News Release

May 16, 2008

Fannie Mae Announces Single National Down Payment Policy;
Replaces Policy Regarding Markets Where Home Prices are Declining

WASHINGTON, DC -- Fannie Mae (FNM/NYSE) today announced a new, national policy on down payment requirements for conventional, conforming mortgages the company will purchase or guarantee. Starting June 1, 2008, Fannie Mae will accept up to 97 percent loan-to-value ratios for conventional, conforming mortgages processed through its Desktop Underwriter® (DU®) automated underwriting system, and 95 percent loan-to-value ratios for loans underwritten outside of DU, in all geographic locations in the United States. The new national down payment policy will supersede the policy the company adopted in December 2007 that required higher down payments in markets where home prices are declining.

"As another part of our 'Keys to Recovery™' initiative, we are today announcing that we will be equalizing the down payment requirements for borrowers in all parts of the country, regardless of local market conditions," Marianne Sullivan, Senior Vice President, Single-Family Credit Policy and Risk Management, said. "This new down payment policy reinforces our goal to support successful home-owning, not just home-buying, as we seek to bring liquidity to all communities and help the housing market recover."

The new national down payment requirements of 3 or 5 percent will apply to loans for purchase of single-family, primary residences. Down payment requirements will vary for other occupancy, property and transaction types. The company will implement systems and operational changes over the summer to accommodate the new national policy.

"We are able to adopt this new, national down payment requirement, even in markets where home prices are declining, because our new automated underwriting risk assessment model DU Version 7.0 will limit risk layering and assess each loan more precisely," Sullivan added. "At the same time, we believe that equity matters, especially in this market. Down payments are a critical success factor in homeownership -- and responsible lending is good business."

Since the housing correction began, Fannie Mae has expanded its mortgage guaranty business to serve the market's urgent need for stability, liquidity and affordability. The company also undertook steps to help protect borrowers, manage the increased credit risk in the market, and fortify the company's capital position. Among these steps, the company has continued to assess and establish new pricing, eligibility and underwriting criteria for its business that more accurately reflect the current risks in the housing market and guard against the potential for foreclosure. These changes have been incorporated into DU and have included adjustments to credit risk assessment, loan-to-value ratios and down payment requirements, among other factors.

Among the changes in response to market conditions, in December 2007 Fannie Mae adopted a "Maximum Financing in Declining Markets Policy" that restricted the loan-to-value ratios on properties in markets where home prices are declining, essentially requiring higher down payments in these markets. The new single national down payment policy announced today will supersede that policy.

Fannie Mae Senior Vice President Jeff Hayward stressed the company's commitment to special affordable lending programs to support homeownership for families of modest means. "We are stepping up to provide more liquidity and affordability to some of the most distressed communities while also seeking at least a 3 percent down payment investment through our Desktop Underwriter system from borrowers to help ensure their success."

Fannie Mae will continue to provide support for homebuyers that need down payment assistance, and will continue to allow loans with Community Seconds® up to a maximum 105 percent combined loan-to-value ratio. Community Seconds allow a borrower to obtain a second-lien mortgage to help cover down payment and closing costs, with funding typically provided by a state or local housing agency; an employer; or a nonprofit organization. Fannie Mae also offers MyCommunityMortgage® and Flex mortgage products, which permit down payment assistance programs in the form of gifts and grants.

"We recognize that down payment assistance programs remain a viable tool for borrowers who can afford a mortgage long term, but might need a little help getting started," Sullivan said.

As part of its "Keys to Recovery" initiative, Fannie Mae is expanding its partnership with the National Council of State Housing Agencies. The company will provide up to $10 billion in financing to help Housing Finance Authorities (HFA) serve first-time homebuyers of modest means. In some cases, Fannie Mae will purchase HFA mortgages that have greater than 97 percent loan-to-value ratios.

The first "Keys to Recovery" initiative that Fannie Mae announced on May 6, 2008 also includes: streamlined refinancing for Fannie Mae borrowers whose mortgage balances exceed the value of their homes; improved pricing for jumbo-conforming mortgages to help borrowers in high-cost areas; and a neighborhood stabilization initiative with the Center for Community Self-Help for targeted areas with high home foreclosures.

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