Term Extension[1]	Payment Delay, Term Extension and Interest Rate Reduction[1]	Total	Percentage of Total by Financing Class[2]
	(Dollars in millions)						
Single-family:							
20- and 30-year or more, amortizing fixed-rate	$ 8,107	$ 2,689	$ 3,444	$ 1,746	$ 80	$ 16,066	1 %
15-year or less, amortizing fixed-rate	339	116	132	1	—	588	*
Adjustable-rate	46	10	12	—	1	69	*
Other	89	36	86	35	17	263	1
Total single-family	8,581	2,851	3,674	1,782	98	16,986	*
Multifamily	423	—	—	—	525	948	*
Total[3]	$ 9,004	$ 2,851	$ 3,674	$ 1,782	$ 623	$ 17,934	*

	For the Six Months Ended June 30, 2023						
	Payment Delay (Only)						
	Forbearance Plan	Payment Deferral	Trial Modification and Repayment Plans	Payment Delay and Term Extension[1]	Payment Delay, Term Extension and Interest Rate Reduction[1]	Total	Percentage of Total by Financing Class[2]
	(Dollars in millions)						
Single-family:							
20- and 30-year or more, amortizing fixed-rate	$ 10,410	$ 6,207	$ 5,202	$ 3,487	$ 338	$ 25,644	1 %
15-year or less, amortizing fixed-rate	451	264	203	1	—	919	*
Adjustable-rate	55	27	18	—	2	102	*
Other	137	84	134	69	45	469	2
Total single-family	11,053	6,582	5,557	3,557	385	27,134	1
Multifamily	784	—	—	—	534	1,318	*
Total[3]	$ 11,837	$ 6,582	$ 5,557	$ 3,557	$ 919	$ 28,452	1

	For the Three Months Ended June 30, 2022						
	Payment Delay (Only)						
	Forbearance Plan	Payment Deferral	Trial Modification and Repayment Plans	Payment Delay and Term Extension[1]	Payment Delay, Term Extension and Interest Rate Reduction[1]	Total	Percentage of Total by Financing Class[2]
	(Dollars in millions)						
Single-family:							
20- and 30-year or more, amortizing fixed-rate	$ 11,213	$ 5,203	$ 3,815	$ 769	$ 4,671	$ 25,671	1 %
15-year or less, amortizing fixed-rate	571	287	154	—	—	1,012	*
Adjustable-rate	61	27	28	—	4	120	*
Other	231	121	144	46	148	690	2
Total single-family	12,076	5,638	4,141	815	4,823	27,493	1
Multifamily	23	—	—	—	11	34	*
Total[3]	$ 12,099	$ 5,638	$ 4,141	$ 815	$ 4,834	$ 27,527	1

	For the Six Months Ended June 30, 2022						
	Payment Delay (Only)						
	Forbearance Plan[4]	Payment Deferral	Trial Modification and Repayment Plans[4]	Payment Delay and Term Extension[1]	Payment Delay, Term Extension and Interest Rate Reduction[1]	Total	Percentage of Total by Financing Class[2]
	(Dollars in millions)						
Single-family:							
20- and 30-year or more, amortizing fixed-rate	$ 14,428	$ 11,518	$ 6,064	$ 1,831	$ 9,165	$ 43,006	1 %
15-year or less, amortizing fixed-rate	735	653	253	1	1	1,643	*
Adjustable-rate	84	77	53	—	12	226	1
Other	319	304	232	139	374	1,368	4
Total single-family	15,566	12,552	6,602	1,971	9,552	46,243	1
Multifamily	237	—	—	—	11	248	*
Total[3]	$ 15,803	$ 12,552	$ 6,602	$ 1,971	$ 9,563	$ 46,491	1

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

(1) Represents loans that received a contractual modification.

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

(3) Excludes $200 million and $604 million for the three and six months ended June 30, 2023, respectively, and $269 million and $1.7 billion for the three and six months ended June 30, 2022, respectively, for loans that were the subject of loss mitigation activity during the period that paid off, were repurchased or sold prior to period end. Also excludes loans that liquidated either through foreclosure, deed-in-lieu of foreclosure, or a short sale. Loans may move from one category to another, as a result of the restructuring(s) they received during the period, in which case they appear in the table above only in the category that best reflects the cumulative effects of the loan restructurings received during the periods.

Our estimate of future credit losses uses a lifetime methodology, derived from modeled loan performance based on extensive historical experience of loans with similar risk characteristics, adjusted to reflect current conditions and reasonable and supportable forecasts. The historical loss experience used in our single-family and multifamily credit loss models includes the impact of the loss mitigation options provided to borrowers experiencing financial difficulty, and also includes the impact of projected loss severities as a result of a loan default.

The following tables summarize the financial impacts of loan modifications and payment deferrals for single-family HFI loans presented by class of financing receivable. The qualitative impact of forbearance plans, repayment plans, and trial modifications are discussed earlier in this footnote; these loss mitigation options are not included in the table below.

	For the Three Months Ended June 30,					
	2023			2022		
	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in Months)	Average Amount Capitalized as a Result of a Payment Delay[1]	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in Months)	Average Amount Capitalized as a Result of a Payment Delay[1]
Loan by class of financing receivable[2]:						
20- and 30-year or more, amortizing fixed-rate	1.15 %	172	$ 16,661	1.45 %	180	$ 22,997
15-year or less, amortizing fixed-rate	2.50	79	14,819	1.88	51	18,394
Adjustable-rate	1.61	—	14,450	0.78	—	19,528
Other	1.34	172	21,304	1.81	183	22,666

	For the Six Months Ended June 30,					
	2023			2022		
	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in Months)	Average Amount Capitalized as a Result of a Payment Delay[(1)]	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in Months)	Average Amount Capitalized as a Result of a Payment Delay[(1)]
Loan by class of financing receivable[(2)]:						
20- and 30-year or more, amortizing fixed-rate	1.09 %	173	$ 16,864	1.52 %	179	$ 23,372
15-year or less, amortizing fixed-rate	1.83	73	14,636	2.69	61	20,361
Adjustable-rate	1.76	—	15,228	0.53	—	23,406
Other	1.48	179	20,715	1.87	185	24,310

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

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

The following tables display the amortized cost of HFI loans that defaulted during the period and had received a completed modification or payment deferral in the twelve months prior to the payment default. The substantial majority of loans that received a completed modification or a payment deferral during the second quarter of 2023 did not default during the period. For purposes of the default tables, we define loans that had a payment default as single-family loans with completed modifications that are two or more months delinquent during the period; or multifamily loans with completed modifications that are one or more months delinquent during the period. For loans that receive a forbearance plan, repayment plan or trial modification, these loss mitigation options generally remain in default until the loan is no longer delinquent as a result of the payment of all past-due amounts or as a result of a loan modification or payment deferral. Therefore, forbearance plans, repayment plans and trial modifications are not included in default tables below.

	For the Three Months Ended June 30, 2023			
	Payment Delay as a Result of a Payment Deferral (Only)	Payment Delay and Term Extension	Payment Delay, Term Extension and Interest Rate Reduction	Total
	(Dollars in millions)			
Single-family:				
20- and 30-year or more, amortizing fixed-rate	$ 819	$ 327	$ 197	$ 1,343
15-year or less, amortizing fixed-rate	27	—	—	27
Adjustable-rate	2	—	2	4
Other	11	7	10	28
Total single-family	859	334	209	1,402
Multifamily	—	—	1	1
Total loans that subsequently defaulted[(1)]	$ 859	$ 334	$ 210	$ 1,403

	For the Six Months Ended June 30, 2023			
	Payment Delay as a Result of a Payment Deferral (Only)	Payment Delay and Term Extension	Payment Delay, Term Extension and Interest Rate Reduction	Total
	(Dollars in millions)			
Single-family:				
20- and 30-year or more, amortizing fixed-rate	$ 1,290	$ 446	$ 385	$ 2,121
15-year or less, amortizing fixed-rate	44	—	1	45
Adjustable-rate	3	—	2	5
Other	18	11	19	48
Total single-family	1,355	457	407	2,219
Multifamily	—	—	1	1
Total loans that subsequently defaulted[(1)]	$ 1,355	$ 457	$ 408	$ 2,220

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

The following table displays the amortized cost of HFI loans that received a completed modification or payment deferral on or after January 1, 2022, the date we adopted ASU 2022-02, through June 30, 2022 and that defaulted in the period presented. The substantial majority of loans that received a completed modification or a payment deferral during the second quarter of 2022 did not default during the period.

	For the Six Months Ended June 30, 2022[1]			
	Payment Delay as a Result of a Payment Deferral (Only)	Payment Delay and Term Extension[1]	Payment Delay, Term Extension and Interest Rate Reduction[1]	Total
	(Dollars in millions)			
Single-family:				
20- and 30-year or more, amortizing fixed-rate	$ 492	$ 62	$ 109	$ 663
15-year or less, amortizing fixed-rate	21	1	—	22
Adjustable-rate	3	—	1	4
Other	14	5	9	28
Total single-family	530	68	119	717
Multifamily	—	—	—	—
Total loans that subsequently defaulted[2]	$ 530	$ 68	$ 119	$ 717

(1) The substantial majority of loans that received a completed modification on or after the date we adopted ASU 2022-02 through June 30, 2022 defaulted during the second quarter of 2022; therefore we are not separately presenting a table for the three months ended June 30, 2022.

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

The following table displays an aging analysis of HFI mortgage loans that were restructured during the twelve months prior to June 30, 2023, presented by portfolio segment and class of financing receivable.

	As of June 30, 2023[1]					
	30-59 Days Delinquent	60-89 Days Delinquent[2]	Seriously Delinquent	Total Delinquent	Current	Total
	(Dollars in millions)					
Single-family:						
20- and 30-year or more, amortizing fixed-rate	$ 3,442	$ 2,227	$ 12,035	$ 17,704	$ 18,060	$ 35,764
15-year or less, amortizing fixed-rate	114	82	447	643	639	1,282
Adjustable-rate	14	9	59	82	66	148
Other	82	43	251	376	400	776
Total single-family loans modified	3,652	2,361	12,792	18,805	19,165	37,970
Multifamily	—	N/A	380	380	969	1,349
Total loans restructured[3]	$ 3,652	$ 2,361	$ 13,172	$ 19,185	$ 20,134	$ 39,319

(1) The substantial majority of loans that received a completed modification or a payment deferral during the second quarter of 2023 were not delinquent as of June 30, 2023.

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

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

The following table displays an aging analysis of HFI mortgage loans that were restructured on or after January 1, 2022, the date we adopted ASU 2022-02, through June 30, 2022, presented by portfolio segment and class of financing receivable.

	As of June 30, 2022[1]					
	30-59 Days Delinquent	60-89 Days Delinquent[2]	Seriously Delinquent	Total Delinquent	Current	Total
	(Dollars in millions)					
Single-family:						
20- and 30-year or more, amortizing fixed-rate	$ 2,351	$ 1,680	$ 15,203	$ 19,234	$ 13,130	$ 32,364
15-year or less, amortizing fixed-rate	112	87	649	848	507	1,355
Adjustable-rate	14	8	103	125	71	196
Other	65	44	440	549	504	1,053
Total single-family loans modified	2,542	1,819	16,395	20,756	14,212	34,968
Multifamily	—	N/A	237	237	11	248
Total loans restructured[3]	$ 2,542	$ 1,819	$ 16,632	$ 20,993	$ 14,223	$ 35,216

(1) The substantial majority of loans that received a completed modification or a payment deferral during the second quarter of 2022 were not delinquent as of June 30, 2022.

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

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

Nonaccrual Loans

We recognize interest income on an accrual basis except when we believe the collection of principal and interest is not reasonably assured. This generally occurs when a single-family loan is three or more months past due and a multifamily loan is two or more months past due according to its contractual terms. A loan is reported as past due if a full payment of principal and interest is not received within one month of its due date. When a loan is placed on nonaccrual status based on delinquency status, interest previously accrued but not collected on the loan is reversed through interest income.

We have elected not to measure an allowance for credit losses on accrued interest receivable balances as we have a nonaccrual policy to ensure the timely reversal of unpaid accrued interest. See "Note 4, Allowance for Loan Losses" for additional information about our current-period provision for loan losses.

For single-family loans, we recognize any contractual interest payments received on the loan while on nonaccrual status as interest income on a cash basis. For multifamily loans, we apply any payment received on a cost recovery basis to reduce the amortized cost of the mortgage loan. Thus, we do not recognize any interest income on a multifamily loan placed on nonaccrual status until the amortized cost of the loan has been reduced to zero. Cost basis adjustments on HFI loans are amortized into interest income over the contractual life of the loan using the effective interest method. No amortization is recognized during periods in which the loan is on nonaccrual status.

A nonaccrual loan is returned to accrual status when the collectability of principal and interest in full is reasonably assured. We generally determine that collectability is reasonably assured when the loan returns to current payment status. If a loan is restructured for a borrower experiencing financial difficulty, we require a performance period of up to 6 months before we return the loan to accrual status. Upon a loan's return to accrual status, we resume the recognition of interest income and the amortization of cost basis adjustments, if any, into interest income. If interest is capitalized pursuant to a restructuring, any capitalized interest that had not been previously recognized as interest income or that had been reversed through interest income when the loan was placed on nonaccrual status is recorded as a discount to the loan and amortized over the remaining contractual life of the loan.

For single-family loans negatively impacted by the COVID-19 pandemic that were three or more months past due as of December 31, 2022, we continue to recognize interest income for up to six months of delinquency provided that the loan was either current as of March 1, 2020, or originated after March 1, 2020. We continue to accrue interest income beyond six months of delinquency provided that the collection of principal and interest continues to be reasonably assured. For multifamily loans that are in a COVID-19 forbearance arrangement on December 31, 2022, we continue to recognize interest income for up to six months of delinquency and then place them on nonaccrual status when the borrower is six months past due.

For loans that are subject to the COVID-19-related nonaccrual policy, we establish a valuation allowance for expected credit losses on the accrued interest receivable balance applying the process that we have established for both single-family and multifamily loans. The credit expense related to this valuation allowance is classified as a component of the provision for credit losses. Accrued interest receivable is written off when the amount is deemed to be uncollectible. Loans that are in active forbearance arrangements are not evaluated for write-off.

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

	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022
	(Dollars in millions)	
Accrued interest receivable written off through the reversal of interest income:		
Single-family	**$ 74**	$ 15
Multifamily	**33**	1

	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
	(Dollars in millions)	
Accrued interest receivable written off through the reversal of interest income:		
Single-family	**$ 153**	$ 32
Multifamily	**35**	1

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

	As of				
	June 30, 2023	March 31, 2023	December 31, 2022	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2023
	Amortized Cost			Total Interest Income Recognized(1)	
	(Dollars in millions)				
Single-family:					
20- and 30-year or more, amortizing fixed-rate	**$ 17,051**	$ 14,172	$ 9,447	**$ 15**	$ 79
15-year or less, amortizing fixed-rate	**565**	429	200	**—**	1
Adjustable-rate	**85**	75	53	**—**	—
Other	**573**	601	617	**2**	4
Total single-family	**18,274**	15,277	10,317	**17**	84
Multifamily	**1,448**	1,541	2,200	**2**	10
Total nonaccrual loans	**$ 19,722**	$ 16,818	$ 12,517	**$ 19**	$ 94

	As of				
	June 30, 2022	March 31, 2022	December 31, 2021	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2022
	Amortized Cost			Total Interest Income Recognized[1]	
	(Dollars in millions)				
Single-family:					
20- and 30-year or more, amortizing fixed-rate	$ 10,241	$ 13,692	$ 17,599	$ 34	$ 82
15-year or less, amortizing fixed-rate	245	331	430	1	2
Adjustable-rate	59	84	107	—	—
Other	698	913	1,101	2	5
Total single-family	11,243	15,020	19,237	37	89
Multifamily	1,317	1,258	1,259	8	14
Total nonaccrual loans	$ 12,560	$ 16,278	$ 20,496	$ 45	$ 103

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

4. Allowance for Loan Losses

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
	(Dollars in millions)			
Single-family allowance for loan losses:				
Beginning balance	**$ (9,479)**	$ (5,241)	**$ (9,443)**	$ (4,950)
Benefit (provision) for loan losses	**1,399**	(248)	**1,403**	(530)
Write-offs	**53**	248	**95**	275
Recoveries	**(27)**	(84)	**(103)**	(117)
Other	**64**	(64)	**58**	(67)
Ending balance	**$ (7,990)**	$ (5,389)	**$ (7,990)**	$ (5,389)
Multifamily allowance for loan losses:				
Beginning balance	**$ (1,856)**	$ (658)	**$ (1,904)**	$ (679)
Benefit (provision) for loan losses	**(152)**	(12)	**(332)**	16
Write-offs	**17**	—	**254**	—
Recoveries	**(1)**	(10)	**(10)**	(17)
Ending balance	**$ (1,992)**	$ (680)	**$ (1,992)**	$ (680)
Total allowance for loan losses:				
Beginning balance	**$ (11,335)**	$ (5,899)	**$ (11,347)**	$ (5,629)
Benefit (provision) for loan losses	**1,247**	(260)	**1,071**	(514)
Write-offs	**70**	248	**349**	275
Recoveries	**(28)**	(94)	**(113)**	(134)
Other	**64**	(64)	**58**	(67)
Ending balance	**$ (9,982)**	$ (6,069)	**$ (9,982)**	$ (6,069)

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

Our single-family benefit for loan losses for the three and six months ended June 30, 2023 was primarily driven by a benefit from actual and forecasted home price growth, partially offset by a provision from changes in loan activity, as described in more detail below:

- Benefit from actual and forecasted home price growth. During the three and six months ended June 30, 2023, we observed strong actual home price appreciation. In addition, our updated 2023 home price forecast changed from our prior estimate, resulting in a shift to positive home price appreciation for the year. Higher home prices decrease the likelihood that loans will default and reduce the amount of losses on loans that do default, which impacts our estimate of losses and ultimately reduces our loss reserves and provision for loan losses.

- Provision from changes in loan activity, which includes provision on newly acquired loans. The portion of our single-family acquisitions consisting of purchase loans increased in the three and six months ended June 30, 2023 compared with the three and six months ended June 30, 2022. As our acquisitions consisted of a greater percentage of purchase loans, which generally have higher origination loan to value ("LTV") ratios than refinance loans, the credit profile of our acquisitions weakened. This factor drove a higher estimated risk of default and loss severity in the allowance and therefore a higher credit loss provision for those loans at the time of acquisition.

The largest driver of our single-family provision for loan losses for the three and six months ended June 30, 2022 was an increase in actual and projected interest rates as of June 30, 2022 compared with March 31, 2022 and December 31, 2021. As mortgage rates increased, we expected a decrease in future prepayments on single-family loans, including modified loans accounted for as TDRs. Lower expected prepayments extended the expected lives of these TDR loans, which increased the expected impairment relating to economic concessions provided on them, resulting in a provision for loan losses.

Some of the provision from increased actual and projected interest rates in the first half of 2022 was offset by a benefit from actual and forecasted home price growth. While home price growth was strong in the second quarter and first half of 2022, some market indicators at that time suggested that home price growth may have been moderating at a faster pace than indicated by our home price forecast, which reduced the benefit from home price growth recognized in the second quarter and first half of 2022.

Our multifamily provision for loan losses for the three and six months ended June 30, 2023 was primarily driven by decreases in estimated multifamily property values. This resulted in higher estimated LTV ratios on the loans in our multifamily guaranty book of business, which increased our estimate of expected credit losses on these loans.

Multifamily write-offs for the six months ended June 30, 2023 were due to the write-off of a seniors housing portfolio in the first quarter of 2023. The seniors housing loans in our multifamily book have been disproportionately affected by the COVID-19 pandemic and ongoing economic trends, higher operating costs exacerbated by the increase in inflation, and higher short-term interest rates for adjustable-rate mortgages, resulting in increased costs for these borrowers.

The primary factor that contributed to our multifamily provision for loan losses for the three months ended June 30, 2022, was a provision expense from higher actual and projected interest rates. This provision was partially offset by a benefit from actual and projected economic data, including strong property value growth, driven by continued demand for multifamily housing.

The primary factor that contributed to our multifamily benefit for loan losses in the six months ended June 30, 2022, was a benefit from actual and projected economic data. This benefit was partially offset by a provision from higher actual and projected interest rates.

5. Investments in Securities

Trading Securities

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

	As of	
	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Mortgage-related securities (includes $391 million and $427 million, respectively, related to consolidated trusts)	**$ 2,358**	$ 3,211
Non-mortgage-related securities (includes $4.9 billion and $3.9 billion, respectively, pledged as collateral)[1]	**48,227**	46,918
Total trading securities	**$ 50,585**	$ 50,129

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Net trading gains (losses)	**$ (723)**	$ (665)	**$ 23**	$ (2,435)
Net trading gains (losses) recognized in the period related to securities still held at period end	**(731)**	(546)	**60**	(2,173)

Available-for-Sale Securities

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

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

	As of June 30, 2023				
	Total Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains in AOCI	Gross Unrealized Losses in AOCI	Total Fair Value
	(Dollars in millions)				
Agency securities	$ 424	$ —	$ 2	$ (21)	$ 405
Other mortgage-related securities	235	(2)	8	—	241
Total	$ 659	$ (2)	$ 10	$ (21)	$ 646

	As of December 31, 2022				
	Total Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains in AOCI	Gross Unrealized Losses in AOCI	Total Fair Value
	(Dollars in millions)				
Agency securities	$ 445	$ —	$ 3	$ (22)	$ 426
Other mortgage-related securities	269	(3)	5	(1)	270
Total	$ 714	$ (3)	$ 8	$ (23)	$ 696

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

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

	As of							
	June 30, 2023				December 31, 2022			
	Less Than 12 Consecutive Months		12 Consecutive Months or Longer		Less Than 12 Consecutive Months		12 Consecutive Months or Longer	
	Gross Unrealized Losses in AOCI	Fair Value	Gross Unrealized Losses in AOCI	Fair Value	Gross Unrealized Losses in AOCI	Fair Value	Gross Unrealized Losses in AOCI	Fair Value
	(Dollars in millions)							
Agency securities	**$ (14)**	**$ 157**	**$ (7)**	**$ 159**	$ (12)	$ 161	$ (10)	$ 159
Other mortgage-related securities	**—**	**—**	**—**	**—**	(1)	8	—	—
Total	**$ (14)**	**$ 157**	**$ (7)**	**$ 159**	$ (13)	$ 169	$ (10)	$ 159

There were no sales of AFS securities in the first half of 2023 or the first half of 2022. As a result, no gross realized gains (losses) or proceeds from sales were recognized in either period.

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

	As of	
	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Net unrealized gains (losses) on AFS securities for which we have not recorded an allowance for credit losses	**$ (9)**	$ (13)
Other	**45**	48
Accumulated other comprehensive income	**$ 36**	$ 35

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, 2023									
			One Year or Less		After One Year Through Five Years		After Five Years Through Ten Years		After Ten Years	
	Total Carrying Amount(1)	Total Fair Value	Net Carrying Amount(1)	Fair Value	Net Carrying Amount(1)	Fair Value	Net Carrying Amount(1)	Fair Value	Net Carrying Amount(1)	Fair Value
	(Dollars in millions)									
Agency securities	$ 424	$ 405	$ —	$ —	$ 3	$ 3	$ 19	$ 18	$ 402	$ 384
Other mortgage-related securities	233	241	1	1	16	16	16	16	200	208
Total	$ 657	$ 646	$ 1	$ 1	$ 19	$ 19	$ 35	$ 34	$ 602	$ 592

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

We held no securities classified as held-to-maturity as of June 30, 2023 or December 31, 2022.

6. Financial Guarantees

We recognize a guaranty obligation for our obligation to stand ready to perform on our guarantees to unconsolidated trusts and other guaranty arrangements. These off-balance sheet guarantees expose us to credit losses primarily relating to the unpaid principal balance of our unconsolidated Fannie Mae MBS and other financial guarantees. The maximum remaining contractual term of our guarantees is 29 years; however, the actual term of each guaranty may be significantly less than the contractual term based on the prepayment characteristics of the related mortgage loans. We measure our guaranty reserve for estimated credit losses for off-balance sheet exposures over the contractual period for which they are exposed to the credit risk, unless that obligation is unconditionally cancellable by the issuer.

As the guarantor of structured securities backed in whole or in part by Freddie Mac-issued securities, we extend our guaranty to the underlying Freddie Mac securities in our resecuritization trusts. However, Freddie Mac continues to guarantee the payment of principal and interest on the underlying Freddie Mac securities that we have resecuritized. When we began issuing UMBS, we entered into an indemnification agreement under which Freddie Mac agreed to indemnify us for losses caused by its failure to meet its payment or other specified obligations under the trust agreements pursuant to which the underlying resecuritized securities were issued. As a result, and due to the funding commitment available to Freddie Mac through its senior preferred stock purchase agreement with Treasury, we have concluded that the associated credit risk is negligible. Accordingly, we exclude from the following table Freddie Mac securities backing unconsolidated Fannie Mae-issued structured securities of $224.9 billion and $234.0 billion as of June 30, 2023 and December 31, 2022, respectively.

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

	As of					
	June 30, 2023			December 31, 2022		
	Maximum Exposure	Guaranty Obligation	Maximum Recovery(1)	Maximum Exposure	Guaranty Obligation	Maximum Recovery(1)
	(Dollars in millions)					
Unconsolidated Fannie Mae MBS	**$ 2,970**	**$ 15**	**$ 2,897**	$ 3,139	$ 15	$ 3,058
Other guaranty arrangements(2)	**9,358**	**70**	**1,982**	9,573	79	2,012
Total	**$ 12,328**	**$ 85**	**$ 4,879**	$ 12,712	$ 94	$ 5,070

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

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

7. Short-Term and Long-Term Debt

Short-Term Debt

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

	As of			
	June 30, 2023		December 31, 2022	
	Outstanding	Weighted- Average Interest Rate[1]	Outstanding	Weighted- Average Interest Rate[1]
	(Dollars in millions)			
Short-term debt of Fannie Mae	**$ 15,628**	**5.05 %**	$ 10,204	3.93 %

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

Long-Term Debt

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

	As of					
	June 30, 2023			December 31, 2022		
	Maturities	Outstanding[1]	Weighted-Average Interest Rate[2]	Maturities	Outstanding[1]	Weighted-Average Interest Rate[2]
	(Dollars in millions)					
Senior fixed:						
Benchmark notes and bonds	2023 - 2030	**$ 66,258**	**2.54 %**	2023 - 2030	$ 72,261	2.35 %
Medium-term notes[3]	2023 - 2031	**45,008**	**1.37**	2023 - 2031	39,476	0.78
Other[4]	2023 - 2038	**6,784**	**4.12**	2023 - 2038	6,778	4.00
Total senior fixed		**118,050**	**2.20**		118,515	1.94
Senior floating:						
Connecticut Avenue Securities[5]	2023 - 2031	**3,762**	**10.50**	2023 - 2031	5,207	8.80
Other[6]	2037	**256**	**9.57**	2037	242	10.00
Total senior floating		**4,018**	**10.44**		5,449	8.86
Total long-term debt of Fannie Mae[7]		**122,068**	**2.46**		123,964	2.23
Debt of consolidated trusts	2023 - 2062	**4,094,654**	**2.56**	2023 - 2062	4,087,720	2.47
Total long-term debt		**$ 4,216,722**	**2.56 %**		$ 4,211,684	2.47 %

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

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

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

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

(5) Consists of CAS debt issued prior to November 2018, a portion of which is reported at fair value.

(6) Consists of structured debt instruments that are reported at fair value.

(7) Includes unamortized discounts and premiums, fair value adjustments, hedge-related cost basis adjustments, and other cost basis adjustments in a net discount position of $5.1 billion as of June 30, 2023 and December 31, 2022.

8. Derivative Instruments

Derivative instruments are an integral part of our strategy in managing interest-rate risk. Derivative instruments may be privately-negotiated, bilateral contracts or they may be listed and traded on an exchange. We refer to our derivative transactions made pursuant to bilateral contracts as our over-the-counter (“OTC”) derivative transactions and our derivative transactions accepted for clearing by a derivatives clearing organization as our cleared derivative transactions. We typically do not settle the notional amount of our risk management derivatives; rather, notional amounts provide the basis for calculating actual payments or settlement amounts. The derivative contracts we use for interest-rate risk management purposes consist primarily of interest-rate swaps and interest-rate options. See “Note 8, Derivative Instruments” in our 2022 Form 10-K for additional information on interest-rate risk management.

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

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

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

Fair Value Hedge Accounting

Pursuant to our fair value hedge accounting program, we may designate certain interest-rate swaps as hedging instruments in hedges of the change in fair value attributable to the designated benchmark interest rate for certain closed pools of fixed-rate, single-family mortgage loans or our funding debt. For hedged items in qualifying fair value hedging relationships, changes in fair value attributable to the designated risk are recognized as a basis adjustment to the hedged item. We also report changes in the fair value of the derivative hedging instrument in the same condensed consolidated statements of operations and comprehensive income line item used to recognize the earnings effect of the hedged item’s basis adjustment. The objective of our fair value hedges is to reduce GAAP earnings volatility related to changes in benchmark interest rates. For additional discussion of our fair value hedge accounting policy, see “Note 1, Summary of Significant Accounting Policies” in our 2022 Form 10-K.

Notional and Fair Value Position of our Derivatives

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

	As of June 30, 2023			As of December 31, 2022		
		Estimated Fair Value			Estimated Fair Value	
	Notional Amount	Asset Derivatives	Liability Derivatives	Notional Amount	Asset Derivatives	Liability Derivatives
	(Dollars in millions)					
Risk management derivatives designated as hedging instruments:						
Swaps:[1]						
Pay-fixed	**$ 3,371**	**$ —**	**$ —**	$ 5,582	$ —	$ —
Receive-fixed	**27,319**	**—**	**—**	33,276	—	—
Total risk management derivatives designated as hedging instruments	**30,690**	**—**	**—**	38,858	—	—
Risk management derivatives not designated as hedging instruments:						
Swaps:[1]						
Pay-fixed	**134,023**	**—**	**—**	97,808	—	—
Receive-fixed	**171,397**	**43**	**(4,099)**	99,799	1	(4,525)
Basis	**250**	**36**	**—**	41,250	25	—
Foreign currency	**315**	**—**	**(88)**	300	—	(98)
Swaptions:[1]						
Pay-fixed	**5,816**	**176**	**(12)**	5,286	204	(18)
Receive-fixed	**2,666**	**9**	**(51)**	2,136	7	(45)
Futures[1]	**13**	**—**	**—**	—	—	—
Total risk management derivatives not designated as hedging instruments	**314,480**	**264**	**(4,250)**	246,579	237	(4,686)
Netting adjustment[2]	**—**	**(218)**	**4,227**	—	(154)	4,662
Total risk management derivatives portfolio	**345,170**	**46**	**(23)**	285,437	83	(24)
Mortgage commitment derivatives:						
Mortgage commitments to purchase whole loans	**4,495**	**1**	**(14)**	2,596	4	(8)
Forward contracts to purchase mortgage-related securities	**24,325**	**19**	**(88)**	17,808	50	(57)
Forward contracts to sell mortgage-related securities	**47,712**	**32**	**(102)**	35,302	35	(13)
Total mortgage commitment derivatives	**76,532**	**52**	**(204)**	55,706	89	(78)
Credit enhancement derivatives	**26,364**	**47**	**(70)**	23,784	3	(66)
Derivatives at fair value	**$ 448,066**	**$ 145**	**$ (297)**	$ 364,927	$ 175	$ (168)

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

(2) The netting adjustment represents the effect of the legal right to offset under legally enforceable master netting arrangements to settle with the same counterparty on a net basis, including cash collateral posted and received. Cash collateral posted was $4.0 billion and $4.5 billion as of June 30, 2023 and December 31, 2022, respectively. Cash collateral received was $26 million and $5 million as of June 30, 2023 and December 31, 2022, respectively.

We record all gains and losses, including accrued interest, on derivatives while they are not in a qualifying designated hedging relationship in “Fair value gains, 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,	
	2023	**2022**	**2023**	**2022**
	(Dollars in millions)			
Risk management derivatives:				
Swaps:				
Pay-fixed	**$ 1,858**	$ 1,174	**$ 268**	$ 3,299
Receive-fixed	**(1,010)**	(1,106)	**562**	(3,366)
Basis	**15**	(63)	**28**	(131)
Foreign currency	**2**	(36)	**10**	(60)
Swaptions:				
Pay-fixed	**12**	54	**(21)**	98
Receive-fixed	**(2)**	(10)	**(3)**	(13)
Futures	**1**	(1)	**1**	(1)
Net contractual interest expense on interest-rate swaps	**(128)**	(28)	**(306)**	(39)
Total risk management derivatives fair value gains (losses), net	**748**	(16)	**539**	(213)
Mortgage commitment derivatives fair value gains, net	**198**	844	**84**	2,416
Credit enhancement derivatives fair value gains (losses), net	**29**	(29)	**14**	(51)
Total derivatives fair value gains, net	**$ 975**	$ 799	**$ 637**	$ 2,152

Effect of Fair Value Hedge Accounting

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

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2023		2022		2023		2022	
	Interest Income: Mortgage Loans	Interest Expense: Long-Term Debt	Interest Income: Mortgage Loans	Interest Expense: Long-Term Debt	Interest Income: Mortgage Loans	Interest Expense: Long-Term Debt	Interest Income: Mortgage Loans	Interest Expense: Long-Term Debt
	(Dollars in millions)							
Total amounts presented in our condensed consolidated statements of operations and comprehensive income	**$ 32,655**	**$ (27,122)**	$ 29,082	$ (21,642)	**$ 64,792**	**$ (53,787)**	$ 56,224	$ (41,582)
Gains (losses) from fair value hedging relationships:								
Mortgage loans HFI and related interest-rate contracts:								
Hedged items	**$ (144)**	**$ —**	$ (344)	$ —	**$ 33**	**$ —**	$ (582)	$ —
Discontinued hedge related basis adjustment amortization	**9**	**—**	5	—	**20**	**—**	5	—
Derivatives designated as hedging instruments	**132**	**—**	337	—	**(82)**	**—**	564	—
Interest accruals on hedging instruments	**27**	**—**	(9)	—	**53**	**—**	(17)	—
Debt of Fannie Mae and related interest-rate contracts:								
Hedged items	**—**	**669**	—	748	**—**	**430**	—	2,371
Discontinued hedge-related basis adjustment amortization	**—**	**(199)**	—	(119)	**—**	**(395)**	—	(184)
Derivatives designated as hedging instruments	**—**	**(503)**	—	(568)	**—**	**(71)**	—	(2,092)
Interest accruals on derivative hedging instruments	**—**	**(293)**	—	7	**—**	**(522)**	—	54
Total effect of fair value hedges	**$ 24**	**$ (326)**	$ (11)	$ 68	**$ 24**	**$ (558)**	$ (30)	$ 149

Hedged Items in Fair Value Hedging Relationships

The following table displays the carrying amounts of the hedged items that have been in qualifying fair value hedges recorded in our condensed consolidated balance sheets, including the hedged item's cumulative basis adjustments and the closed portfolio balances under the portfolio layer method. The hedged item carrying amounts and total basis adjustments include both open and discontinued hedges. The amortized cost and designated UPB consists only of open hedges as of June 30, 2023 and December 31, 2022.

	As of June 30, 2023				
		Cumulative Amount of Fair Value Hedging Basis Adjustments Included in the Carrying Amount		Closed Portfolio of Mortgage Loans Under Portfolio Layer Method	
	Carrying Amount Assets (Liabilities)	Total Basis Adjustments[1][2]	Remaining Adjustments - Discontinued Hedge	Total Amortized Cost	Designated UPB
	(Dollars in millions)				
Mortgage loans HFI	$ 356,930	$ (575)	$ (575)	$ 171,706	$ 3,186
Debt of Fannie Mae	(70,459)	4,747	4,747	N/A	N/A

	As of December 31, 2022				
		Cumulative Amount of Fair Value Hedging Basis Adjustments Included in the Carrying Amount		Closed Portfolio of Mortgage Loans Under Portfolio Layer Method	
	Carrying Amount Assets (Liabilities)	Total Basis Adjustments[1][2]	Remaining Adjustments - Discontinued Hedge	Total Amortized Cost	Designated UPB
	(Dollars in millions)				
Mortgage loans HFI	$ 293,788	$ (628)	$ (628)	$ 98,377	$ 5,187
Debt of Fannie Mae	(73,790)	4,713	4,713	N/A	N/A

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

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

Derivative Counterparty Credit Exposure

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

See "Note 11, Netting Arrangements" for information on our rights to offset assets and liabilities as of June 30, 2023 and December 31, 2022.

9. Segment Reporting

We have two reportable business segments, which are based on the type of business activities each perform: Single-Family and Multifamily. Results of our two business segments are intended to reflect each segment as if it were a stand-alone business. The sum of the results for our two business segments equals our condensed consolidated results of operations. For additional information related to our business segments, including basis of organization and other segment activities, see "Note 10, Segment Reporting" in our 2022 Form 10-K.

Segment Allocations and Results

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

The following tables display our segment results.

	For the Three Months Ended June 30,					
	2023			2022		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
	(Dollars in millions)					
Net interest income[1]	**$ 5,917**	**$ 1,118**	**$ 7,035**	$ 6,573	$ 1,235	$ 7,808
Fee and other income[2]	**52**	**18**	**70**	60	21	81
Net revenues	**5,969**	**1,136**	**7,105**	6,633	1,256	7,889
Investment gains (losses), net[3]	**27**	**(2)**	**25**	(27)	(22)	(49)
Fair value gains (losses), net[4]	**460**	**(56)**	**404**	543	(14)	529
Administrative expenses	**(718)**	**(146)**	**(864)**	(671)	(124)	(795)
Benefit (provision) for credit losses[5]	**1,418**	**(152)**	**1,266**	(206)	(12)	(218)
TCCA fees[6]	**(856)**	**—**	**(856)**	(841)	—	(841)
Credit enhancement expense[7]	**(327)**	**(57)**	**(384)**	(270)	(62)	(332)
Change in expected credit enhancement recoveries[8]	**(223)**	**63**	**(160)**	(43)	(4)	(47)
Other expenses, net	**(203)**	**(54)**	**(257)**	(224)	(37)	(261)
Income before federal income taxes	**5,547**	**732**	**6,279**	4,894	981	5,875
Provision for federal income taxes	**(1,153)**	**(132)**	**(1,285)**	(1,008)	(214)	(1,222)
Net income	**$ 4,394**	**$ 600**	**$ 4,994**	$ 3,886	$ 767	$ 4,653

	For the Six Months Ended June 30,					
	2023			2022		
	Single-Family	Multifamily	Total	Single-Family	Multifamily	Total
	(Dollars in millions)					
Net interest income[1]	**$ 11,589**	**$ 2,232**	**$ 13,821**	$ 12,828	$ 2,379	$ 15,207
Fee and other income[2]	**100**	**33**	**133**	121	43	164
Net revenues	**11,689**	**2,265**	**13,954**	12,949	2,422	15,371
Investment gains (losses), net[3]	**(44)**	**2**	**(42)**	(93)	(58)	(151)
Fair value gains (losses), net[4]	**626**	**(18)**	**608**	1,070	(61)	1,009
Administrative expenses	**(1,438)**	**(294)**	**(1,732)**	(1,354)	(249)	(1,603)
Benefit (provision) for credit losses[5]	**1,465**	**(331)**	**1,134**	(476)	18	(458)
TCCA fees[6]	**(1,711)**	**—**	**(1,711)**	(1,665)	—	(1,665)
Credit enhancement expense[7]	**(614)**	**(111)**	**(725)**	(480)	(130)	(610)
Change in expected credit enhancement recoveries[8]	**(128)**	**88**	**(40)**	26	(13)	13
Other expenses, net	**(319)**	**(68)**	**(387)**	(388)	(70)	(458)
Income before federal income taxes	**9,526**	**1,533**	**11,059**	9,589	1,859	11,448
Provision for federal income taxes	**(2,000)**	**(293)**	**(2,293)**	(1,994)	(393)	(2,387)
Net income	**$ 7,526**	**$ 1,240**	**$ 8,766**	$ 7,595	$ 1,466	$ 9,061

(1) Net interest income primarily consists of guaranty fees received as compensation for assuming and managing the credit risk on loans underlying Fannie Mae MBS held by third parties for the respective business segment, and the difference between the interest income earned on the respective business segment's mortgage assets in our retained mortgage portfolio and our other investments portfolio and the interest expense associated with the debt funding those assets. Revenues from single-family guaranty fees include revenues

generated by the 10 basis point increase in guaranty fees pursuant to the TCCA, the incremental revenue from which is remitted to Treasury and not retained by us. Also includes yield maintenance revenue we recognized on the prepayment of multifamily loans.

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

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

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

(5) Benefit (provision) for credit losses is based on loans underlying the segment’s guaranty book of business.

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

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

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

10. Concentrations of Credit Risk

Risk Characteristics of our Guaranty Book of Business

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

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

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

Single-Family Credit Risk Characteristics

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

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

	As of					
	June 30, 2023			December 31, 2022		
	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent(1)	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent(1)
Percentage of single-family conventional guaranty book of business based on UPB	**0.75 %**	**0.19 %**	**0.53 %**	0.84 %	0.20 %	0.60 %
Percentage of single-family conventional loans based on loan count	**0.84**	**0.21**	**0.55**	0.96	0.23	0.65

	As of			
	June 30, 2023		December 31, 2022	
	Percentage of Single-Family Conventional Guaranty Book of Business Based on UPB	Serious Delinquency Rate[1]	Percentage of Single-Family Conventional Guaranty Book of Business Based on UPB	Serious Delinquency Rate[1]
Estimated mark-to-market LTV ratio:				
80.01% to 90%	**5 %**	**0.68 %**	5 %	0.68 %
90.01% to 100%	**2**	**0.54**	3	0.40
Greater than 100%	*****	**4.00**	*	4.04
Geographical distribution:				
California	**19**	**0.41**	19	0.46
Florida	**6**	**0.71**	6	0.90
Illinois	**3**	**0.71**	3	0.86
New Jersey	**3**	**0.69**	3	0.85
New York	**5**	**0.96**	5	1.12
All other states	**64**	**0.52**	64	0.62
Vintages:				
2008 and prior	**2**	**2.62**	2	2.78
2009-2023	**98**	**0.45**	98	0.53

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

(1) Based on loan count, consists of single-family conventional loans that were 90 days or more past due or in the foreclosure process as of June 30, 2023 or December 31, 2022.

Multifamily Credit Risk Characteristics

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

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

	As of			
	June 30, 2023[1]		December 31, 2022[1]	
	30 Days Delinquent	Seriously Delinquent[2]	30 Days Delinquent	Seriously Delinquent[2]
Percentage of multifamily guaranty book of business	**0.13 %**	**0.37 %**	0.04 %	0.24 %

	As of			
	June 30, 2023		December 31, 2022	
	Percentage of Multifamily Guaranty Book of Business[1]	Serious Delinquency Rate[2][3]	Percentage of Multifamily Guaranty Book of Business[1]	Serious Delinquency Rate[2][3]
Original LTV ratio:				
Greater than 80%	**1 %**	**0.10 %**	1 %	0.85 %
Less than or equal to 80%	**99**	**0.38**	99	0.24
Current DSCR below 1.0[4]	**3**	**8.03**	3	3.88

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

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

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

(4) Our estimates of current DSCRs are based on the latest available income information covering a 12 month period, from quarterly and annual statements for these properties including the related debt service.

Other Concentrations

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

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

	As of			
	June 30, 2023		December 31, 2022	
	Risk in Force	Percentage of Single-Family Conventional Guaranty Book of Business	Risk in Force	Percentage of Single-Family Conventional Guaranty Book of Business
	(Dollars in millions)			
Mortgage insurance risk in force:				
Primary mortgage insurance	**$ 196,139**		$ 193,549	
Pool mortgage insurance	**233**		237	
Total mortgage insurance risk in force	**$ 196,372**	**5%**	$ 193,786	5%

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

	Percentage of Risk-in-Force Coverage by Mortgage Insurer	
	As of	
	June 30, 2023	December 31, 2022
Counterparty:[1]		
Mortgage Guaranty Insurance Corp.	**19 %**	19 %
Arch Capital Group Ltd.	**18**	18
Radian Guaranty, Inc.	**17**	17
Enact Mortgage Insurance Corp.	**17**	17
Essent Guaranty, Inc.	**16**	16
National Mortgage Insurance Corp.	**12**	12
Others	**1**	1
Total	**100 %**	100 %

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

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

When we estimate the credit losses that are inherent in our mortgage loans and under the terms of our guaranty obligations, we also consider the recoveries that we expect to receive from primary mortgage insurance, as mortgage insurance recoveries reduce the severity of the loss associated with defaulted loans if the borrower defaults and title to the property is subsequently transferred. Mortgage insurance does not cover credit losses that result from a reduction in mortgage interest paid by the borrower in connection with a loan modification, forbearance of principal, or forbearance of scheduled loan payments. We evaluate the financial condition of our mortgage insurer counterparties and adjust the contractually due recovery amounts to ensure that expected credit losses as of the balance sheet date are included in our loss reserve estimate. As a result, if our assessment of one or more of our mortgage insurer counterparties' ability to fulfill their respective obligations to us worsens, it could increase our loss reserves. As of June 30, 2023 and December 31, 2022, our estimated benefit from mortgage insurance, which is based on estimated credit losses as of period end, reduced our loss reserves by $1.8 billion and $2.2 billion, respectively.

As of June 30, 2023 and December 31, 2022, we had outstanding receivables of $516 million and $515 million, respectively, recorded in "Other assets" in our condensed consolidated balance sheets related to amounts claimed on insured, defaulted loans excluding government-insured loans. As of June 30, 2023 and December 31, 2022, we assessed these outstanding receivables for collectability, and established a valuation allowance of $462 million.

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

Our business with mortgage servicers is concentrated. The table below displays the percentage of our single-family guaranty book of business serviced by our top five depository single-family mortgage servicers and top five non-depository single-family mortgage servicers (i.e., servicers that are not insured depository institutions) based on unpaid principal balance. There were no servicers that serviced 10% or more of our single-family guaranty book of business as of June 30, 2023 or December 31, 2022.

	Percentage of Single-Family Guaranty Book of Business	
	As of	
	June 30, 2023	**December 31, 2022**
Top five depository servicers	**23 %**	22 %
Top five non-depository servicers	**23**	23
Total	**46 %**	45 %

The table below displays the percentage of our multifamily guaranty book of business serviced by our top five depository multifamily mortgage servicers and top five non-depository multifamily mortgage servicers. As of June 30, 2023, Walker & Dunlop, Inc. and Wells Fargo Bank, N.A. (together with its affiliates) serviced 13% and 10%, respectively, of our multifamily guaranty book of business based on unpaid principal balance, compared with 13% and 11% as of December 31, 2022.

	Percentage of Multifamily Guaranty Book of Business	
	As of	
	June 30, 2023	**December 31, 2022**
Top five depository servicers	**28 %**	28 %
Top five non-depository servicers	**43**	43
Total	**71 %**	71 %

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

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

11. Netting Arrangements

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

	As of June 30, 2023					
				Amounts Not Offset in our Condensed Consolidated Balance Sheets		
	Gross Amount	Gross Amount Offset[1]	Net Amount Presented in our Condensed Consolidated Balance Sheets	Financial Instruments[2]	Collateral[3]	Net Amount
	(Dollars in millions)					
Assets:						
OTC risk management derivatives	$ 264	$ (226)	$ 38	$ —	$ —	$ 38
Cleared risk management derivatives	—	8	8	—	—	8
Mortgage commitment derivatives	52	—	52	(36)	(16)	—
Total derivative assets	316	(218)	98 [4]	(36)	(16)	46
Securities purchased under agreements to resell[5]	76,250	—	76,250	—	(76,250)	—
Total assets	$ 76,566	$ (218)	$ 76,348	$ (36)	$ (76,266)	$ 46
Liabilities:						
OTC risk management derivatives	$ (4,250)	$ 4,249	$ (1)	$ —	$ —	$ (1)
Cleared risk management derivatives	—	(22)	(22)	—	22	—
Mortgage commitment derivatives	(204)	—	(204)	36	84	(84)
Total liabilities	$ (4,454)	$ 4,227	$ (227) [4]	$ 36	$ 106	$ (85)

	As of December 31, 2022					
				Amounts Not Offset in our Condensed Consolidated Balance Sheets		
	Gross Amount	Gross Amount Offset[1]	Net Amount Presented in our Condensed Consolidated Balance Sheets	Financial Instruments[2]	Collateral[3]	Net Amount
	(Dollars in millions)					
Assets:						
OTC risk management derivatives	$ 237	$ (234)	$ 3	$ —	$ —	$ 3
Cleared risk management derivatives	—	80	80	—	—	80
Mortgage commitment derivatives	89	—	89	(50)	(12)	27
Total derivative assets	326	(154)	172 [4]	(50)	(12)	110
Securities purchased under agreements to resell[5]	69,415	—	69,415	—	(69,415)	—
Total assets	$ 69,741	$ (154)	$ 69,587	$ (50)	$ (69,427)	$ 110
Liabilities:						
OTC risk management derivatives	$ (4,686)	$ 4,662	$ (24)	$ —	$ —	$ (24)
Cleared risk management derivatives	—	—	—	—	—	—
Mortgage commitment derivatives	(78)	—	(78)	50	7	(21)
Total liabilities	$ (4,764)	$ 4,662	$ (102) [4]	$ 50	$ 7	$ (45)

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

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

(3) Represents collateral received that has not been recognized and not offset in our condensed consolidated balance sheets, as well as collateral posted which has been recognized but not offset in our condensed consolidated balance sheets. Does not include collateral held or posted in excess of our exposure. The fair value of non-cash collateral we pledged which the counterparty was permitted to sell or repledge was $2.0 billion and $2.1 billion as of June 30, 2023 and December 31, 2022, respectively. The fair value of non-cash collateral received was $76.3 billion and $69.5 billion, of which $39.4 billion and $28.7 billion could be sold or repledged as of June 30, 2023 and December 31, 2022, respectively. None of the underlying collateral was sold or repledged as of June 30, 2023 or December 31, 2022.

(4) Excludes derivative assets of $47 million and $3 million as of June 30, 2023 and December 31, 2022, respectively, and derivative liabilities of $70 million and $66 million recognized in our condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022, respectively, that were not subject to enforceable master netting arrangements.

(5) Includes $38.4 billion and $45.2 billion in securities purchased under agreements to resell classified as “Cash and cash equivalents” in our condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022, respectively. Includes $4.8 billion and $9.7 billion in securities purchased under agreements to resell classified as “Restricted cash and cash equivalents” in our condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022, respectively.

Derivative instruments are recorded at fair value and securities purchased under agreements to resell are recorded at amortized cost in our condensed consolidated balance sheets. For a discussion of how we determine our rights to offset the assets and liabilities presented above with the same counterparty, including collateral posted or received, see “Note 14, Netting Arrangements” in our 2022 Form 10-K.

12. Fair Value

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

Fair Value Measurement

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

We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. See “Note 15, Fair Value” in our 2022 Form 10-K for information on the valuation control processes and the valuation techniques we use for fair value measurement and disclosure as well as our basis for classifying these measurements as Level 1, Level 2 or Level 3 of the valuation hierarchy in more specific situations. If the inputs used to measure assets or liabilities at fair value change, it may also result in a change in classification between Levels 1, 2, and 3. We made no material changes to the valuation control processes or the valuation techniques for the six months ended June 30, 2023.

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, 2023				
	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	$ —	$ 2,330	$ 28	$ —	$ 2,358
Non-mortgage-related[2]	48,207	20	—	—	48,227
Total trading securities	48,207	2,350	28	—	50,585
Available-for-sale securities:					
Agency[3]	—	49	356	—	405
Other mortgage-related	—	6	235	—	241
Total available-for-sale securities	—	55	591	—	646
Mortgage loans	—	2,923	510	—	3,433
Derivative assets	—	281	82	(218)	145
Total assets at fair value	$ 48,207	$ 5,609	$ 1,211	$ (218)	$ 54,809
Liabilities:					
Long-term debt:					
Of Fannie Mae	$ —	$ 628	$ 256	$ —	$ 884
Of consolidated trusts	—	15,047	125	—	15,172
Total long-term debt	—	15,675	381	—	16,056
Derivative liabilities	—	4,454	70	(4,227)	297
Total liabilities at fair value	$ —	$ 20,129	$ 451	$ (4,227)	$ 16,353

	Fair Value Measurements as of December 31, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment[1]	Estimated Fair Value
			(Dollars in millions)		
Recurring fair value measurements:					
Assets:					
Trading securities:					
Mortgage-related	$ —	$ 3,164	$ 47	$ —	$ 3,211
Non-mortgage-related[2]	46,898	20	—	—	46,918
Total trading securities	46,898	3,184	47	—	50,129
Available-for-sale securities:					
Agency[3]	—	55	371	—	426
Other mortgage-related	—	7	263	—	270
Total available-for-sale securities	—	62	634	—	696
Mortgage loans	—	3,102	543	—	3,645
Derivative assets	—	300	29	(154)	175
Total assets at fair value	$ 46,898	$ 6,648	$ 1,253	$ (154)	$ 54,645
Liabilities:					
Long-term debt:					
Of Fannie Mae	$ —	$ 919	$ 242	$ —	$ 1,161
Of consolidated trusts	—	16,124	136	—	16,260
Total long-term debt	—	17,043	378	—	17,421
Derivative liabilities	—	4,764	66	(4,662)	168
Total liabilities at fair value	$ —	$ 21,807	$ 444	$ (4,662)	$ 17,589

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

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

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

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

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
For the Three Months Ended June 30, 2023

		Total Gains (Losses) (Realized/Unrealized)										
	Balance, March 31, 2023	Included in Net Income	Included in Total OCI (Loss)[1]	Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3	Transfers into Level 3	Balance, June 30, 2023	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2023[4][5]	Net Unrealized Gains (Losses) Included in OCI Related to Assets and Liabilities Still Held as of June 30, 2023[1]
	(Dollars in millions)											
Trading securities:												
Mortgage-related	$ 32	$ (2) [5][6]	$ —	$ —	$ —	$ —	$ —	$ (2)	$ —	$ 28	$ (1)	$ —
Available-for-sale securities:												
Agency	$ 362	$ 1	$ 2	$ —	$ —	$ —	$ (9)	$ —	$ —	$ 356	$ —	$ 2
Other mortgage-related	260	3	1	—	—	—	(28)	(1)	—	235	—	1
Total available-for-sale securities	$ 622	$ 4 [6][7]	$ 3	$ —	$ —	$ —	$ (37)	$ (1)	$ —	$ 591	$ —	$ 3
Mortgage loans	$ 526	$ (4) [5][6]	$ —	$ —	$ —	$ —	$ (20)	$ (6)	$ 14	$ 510	$ (5)	$ —
Net derivatives	(38)	38 [5]	—	—	—	—	12	—	—	12	51	—
Long-term debt:												
Of Fannie Mae	$ (250)	$ (6) [5]	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (256)	$ (6)	$ —
Of consolidated trusts	(133)	2 [5][6]	—	—	—	—	6	—	—	(125)	2	—
Total long-term debt	$ (383)	$ (4)	$ —	$ —	$ —	$ —	$ 6	$ —	$ —	$ (381)	$ (4)	$ —

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
For the Six Months Ended June 30, 2023

	Balance, December 31, 2022	Total Gains (Losses) (Realized/Unrealized) Included in Net Income	Total Gains (Losses) (Realized/Unrealized) Included in Total OCI (Loss)[1]	Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3	Transfers into Level 3	Balance, June 30, 2023	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2023[4][5]	Net Unrealized Gains (Losses) Included in OCI Related to Assets and Liabilities Still Held as of June 30, 2023[1]
	(Dollars in millions)											
Trading securities:												
Mortgage-related	$ 47	$ (8) [5][6]	$ —	$ —	$ —	$ —	$ —	$ (11)	$ —	$ 28	$ (5)	$ —
Available-for-sale securities:												
Agency	$ 371	$ 1	$ 1	$ —	$ —	$ —	$ (17)	$ —	$ —	$ 356	$ —	$ 1
Other mortgage-related	263	5	5	—	—	—	(38)	(1)	1	235	—	3
Total available-for-sale securities	$ 634	$ 6 [6][7]	$ 6	$ —	$ —	$ —	$ (55)	$ (1)	$ 1	$ 591	$ —	$ 4
Mortgage loans	$ 543	$ 3 [5][6]	$ —	$ —	$ —	$ —	$ (45)	$ (15)	$ 24	$ 510	$ 1	$ —
Net derivatives	(37)	32 [5]	—	—	—	—	17	—	—	12	49	—
Long-term debt:												
Of Fannie Mae	$ (242)	$ (14) [5]	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (256)	$ (14)	$ —
Of consolidated trusts	(136)	— [5][6]	—	—	—	—	11	—	—	(125)	—	—
Total long-term debt	$ (378)	$ (14)	$ —	$ —	$ —	$ —	$ 11	$ —	$ —	$ (381)	$ (14)	$ —

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
For the Three Months Ended June 30, 2022

	Balance, March 31, 2022	Total Gains (Losses) (Realized/Unrealized) Included in Net Income	Total Gains (Losses) (Realized/Unrealized) Included in Total OCI (Loss)[1]	Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3	Transfers into Level 3	Balance, June 30, 2022	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2022[4][5]	Net Unrealized Gains (Losses) Included in OCI Related to Assets and Liabilities Still Held as of June 30, 2022[1]
	(Dollars in millions)											
Trading securities:												
Mortgage-related	$ 47	$ (2) [5][6]	$ —	$ —	$ —	$ —	$ (1)	$ (5)	$ 37	$ 76	$ (1)	$ —
Available-for-sale securities:												
Agency	$ 418	$ —	$ —	$ —	$ —	$ —	$ (14)	$ —	$ —	$ 404	$ —	$ (1)
Other mortgage-related	309	—	(1)	—	—	—	(19)	—	—	289	—	(1)
Total available-for-sale securities	$ 727	$ — [6][7]	$ (1)	$ —	$ —	$ —	$ (33)	$ —	$ —	$ 693	$ —	$ (2)
Mortgage loans	$ 668	$ (23) [5][6]	$ —	$ —	$ (2)	$ —	$ (41)	$ (16)	$ 13	$ 599	$ (23)	$ —
Net derivatives	57	(75) [5]	—	—	—	—	11	—	—	(7)	(64)	—
Long-term debt:												
Of Fannie Mae	$ (307)	$ 54 [5]	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (253)	$ 54	$ —
Of consolidated trusts	(161)	— [5][6]	—	—	—	—	9	—	—	(152)	1	—
Total long-term debt	$ (468)	$ 54	$ —	$ —	$ —	$ —	$ 9	$ —	$ —	$ (405)	$ 55	$ —

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
For the Six Months Ended June 30, 2022

	Balance, December 31, 2021	Total Gains (Losses) (Realized/Unrealized) Included in Net Income	Total Gains (Losses) (Realized/Unrealized) Included in Total OCI (Loss)[1]	Purchases[2]	Sales[2]	Issues[3]	Settlements[3]	Transfers out of Level 3	Transfers into Level 3	Balance, June 30, 2022	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2022[4][5]	Net Unrealized Gains (Losses) Included in OCI Related to Assets and Liabilities Still Held as of June 30, 2022[1]
	(Dollars in millions)											
Trading securities:												
Mortgage-related	$ 57	$ (8) [5][6]	$ —	$ —	$ —	$ —	$ (1)	$ (14)	$ 42	$ 76	$ (3)	$ —
Available-for-sale securities:												
Agency	$ 431	$ 1	$ (4)	$ —	$ —	$ —	$ (24)	$ —	$ —	$ 404	$ —	$ (3)
Other mortgage-related	322	(8)	(2)	—	—	—	(22)	(2)	1	289	—	(2)
Total available-for-sale securities	$ 753	$ (7) [6][7]	$ (6)	$ —	$ —	$ —	$ (46)	$ (2)	$ 1	$ 693	$ —	$ (5)
Mortgage loans	$ 755	$ (48) [5][6]	$ —	$ —	$ (2)	$ —	$ (82)	$ (60)	$ 36	$ 599	$ (42)	$ —
Net derivatives	131	(157) [5]	—	—	—	—	19	—	—	(7)	(138)	—
Long-term debt:												
Of Fannie Mae	$ (373)	$ 120 [5]	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (253)	$ 120	$ —
Of consolidated trusts	(95)	2 [5][6]	—	—	—	(86)	27	1	(1)	(152)	3	—
Total long-term debt	$ (468)	$ 122	$ —	$ —	$ —	$ (86)	$ 27	$ 1	$ (1)	$ (405)	$ 123	$ —

[1] Gains (losses) included in “Other comprehensive income (loss)” in our condensed consolidated statements of operations and comprehensive income.
[2] Purchases and sales include activity related to the consolidation and deconsolidation of assets of securitization trusts.
[3] Issues and settlements include activity related to the consolidation and deconsolidation of liabilities of securitization trusts.
[4] Amount represents temporary changes in fair value. Amortization, accretion and the impairment of credit losses are not considered unrealized and are not included in this amount.
[5] Gains (losses) are included in “Fair value gains, net” in our condensed consolidated statements of operations and comprehensive income.
[6] Gains (losses) included in “Net interest income” in our condensed consolidated statements of operations and comprehensive income includes amortization of cost basis adjustments.
[7] Gains (losses) are included in “Investment gains (losses), net” in our condensed consolidated statements of operations and comprehensive income.

The following tables display valuation techniques and the range and the weighted average of significant unobservable inputs for our Level 3 assets and liabilities measured at fair value on a recurring basis, excluding instruments for which we have elected the fair value option. Changes in these unobservable inputs can result in significantly higher or lower fair value measurements of these assets and liabilities as of the reporting date.

	Fair Value Measurements as of June 30, 2023				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1][2]
			(Dollars in millions)		
Recurring fair value measurements:					
Trading securities:					
Mortgage-related[3]	$ 28	Various			
Available-for-sale securities:					
Agency[3]	356	Consensus			
Other mortgage-related	116	Discounted Cash Flow	Spreads (bps)	498.0 - 528.0	513.6
	91	Single Vendor			
	28	Various			
Total other mortgage-related	235				
Total available-for-sale securities	$ 591				
Net derivatives	$ 36	Dealer Mark			
	(24)	Discounted Cash Flow			
Total net derivatives	$ 12				

	Fair Value Measurements as of December 31, 2022				
	Fair Value	Significant Valuation Techniques	Significant Unobservable Inputs[1]	Range[1]	Weighted - Average[1][2]
			(Dollars in millions)		
Recurring fair value measurements:					
Trading securities:					
Mortgage-related[3]	$ 47	Various			
Available-for-sale securities:					
Agency[3]	371	Consensus			
Other mortgage-related	142	Discounted Cash Flow	Spreads (bps)	531.0 - 582.0	557.7
	96	Single Vendor			
	25	Various			
Total other mortgage-related	263				
Total available-for-sale securities	$ 634				
Net derivatives	$ 25	Dealer Mark			
	(62)	Discounted Cash Flow			
Total net derivatives	$ (37)				

(1) Valuation techniques for which no unobservable inputs are disclosed generally reflect the use of third-party pricing services or dealers, and the range of unobservable inputs applied by these sources is not readily available or cannot be reasonably estimated. Where we have disclosed unobservable inputs for consensus and single vendor techniques, those inputs are based on our validations performed at the security level using discounted cash flows.

(2) Unobservable inputs were weighted by the relative fair value of the instruments.

(3) Includes Fannie Mae and Freddie Mac securities.

In our condensed consolidated balance sheets, certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when we evaluate loans for impairment). We held no Level 1 assets or liabilities that were measured at fair value on a nonrecurring basis as of June 30, 2023 or December 31, 2022. We held $23 million and $30 million in Level 2 assets as of June 30, 2023 and December 31, 2022, respectively, composed of mortgage loans held for sale that were impaired. We held no Level 2 or Level 3 liabilities that were measured at fair value on a nonrecurring basis as of June 30, 2023 or December 31, 2022.

The following table displays valuation techniques for our Level 3 assets measured at fair value on a nonrecurring basis.

	Valuation Techniques	Fair Value Measurements as of June 30, 2023	Fair Value Measurements as of December 31, 2022
		(Dollars in millions)	
Nonrecurring fair value measurements:			
Mortgage loans:[1]			
Mortgage loans held for sale, at lower of cost or fair value	Consensus	**$ 209**	$ 1,571
	Single Vendor	**97**	92
Total mortgage loans held for sale, at lower of cost or fair value		**306**	1,663
Single-family mortgage loans held for investment, at amortized cost	Internal Model	**815**	1,636
Multifamily mortgage loans held for investment, at amortized cost	Appraisal	**49**	3
	Broker Price Opinion	**773**	614
	Internal Model	**183**	27
Total multifamily mortgage loans held for investment, at amortized cost		**1,005**	644
Acquired property, net:			
Single-family	Accepted Offer	**22**	17
	Appraisal	**35**	65
	Internal Model	**202**	215
	Walk Forward	**94**	91
	Various	**13**	12
Total single-family		**366**	400
Multifamily	Various	**62**	119
Total nonrecurring assets at fair value		**$ 2,554**	$ 4,462

(1) When we measure impairment, including recoveries, based on the fair value of the loan or the underlying collateral and impairment is recorded on any component of the mortgage loan, including accrued interest receivable and amounts due from the borrower for advances of taxes and insurance, we present the entire fair value measurement amount with the corresponding mortgage loan.

Fair Value of Financial Instruments

The following table displays the carrying value and estimated fair value of our financial instruments. The fair value of financial instruments we disclose includes commitments to purchase multifamily and single-family mortgage loans that we do not record in our condensed consolidated balance sheets. The fair values of these commitments are included as “Mortgage loans held for investment, net of allowance for loan losses.” The disclosure excludes all non-financial instruments; therefore, the fair value of our financial assets and liabilities does not represent the underlying fair value of our total consolidated assets and liabilities.

	As of June 30, 2023					
	Carrying Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Netting Adjustment**	**Estimated Fair Value**
	(Dollars in millions)					
Financial assets:						
Cash and cash equivalents, including restricted cash and cash equivalents	$ 79,435	$ 36,235	$ 43,200	$ —	$ —	$ 79,435
Securities purchased under agreements to resell	33,050	—	33,050	—	—	33,050
Trading securities	50,585	48,207	2,350	28	—	50,585
Available-for-sale securities	646	—	55	591	—	646
Mortgage loans held for sale	513	—	31	495	—	526
Mortgage loans held for investment, net of allowance for loan losses	4,120,612	—	3,455,655	166,079	—	3,621,734
Advances to lenders	3,483	—	3,483	—	—	3,483
Derivative assets at fair value	145	—	281	82	(218)	145
Guaranty assets and buy-ups	78	—	—	162	—	162
Total financial assets	$ 4,288,547	$ 84,442	$ 3,538,105	$ 167,437	$ (218)	$ 3,789,766
Financial liabilities:						
Short-term debt:						
Of Fannie Mae	$ 15,628	$ —	$ 15,619	$ —	$ —	$ 15,619
Long-term debt:						
Of Fannie Mae	122,068	—	121,057	574	—	121,631
Of consolidated trusts	4,094,654	—	3,533,579	39,567	—	3,573,146
Derivative liabilities at fair value	297	—	4,454	70	(4,227)	297
Guaranty obligations	85	—	—	65	—	65
Total financial liabilities	$ 4,232,732	$ —	$ 3,674,709	$ 40,276	$ (4,227)	$ 3,710,758

	As of December 31, 2022					
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment	Estimated Fair Value
	(Dollars in millions)					
Financial assets:						
Cash and cash equivalents, including restricted cash and cash equivalents	$ 87,841	$ 32,991	$ 54,850	$ —	$ —	$ 87,841
Securities purchased under agreements to resell	14,565	—	14,565	—	—	14,565
Trading securities	50,129	46,898	3,184	47	—	50,129
Available-for-sale securities	696	—	62	634	—	696
Mortgage loans held for sale	2,033	—	48	2,029	—	2,077
Mortgage loans held for investment, net of allowance for loan losses	4,112,403	—	3,437,979	171,857	—	3,609,836
Advances to lenders	1,502	—	1,502	—	—	1,502
Derivative assets at fair value	175	—	300	29	(154)	175
Guaranty assets and buy-ups	87	—	—	166	—	166
Total financial assets	$ 4,269,431	$ 79,889	$ 3,512,490	$ 174,762	$ (154)	$ 3,766,987
Financial liabilities:						
Short-term debt:						
Of Fannie Mae	$ 10,204	$ —	$ 10,208	$ —	$ —	$ 10,208
Long-term debt:						
Of Fannie Mae	123,964	—	122,066	558	—	122,624
Of consolidated trusts	4,087,720	—	3,511,958	42,150	—	3,554,108
Derivative liabilities at fair value	168	—	4,764	66	(4,662)	168
Guaranty obligations	94	—	—	66	—	66
Total financial liabilities	$ 4,222,150	$ —	$ 3,648,996	$ 42,840	$ (4,662)	$ 3,687,174

For a detailed description and classification of our financial instruments, see “Note 15, Fair Value” in our 2022 Form 10-K.

Fair Value Option

We elected the fair value option for loans and debt that contain embedded derivatives that would otherwise require bifurcation. Under the fair value option, we elected to carry these instruments at fair value instead of bifurcating the embedded derivative from such instruments.

Interest income for the mortgage loans is recorded in “Interest income: Mortgage loans” and interest expense for the debt instruments is recorded in “Interest expense: Long-term debt” in our condensed consolidated statements of operations and comprehensive income.

The following table displays the fair value and unpaid principal balance of the financial instruments for which we have elected the fair value option.

	As of											
	June 30, 2023						December 31, 2022					
	Loans[1]		Long-Term Debt of Fannie Mae		Long-Term Debt of Consolidated Trusts		Loans[1]		Long-Term Debt of Fannie Mae		Long-Term Debt of Consolidated Trusts	
	(Dollars in millions)											
Fair value	**$**	**3,433**	**$**	**884**	**$**	**15,172**	$	3,645	$	1,161	$	16,260
Unpaid principal balance		**3,625**		**860**		**15,324**		3,835		1,145		16,311

(1) Includes nonaccrual loans with a fair value of $37 million and $40 million as of June 30, 2023 and December 31, 2022, respectively. Includes loans that are 90 days or more past due with a fair value of $36 million and $48 million as of June 30, 2023 and December 31, 2022, respectively.

Changes in Fair Value under the Fair Value Option Election

We recorded losses of $49 million and gains of $22 million for the three and six months ended June 30, 2023, respectively, and losses of $187 million and $378 million for the three and six months ended June 30, 2022, respectively, from changes in the fair value of loans recorded at fair value in “Fair value gains, net” in our condensed consolidated statements of operations and comprehensive income.

We recorded gains of $219 million and losses of $50 million for the three and six months ended June 30, 2023, respectively, and gains of $558 million and $1.6 billion for the three and six months ended June 30, 2022, respectively, from changes in the fair value of long-term debt recorded at fair value in “Fair value gains, net” in our condensed consolidated statements of operations and comprehensive income.

13. Commitments and Contingencies

We are party to various types of legal actions and proceedings, including actions brought on behalf of various classes of claimants. We also are subject to regulatory examinations, inquiries and investigations, and other information gathering requests. In some of the matters, indeterminate amounts are sought. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. This variability in pleadings, together with our and our counsel’s actual experience in litigating or settling claims, leads us to conclude that the monetary relief that may be sought by plaintiffs bears little relevance to the merits or disposition value of claims.

We have substantial and valid defenses to the claims in the proceedings described below and intend to defend these matters vigorously. However, legal actions and proceedings of all types are subject to many uncertain factors that generally cannot be predicted with assurance. Accordingly, the outcome of any given matter and the amount or range of potential loss at particular points in time is frequently difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how the court will apply the law. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel may view the evidence and applicable law.

On a quarterly basis, we review relevant information about all pending legal actions and proceedings for the purpose of evaluating and revising our contingencies, accruals and disclosures. We establish an accrual only for matters when the likelihood of a loss is probable and we can reasonably estimate the amount of such loss. We are often unable to estimate the possible losses or ranges of losses, particularly for proceedings that are in their early stages of development, where plaintiffs seek indeterminate or unspecified damages, where there may be novel or unsettled legal questions relevant to the proceedings, or where settlement negotiations have not occurred or progressed. Given the uncertainties involved in any action or proceeding, regardless of whether we have established an accrual, the ultimate resolution of certain of these matters may be material to our operating results for a particular period, depending on, among other factors, the size of the loss or liability imposed and the level of our net income or loss for that period.

In addition to the matters specifically described below, we are involved in a number of legal and regulatory proceedings that arise in the ordinary course of business that we do not expect will have a material impact on our business or financial condition.

Senior Preferred Stock Purchase Agreements Litigation

A consolidated class action (*"In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations"*) and a non-class action lawsuit, *Fairholme Funds v. FHFA*, filed by Fannie Mae and Freddie Mac shareholders against us, FHFA as our conservator, and Freddie Mac are pending in the U.S. District Court for the District of Columbia. The lawsuits challenge the August 2012 amendment to each company's senior preferred stock purchase agreement with Treasury.

Plaintiffs in these lawsuits allege that the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to the August 2012 amendments nullified certain of the shareholders' rights and caused them harm. Plaintiffs in the class action represent a class of Fannie Mae preferred shareholders and classes of Freddie Mac common and preferred shareholders. On September 23, 2022, the court issued a summary judgment ruling that permitted the plaintiffs in these lawsuits to present to a jury their claims for breach of the implied covenant of good faith and fair dealing. The cases were consolidated for trial and a trial was conducted from October 17, 2022 to November 1, 2022. The jury was not able to reach a verdict and the judge declared a mistrial on November 7, 2022. A new trial began on July 24, 2023 and is currently in progress.

In the trial, plaintiffs requested $779 million in damages from Fannie Mae and prejudgment interest on the amount of any damages. We estimate that prejudgment interest, if awarded in the new trial, would be calculated at a rate of 5.75% and expect plaintiffs to seek such interest from August 17, 2012. Prejudgment interest calculated from August 17, 2012 through June 30, 2023 based on the amount of damages plaintiffs requested would be approximately $485 million. The ultimate amount of prejudgment interest awarded, if any, would be impacted by the amount of damages awarded, the date from and through which interest is calculated, and other determinations by the court. At this time, we do not believe the likelihood of loss is probable; therefore, we have not established an accrual in connection with these lawsuits. However, it is reasonably possible that the plaintiffs could ultimately prevail in this matter and, if so, we may incur a loss up to the amount of damages discussed above and any related interest.

14. Regulatory Capital Requirements

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

The enterprise regulatory capital framework includes the following requirements under the standardized approach related to the amount and form of capital we must hold:

- Supplemental leverage and risk-based capital requirements based largely on definitions of capital used in U.S. banking regulators' regulatory capital framework. Under the leverage capital requirements, we must maintain a tier 1 capital ratio of 2.5% of adjusted total assets. Under the risk-based capital requirements, we must maintain minimum common equity tier 1 capital, tier 1 capital, and adjusted total capital ratios of 4.5%, 6%, and 8%, respectively, of risk-weighted assets;
- A requirement that we hold prescribed capital buffers that can be drawn down in periods of financial stress and then rebuilt over time as economic conditions improve. If we fall below the prescribed buffer amounts, we must restrict capital distributions such as stock repurchases and dividends, as well as discretionary bonus payments to executives, until the buffer amounts are restored. The prescribed capital buffers represent the amount of capital we are required to hold above the minimum leverage and risk-based capital requirements.
    - The prescribed leverage buffer amount ("PLBA") represents the amount of tier 1 capital we are required to hold above the minimum tier 1 leverage capital requirement;
    - The risk-based capital buffers consist of three separate components: a stability capital buffer, a stress capital buffer, and a countercyclical capital buffer. Taken together, these risk-based buffers comprise the prescribed capital conservation buffer amount ("PCCBA"). The PCCBA must be comprised entirely of common equity tier 1 capital; and
- Specific minimum percentages, or "floors," on the risk-weights applicable to single-family and multifamily exposures, as well as retained portions of credit risk transfer transactions.

The table below sets forth information about our capital requirements under the standardized approach of the enterprise regulatory capital framework. Available capital for purposes of the enterprise regulatory capital framework excludes the stated value of the senior preferred stock ($120.8 billion) and other amounts specified in footnote 2 to the table. Because of these exclusions, we had a deficit in available capital as of June 30, 2023, even though we had positive net worth under GAAP of $69.0 billion as of June 30, 2023.

As of June 30, 2023, we had a $248 billion shortfall of our available capital (deficit) to the adjusted total capital requirement (including buffers) of $184 billion under the standardized approach of the enterprise regulatory capital framework as shown in the table below. As of June 30, 2023, our risk-based adjusted total capital requirement (including buffers) represented the amount of capital needed to be fully capitalized under the standardized approach to the enterprise regulatory capital framework.

Capital Metrics under the Enterprise Regulatory Capital Framework as of June 30, 2023[1]

(Dollars in billions)

Adjusted total assets	$ 4,562
Risk-weighted assets	1,316

	Amounts			Ratios		
	Available Capital (Deficit)[2]	Minimum Capital Requirement	Total Capital Requirement (including Buffers)[3]	Available Capital (Deficit) Ratio[4]	Minimum Capital Ratio Requirement	Total Capital Requirement Ratio (including Buffers)
Risk-based capital:						
Total capital (statutory)[5]	$ (42)	$ 105	$ 105	(3.2)%	8.0 %	8.0 %
Common equity tier 1 capital	(83)	59	138	(6.3)	4.5	10.5
Tier 1 capital	(64)	79	158	(4.9)	6.0	12.0
Adjusted total capital	(64)	105	184	(4.9)	8.0	14.0
Leverage capital:						
Core capital (statutory)[6]	(52)	114	114	(1.1)	2.5	2.5
Tier 1 capital	(64)	114	137	(1.4)	2.5	3.0

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

(2) Available capital (deficit) for all line items excludes the stated value of the senior preferred stock ($120.8 billion). Available capital (deficit) for all line items except total capital and core capital also deducts a portion of deferred tax assets. Deferred tax assets arising from temporary differences between GAAP and tax requirements are deducted from capital to the extent they exceed 10% of common equity. As of June 30, 2023, this resulted in the full deduction of deferred tax assets ($12.0 billion) from our available capital (deficit). Available capital (deficit) for common equity tier 1 capital also excludes the value of the non-cumulative perpetual preferred stock ($19.1 billion).

(3) The applicable buffer for common equity tier 1 capital, tier 1 capital, and adjusted total capital is the PCCBA, comprised of a stress capital buffer, a stability capital buffer, and a countercyclical capital buffer. The applicable buffer for tier 1 capital (leverage based) is the PLBA. The stress capital buffer and countercyclical capital buffer are each calculated by multiplying prescribed factors by adjusted total assets as of the last day of the previous calendar quarter. The 2023 stability capital buffer is calculated by multiplying a factor determined based on our share of mortgage debt outstanding by adjusted total assets as of December 31, 2020. The prescribed leverage buffer for 2023 is set at 50% of the 2023 stability buffer. Going forward the stability buffer and the prescribed leverage buffer will be updated with an effective date that depends on whether the stability capital buffer increases or decreases relative to the previously calculated value.

(4) Ratios are negative because we had a deficit in available capital for each tier of capital.

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

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

As a result of our capital shortfall, our maximum payout ratio under the enterprise regulatory capital framework as of June 30, 2023 was 0%. While it is not applicable until the date of termination of our conservatorship, our maximum payout ratio represents the percentage of eligible retained income that we are permitted to pay out in the form of distributions or discretionary bonus payments under the enterprise regulatory capital framework. The maximum payout ratio for a given quarter is the lowest of the payout ratios determined by our capital conservation buffer and our leverage buffer.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Information about market risk is set forth in "MD&A—Risk Management—Market Risk Management, including Interest-Rate Risk Management."

Item 4. Controls and Procedures

Overview

We are required under applicable laws and regulations to maintain controls and procedures, which include disclosure controls and procedures as well as internal control over financial reporting, as further described below.

Evaluation of Disclosure Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures refer to controls and other procedures designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures in effect as of June 30, 2023, 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, 2023, or as of the date of filing this report.

Our disclosure controls and procedures were not effective as of June 30, 2023, 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, 2023, or as of the date of this filing, and we continue to have a material weakness in our internal control over financial reporting. This material weakness is described in more detail below under "Description of Material Weakness." Based on discussions with FHFA and the structural nature of this material weakness, we do not expect to remediate this material weakness while we are under conservatorship.

Description of Material Weakness

The Public Company Accounting Oversight Board's Auditing Standard 2201 defines a material weakness as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management has determined that we continued to have the following material weakness as of June 30, 2023, and as of the date of filing this report:

- *Disclosure Controls and Procedures.* We have been under the conservatorship of FHFA since September 6, 2008. Under the GSE Act, FHFA is an independent agency that currently functions as both our conservator and our regulator with respect to our safety, soundness, and mission. Because of the nature of the conservatorship under the GSE Act, which places us under the "control" of FHFA (as that term is defined by securities laws), some of the information that we may need to meet our disclosure obligations may be solely within the knowledge of FHFA. As our conservator, FHFA has the power to take actions without our knowledge that could be material to our shareholders and other stakeholders and could significantly affect our financial performance or our continued existence as an ongoing business. Although we and FHFA attempted to design and implement disclosure policies and procedures that would account for the conservatorship and accomplish the same objectives as a disclosure controls and procedures policy of a typical reporting company, there are inherent structural limitations on our ability to design, implement, operate, and test effective disclosure controls and procedures. As both our regulator and our conservator under the GSE Act, FHFA is limited in its ability to design and implement a complete set of disclosure controls and procedures relating to Fannie Mae, particularly with respect to current reporting pursuant to Form 8-K. Similarly, as a regulated entity, we are limited in our ability to design, implement, operate, and test the controls and procedures for which FHFA is responsible.

Due to these circumstances, we have not been able to update our disclosure controls and procedures in a manner that adequately ensures the accumulation and communication to management of information known to FHFA that is needed to meet our disclosure obligations under the federal securities laws, including disclosures affecting our condensed consolidated financial statements. As a result, we did not maintain effective controls and procedures designed to ensure complete and accurate disclosure as required by GAAP as of June 30, 2023, or as of the date of filing this report. Based on discussions with FHFA and the structural nature of this weakness, we do not expect to remediate this material weakness while we are under conservatorship.

Mitigating Actions Related to Material Weakness

As described above under “Description of Material Weakness,” we continue to have a material weakness in our internal control over financial reporting relating to our disclosure controls and procedures. However, we and FHFA have engaged in the following practices intended to permit accumulation and communication to management of information needed to meet our disclosure obligations under the federal securities laws:

- FHFA has established the Division of Conservatorship Oversight and Readiness, which is intended to facilitate operation of the company with the oversight of the conservator.
- We have provided drafts of our SEC filings to FHFA personnel for their review and comment prior to filing. We also have provided drafts of external press releases, statements, and speeches to FHFA personnel for their review and comment prior to release.
- FHFA personnel, including senior officials, have reviewed our SEC filings prior to filing, including this quarterly report on Form 10-Q for the quarter ended June 30, 2023 (“Second Quarter 2023 Form 10-Q”), and engaged in discussions regarding issues associated with the information contained in those filings. Prior to filing our Second Quarter 2023 Form 10-Q, FHFA provided Fannie Mae management with written acknowledgment that it had reviewed the Second Quarter 2023 Form 10-Q, and it was not aware of any material misstatements or omissions in the Second Quarter 2023 Form 10-Q and had no objection to our filing the Second Quarter 2023 Form 10-Q.
- Our senior management meets regularly with senior leadership at FHFA, including, but not limited to, the Director.
- FHFA representatives attend meetings frequently with various groups within the company to enhance the flow of information and to provide oversight on a variety of matters, including accounting, credit and market risk management, external communications, and legal matters.
- Senior officials within FHFA’s Office of the Chief Accountant have met frequently with our senior finance executives regarding our accounting policies, practices, and procedures.

Changes in Internal Control Over Financial Reporting

Management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal quarter have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There were no changes in our internal control over financial reporting from April 1, 2023, through June 30, 2023, that management believes have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In the ordinary course of business, we review our system of internal control over financial reporting and make changes that we believe will improve these controls and increase efficiency, while continuing to ensure that we maintain effective internal controls. Changes may include implementing new, more efficient systems, automating manual processes, and updating existing systems.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

The information in this item supplements and updates information regarding certain legal proceedings set forth in "Legal Proceedings" in our 2022 Form 10-K and our First Quarter 2023 Form 10-Q. We also provide information regarding material legal proceedings in "Note 13, Commitments and Contingencies," which is incorporated herein by reference. In addition to the matters specifically described or incorporated by reference in this item, we are involved in legal and regulatory proceedings that arise in the ordinary course of business that we do not expect will have a material impact on our business or financial condition. However, litigation claims and proceedings of all types are subject to many factors and their outcome and effect on our business and financial condition generally cannot be predicted accurately.

We establish an accrual for legal claims only when a loss is probable and we can reasonably estimate the amount of such loss. The actual costs of resolving legal claims may be substantially higher or lower than the amounts accrued for those claims. If certain of these matters are determined against us, FHFA or Treasury, it could have a material adverse effect on our results of operations, liquidity and financial condition, including our net worth.

Senior Preferred Stock Purchase Agreements Litigation

Since June 2013, preferred and common stockholders of Fannie Mae and Freddie Mac filed lawsuits in multiple federal courts against one or more of the United States, Treasury and FHFA, challenging actions taken by the defendants relating to the Fannie Mae and Freddie Mac senior preferred stock purchase agreements and the conservatorships of Fannie Mae and Freddie Mac. Some of these lawsuits also contain claims against Fannie Mae and Freddie Mac. The legal claims being advanced by one or more of these lawsuits include challenges to the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to August 2012 amendments to the agreements, the payment of dividends to Treasury under the net worth sweep dividend provisions, and FHFA's decision to require Fannie Mae and Freddie Mac to draw funds from Treasury to pay dividends to Treasury prior to the August 2012 amendments. The plaintiffs seek various forms of equitable and injunctive relief as well as damages. The cases that remain pending after March 31, 2023 are as follows:

District of Columbia (In re Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations and *Fairholme Funds v. FHFA).* Fannie Mae is a defendant in two cases in the U.S. District Court for the District of Columbia, including a consolidated class action. The cases were consolidated for trial and a trial was conducted from October 17, 2022 to November 1, 2022. The jury was not able to reach a verdict and the judge declared a mistrial on November 7, 2022. A new trial began on July 24, 2023 and is currently in progress. See "Note 13, Commitments and Contingencies" for additional information.

Southern District of Texas (Collins, et al. v. Yellen, et al.). On October 20, 2016, preferred and common stockholders filed a complaint against FHFA and Treasury in the U.S. District Court for the Southern District of Texas. On May 22, 2017, the court dismissed the case. On September 6, 2019, the U.S. Court of Appeals for the Fifth Circuit, sitting en banc, affirmed the district court's dismissal of claims against Treasury, but reversed the dismissal of claims against FHFA.

On June 23, 2021, the U.S. Supreme Court held that FHFA did not exceed its statutory powers as conservator when it agreed to the net worth sweep dividend provisions of the third amendment to the senior preferred stock purchase agreements in August 2012. The court also held that the provision of the Housing and Economic Recovery Act of 2008 that restricts the President's power to remove the FHFA Director without cause violates the Constitution's separation of powers and, thus, the FHFA Director may be removed by the President for any reason. The court rejected plaintiffs' request to rescind the third amendment to the senior preferred stock purchase agreements. However, the Supreme Court remanded the case to the Fifth Circuit for further proceedings on the sole issue of whether the stockholders suffered compensable harm related to the constitutional claim during the limited time-period when a Senate-confirmed FHFA Director was in office. On March 4, 2022, the Fifth Circuit remanded the case to the district court for further proceedings on the compensable harm issue. On June 3, 2022, the stockholders filed an amended complaint and on July 18, 2022, FHFA and Treasury moved to dismiss that complaint. On November 21, 2022, the district court dismissed the case and on December 5, 2022, plaintiffs filed a notice of appeal.

Western District of Michigan (Rop et al. v. FHFA et al.). On June 1, 2017, preferred and common stockholders of Fannie Mae and Freddie Mac filed a complaint for declaratory and injunctive relief against FHFA and Treasury in the U.S. District Court for the Western District of Michigan. FHFA and Treasury moved to dismiss the case on September 8, 2017, and plaintiffs filed a motion for summary judgment on October 6, 2017. On September 8, 2020, the court denied plaintiffs' motion for summary judgment and granted defendants' motion to dismiss. On October 4, 2022, the U.S. Court of Appeals for the Sixth Circuit reversed the dismissal and remanded the case to the district court to determine whether the stockholders suffered compensable harm. On February 2, 2023, plaintiffs filed a petition with the Supreme Court seeking review of the Sixth Circuit's decision, which the Supreme Court denied on June 12, 2023.

District of Minnesota (Bhatti et al. v. FHFA et al.). On June 22, 2017, preferred and common stockholders of Fannie Mae and Freddie Mac filed a complaint for declaratory and injunctive relief against FHFA and Treasury in the U.S. District Court for the District of Minnesota. The court dismissed the case on July 6, 2018. On October 6, 2021, the U.S. Court of Appeals for the Eighth Circuit affirmed in part and reversed in part the district court's ruling and remanded the case to the district court to determine whether the stockholders suffered compensable harm. On January 26, 2022, plaintiffs filed an amended complaint. On March 11, 2022 and March 14, 2022, Treasury and FHFA each filed motions to dismiss the new complaint. On December 16, 2022, the district court dismissed the case and on January 9, 2023, plaintiffs filed a notice of appeal.

Eastern District of Pennsylvania (Wazee Street Opportunities Fund IV L.P. et al. v. FHFA et al.). On August 16, 2018, common stockholders of Fannie Mae and Freddie Mac filed a complaint for declaratory and injunctive relief against FHFA and Treasury in the U.S. District Court for the Eastern District of Pennsylvania. FHFA and Treasury moved to dismiss the case on November 16, 2018, and plaintiffs filed a motion for summary judgment on December 21, 2018. This case is currently stayed.

U.S. Court of Federal Claims (Fisher et al. v. United States of America). On December 2, 2013, common stockholders of Fannie Mae filed a lawsuit against the United States that listed Fannie Mae as a nominal defendant. The plaintiffs alleged that the net worth sweep dividend provisions of the senior preferred stock that were implemented pursuant to the August 2012 amendment constituted a taking of Fannie Mae's property without just compensation in violation of the U.S. Constitution. On February 15, 2023, the court issued an order for plaintiffs to show cause why their claims should not be dismissed, as claims similar to theirs brought by other Fannie Mae stockholders in other cases against the United States have been dismissed by the court. Plaintiffs filed a response to the show cause order on March 15, 2023, the United States filed its response to the plaintiffs' submission on June 16, 2023, and the plaintiffs filed a reply on July 21, 2023. The parties are awaiting a ruling from the court.

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 2022 Form 10-K. Also refer to "MD&A—Key Market Economic Indicators," "MD&A—Risk Management," "MD&A—Single-Family Business" and "MD&A—Multifamily Business" in our 2022 Form 10-K and in this report for more detailed descriptions of the primary risks to our business and how we seek to manage those risks.

The risks we face could materially adversely affect our business, results of operations, financial condition, liquidity and net worth, and could cause our actual results to differ materially from our past results or the results contemplated by any forward-looking statements we make. We believe the risks described in the other sections of this report and our 2022 Form 10-K referenced above are the most significant we face; however, these are not the only risks we face. We face additional risks and uncertainties not currently known to us or that we currently believe are immaterial.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Common Stock

Our common stock is traded in the over-the-counter market and quoted on the OTCQB, operated by OTC Markets Group Inc., under the ticker symbol "FNMA."

Recent Sales of Unregistered Equity Securities

Under the terms of our senior preferred stock purchase agreement with Treasury, we are prohibited from selling or issuing our equity interests without the prior written consent of Treasury except under limited circumstances, which are described in "Business—Conservatorship and Treasury Agreements—Treasury Agreements—Covenants under Treasury Agreements" in our 2022 Form 10-K. During the quarter ended June 30, 2023, we did not sell any equity securities.

Information about Certain Securities Issuances by Fannie Mae

Pursuant to SEC regulations, public companies are required to disclose certain information when they incur a material direct financial obligation or become directly or contingently liable for a material obligation under an off-balance sheet arrangement. The disclosure must be made in a current report on Form 8-K under Item 2.03 or, if the obligation is incurred in connection with certain types of securities offerings, in prospectuses for that offering that are filed with the SEC.

Because the securities we issue are exempted securities under the Securities Act of 1933, we do not file registration statements or prospectuses with the SEC with respect to our securities offerings. To comply with the disclosure requirements of Form 8-K relating to the incurrence of material financial obligations, in accordance with a “no-action” letter we received from the SEC staff in 2004, we report our incurrence of these types of obligations in offering circulars or prospectuses (or supplements thereto) that we post on our website within the same time period that a prospectus for a non-exempt securities offering would be required to be filed with the SEC. To the extent we incur a material financial obligation that is not disclosed in this manner, we would file a Form 8-K if required to do so under applicable Form 8-K requirements.

The website address for disclosure about our debt securities is www.fanniemae.com/debtsearch. From this address, investors can access the offering circular and related supplements for debt securities offerings under Fannie Mae’s universal debt facility, including pricing supplements for individual issuances of debt securities.

Disclosure about our obligations pursuant to the MBS we issue, some of which may be off-balance sheet obligations, can be found at www.fanniemae.com/mbsdisclosure. From this address, investors can access information and documents about our MBS, including prospectuses and related prospectus supplements.

We are providing our website address solely for your information. Information appearing on our website is not incorporated into this report.

Our Purchases of Equity Securities

We did not repurchase any of our equity securities during the second quarter of 2023.

Dividend Restrictions

Our payment of dividends is subject to the following restrictions:

Restrictions Relating to Conservatorship. Our conservator announced on September 7, 2008 that we would not pay any dividends on the common stock or on any series of preferred stock, other than the senior preferred stock. In addition, FHFA’s regulations relating to conservatorship and receivership operations prohibit us from paying any dividends while in conservatorship unless authorized by the Director of FHFA. The Director of FHFA has directed us to make dividend payments on the senior preferred stock on a quarterly basis for every dividend period for which dividends were payable.

Restrictions Under Senior Preferred Stock Purchase Agreement and Senior Preferred Stock. The senior preferred stock purchase agreement prohibits us from declaring or paying any dividends on Fannie Mae equity securities (other than the senior preferred stock) without the prior written consent of Treasury. In addition, the provisions of the senior preferred stock provide for dividends each quarter through and including the capital reserve end date in the amount, if any, by which our net worth as of the end of the immediately preceding fiscal quarter exceeds an applicable capital reserve amount. The applicable capital reserve amount is the amount of adjusted total capital necessary for us to meet the capital requirements and buffers set forth in the enterprise regulatory capital framework. The capital reserve end date is defined as the last day of the second consecutive fiscal quarter during which we have had and maintained capital equal to, or in excess of, all of the capital requirements and buffers under the enterprise regulatory capital framework. After the capital reserve end date, the amount of quarterly dividends to Treasury will be equal to the lesser of any quarterly increase in our net worth and a 10% annual rate on the then-current liquidation preference of the senior preferred stock. As a result, our ability to retain earnings in excess of the capital requirements and buffers set forth in the enterprise regulatory capital framework will be limited. For more information on the terms of the senior preferred stock purchase agreement and senior preferred stock, see “Business—Conservatorship and Treasury Agreements” in our 2022 Form 10-K.

Additional Restrictions Relating to Preferred Stock. Payment of dividends on our common stock is also subject to the prior payment of dividends on our preferred stock and our senior preferred stock. Payment of dividends on all outstanding preferred stock, other than the senior preferred stock, is also subject to the prior payment of dividends on the senior preferred stock.

Statutory Restrictions. Under the GSE Act, FHFA has authority to prohibit capital distributions, including payment of dividends, if we fail to meet our capital requirements. If FHFA classifies us as significantly undercapitalized, approval of the Director of FHFA is required for any dividend payment. Under the Charter Act and the GSE Act, we are not permitted to make a capital distribution if, after making the distribution, we would be undercapitalized. The Director of FHFA, however, may permit us to repurchase shares if the repurchase is made in connection with the issuance of additional shares or obligations in at least an equivalent amount and will reduce our financial obligations or otherwise improve our financial condition.

While not currently applicable, our payment of dividends will be subject to the following restrictions under the enterprise regulatory capital framework effective on the date of termination of our conservatorship:

Restrictions Under Enterprise Regulatory Capital Framework. During a calendar quarter, we will not be permitted to pay dividends or make any other capital distributions (or create an obligation to make such distributions) that, in the aggregate, exceed the amount equal to our eligible retained income for the quarter multiplied by our maximum payout ratio. The maximum payout ratio for a given quarter is the lowest of the payout ratios determined by our capital conservation buffer and our leverage buffer. We will not be subject to this limitation on distributions if we have a capital conservation buffer that is greater than our prescribed capital conservation buffer amount and a leverage buffer that is greater than our prescribed leverage buffer amount. Notwithstanding the above-described limitations, FHFA may permit us to make a distribution upon our request, if FHFA determines that the distribution would not be contrary to the purposes of this section of the enterprise regulatory capital framework or to our safety and soundness. We will not be permitted to make any distributions during a quarter if our eligible retained income is negative and either (a) our capital conservation buffer is less than our stress capital buffer or (b) our leverage buffer is less than our prescribed leverage buffer amount.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed below are being filed or furnished with or incorporated by reference into this report.

Item	Description
3.1	Fannie Mae Charter Act (12 U.S.C. § 1716 et seq.) as amended through July 25, 2019 (Incorporated by reference to Exhibit 3.1 to Fannie Mae's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, filed October 31, 2019.)
3.2	Fannie Mae Bylaws, as amended through January 29, 2019 (Incorporated by reference to Exhibit 3.2 to Fannie Mae's Annual Report on Form 10-K for the year ended December 31, 2018, filed February 14, 2019.)
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101. INS	Inline XBRL Instance Document* - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101. SCH	Inline XBRL Taxonomy Extension Schema*
101. CAL	Inline XBRL Taxonomy Extension Calculation*
101. DEF	Inline XBRL Taxonomy Extension Definition*
101. LAB	Inline XBRL Taxonomy Extension Label*
101. PRE	Inline XBRL Taxonomy Extension Presentation*
104	Cover Page Interactive Data File* (embedded within the Inline XBRL document)

* The financial information contained in these Inline XBRL documents is unaudited.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Federal National Mortgage Association

By: /s/ Priscilla Almodovar
Priscilla Almodovar
Chief Executive Officer

Date: August 1, 2023

By: /s/ Chryssa C. Halley
Chryssa C. Halley
Executive Vice President and
Chief Financial Officer

Date: August 1, 2023

Fannie Mae®

Exhibit 31.1

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, Priscilla Almodovar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 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/ Priscilla Almodovar

Priscilla Almodovar
Chief Executive Officer

Date: August 1, 2023

Exhibit 31.2

CERTIFICATION

PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)

I, Chryssa C. Halley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 of Fannie Mae (formally, the Federal National Mortgage Association);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Chryssa C. Halley

Chryssa C. Halley
Executive Vice President and Chief Financial Officer

Date: August 1, 2023

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, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Priscilla Almodovar, 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/ Priscilla Almodovar

Priscilla Almodovar
Chief Executive Officer

Date: August 1, 2023

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, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Chryssa C. Halley, Executive Vice President and Chief Financial Officer of Fannie Mae, certify, pursuant to 18 U.S.C. Section 1350, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Fannie Mae.

/s/ Chryssa C. Halley
Chryssa C. Halley
Executive Vice President and Chief Financial Officer

Date: August 1, 2023

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.