Fannie Mae®

Environmental, Social, and Governance Report 2022

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Published June 30, 2023

2022 ESG Report

Introduction

Letter From the CEO

On behalf of all my Fannie Mae colleagues, I am excited to present our second annual Environmental, Social, and Governance (ESG) report.

For Fannie Mae, ESG is more than a priority as a leading financial company. It is a framework that helps us manage our business and prioritize our actions, powered by our mission: to facilitate equitable and sustainable access to homeownership and quality, affordable rental housing across America.

You will see our **social** responsibility come to life in the many ways we serve renters, homebuyers, and homeowners.

Housing affects all aspects of society — from where we grow up and live our lives, to the stability of our communities and our financial well-being. Fannie Mae is passionate about serving people across the country, including by knocking down barriers to affordable rental housing and homeownership for historically underserved populations.

To that end, Fannie Mae is pursuing new ways to inform and educate homebuyers and new solutions to lower down payments and closing costs. We believe our breakthrough initiatives to help renters build credit to potentially become homeowners hold incredible promise. World 50, a global community of business leaders, honored Fannie Mae for "innovation in creating scalable solutions and systemic change in diversity, equity, and inclusion." It shows how Fannie Mae's workforce helps us better see and serve a diverse nation.

Our housing mission also drives our **environmental** actions.

Among the credit, market, and other risks we monitor and manage in our business operations, Fannie Mae is actively working to understand our climate risk exposures and promote resiliency strategies to mitigate the impact of climate change for the people whose homes we finance. This helps to protect our company and the housing finance system.

Also, our pioneering Green Bond issuances are helping to meet the demand for more efficient and sustainable homes. We are pleased that the U.S. Environmental Protection Agency and U.S. Department of Energy awarded Fannie Mae their 2023 ENERGY STAR® Sustained Excellence designation for being "Partner of the Year" for nine years running.

Finally, we recognize that Fannie Mae cannot achieve our housing mission and ESG goals without the strong corporate **governance** we describe in this report. Our governance structure reinforces the foundation of our enterprise and helps ensure that we achieve our housing mission with safety, soundness, and sustainability.

All in all, this report is a tribute to our talented and dedicated colleagues across Fannie Mae who keep driving our business, housing mission, and ESG performance forward. I am proud of their work and inspired by their relentless commitment to America's housing.

Priscilla Almodovar, Chief Executive Officer

At a Glance

Fannie Mae at a glance

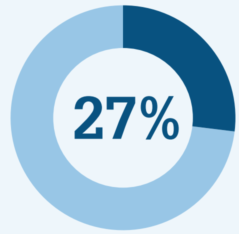
In 2022, Fannie Mae acquired mortgages supporting:

1.2M
single-family home purchases
of which **nearly half** were for first-time homebuyers

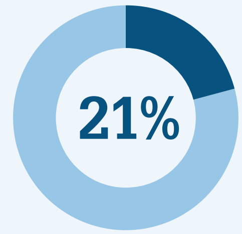
886K
single-family refinancings

598K
multifamily units
of which a **significant majority** reported rents affordable to low-to-moderate-income households[1]

As of Dec. 31, 2022, Fannie Mae owned or guaranteed approximately:



of U.S. single-family mortgage debt outstanding[2]



of U.S. multifamily mortgage debt outstanding[2]

Supporting the transition to greener buildings

Our financing can be used to improve the sustainability of single-family and multifamily properties by increasing energy and water efficiency and reducing greenhouse gas emissions.

59K
more energy- and water-efficient housing units financed in 2022
through our Green Rewards and Green Building Certification multifamily financing products and mortgages backing our Single-Family Green Bonds.

Read more on Sustainable Bonds, Green Financing, and Their Impacts >

$10.5B
in Green Bonds issued in 2022
backed by loans that were estimated to achieve:

888M
kBtu
of projected source energy savings[3]

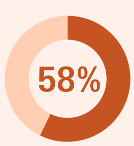
41K
$mtCO_2e$
of projected greenhouse gas emissions prevented[3]

116M
gallons
of projected water savings[3,4]

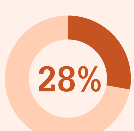
Fostering an engaged and inclusive workforce

We value a diverse workforce and an inclusive workplace, and we leverage Fannie Mae's position in the marketplace to promote diversity and inclusion in the housing finance industry.

Racial or ethnic minorities
as of December 2022

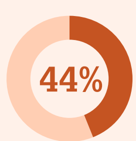


of our workforce

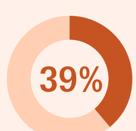


of officer-level employees[5]

Women
as of December 2022



of our workforce



of officer-level employees[5]

9 in 10
employees
would recommend Fannie Mae to friends and family as a **great place to work.**
as of October 2022

Read more >

Increased our paid parental leave benefit to
12 weeks
of paid leave
and added a caregiver benefit with the same amount to take care of a seriously ill family member(s).

Read more >

1 Based on rents reported at loan origination. Rents may change following loan origination.
2 Based on internal estimates using data from the Federal Reserve Board of Governors' "Financial Accounts of the United States" (Z.1) release, Q4 2022.
3 Sum of single-year projected savings for each loan. Savings are likely to continue beyond one year. kBtu is one thousand British thermal units, a unit of energy measurement. $MtCO_2e$ is metric tons of carbon dioxide equivalent.
4 Multifamily Green Bonds only.
5 Officers are employees with job titles that include Fellow, Vice President, Senior Vice President, Executive Vice President, President, and CEO.

We help make access to housing in the United States more attainable, affordable, and stable for low- and moderate-income borrowers and renters.

Helping homeowners, homebuyers, and renters

Enabling access to affordable housing

In 2022, we acquired loans enabling home purchases[6] for

539K

first-time homebuyers

and

276K

low- and very low-income households

Read more >

$10.3B

in financing

provided in 2022 for **Multifamily Affordable Housing** properties with restrictions that limit rents or impose income limits on renters.

Read more >

2.9K

single-family mortgage applications

benefited in 2022 from our innovative new program enabling lenders to **consider timely rent payments** as a positive factor in mortgage underwriting.

Read more >

Building financial and credit confidence

179K

people completed the HomeView® homeownership education course in 2022

which Fannie Mae developed to help equip aspiring homebuyers with information to become successful and confident homeowners.

Read more >

105K

rental units onboarded

into our **Multifamily Positive Rent Payment Reporting Pilot** program in the last four months of 2022, enabling these households to make their on-time rent payments count toward building their credit.

Read more >

Advancing equity in housing finance

$32.7B

single-family mortgages acquired in 2022

from minority- and/or women-owned firms.

Read more >

Released our Equitable Housing Finance Plan

which outlines a range of specific actions we are taking to help knock down housing barriers faced by historically underserved communities.

Read more >

330

scholarships provided

to **aspiring appraisal professionals** in 2022 through the Appraisal Diversity Initiative, which is designed to help make a housing appraisal career accessible to a diverse pool of talent.

Read more >

Launched the Single-Family Social Index Framework

aimed at providing insights into socially-oriented activities in the residential real estate financing market.

Read more >

6 First-time homebuyer and low- and very low-income homebuyer categories are not mutually exclusive. If applicable, a loan may be included in both categories.

About Fannie Mae

Who we are

The Federal National Mortgage Association, better known as Fannie Mae, is a purpose-driven company by charter and by choice. Our business supports mortgage lenders by providing mortgage financing to help people buy or rent a home. We help make the popular 30-year fixed-rate mortgage possible, enabling predictable mortgage payments over the life of the loan and giving homeowners stability and peace of mind.

Our charter, an act of Congress, establishes our purposes: to provide liquidity and stability to the residential mortgage market and to promote access to mortgage credit. This mandate includes facilitating mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities. Congress declared that our operations should be financed by private capital to the maximum extent feasible. With these Congressional intentions in mind, we have, principally using private capital, provided liquidity in the secondary market and expanded housing opportunities throughout the U.S. Fannie Mae is committed to maintaining safety and soundness as we work to fulfill this mission.

We do not originate mortgage loans or lend money directly to borrowers. Rather, we work primarily with lenders who originate 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). Our revenues are primarily driven by guaranty fees we receive for assuming the credit risk on loans underlying our MBS. As of December 31, 2022, we owned or guaranteed mortgage assets representing an estimated 27% of single-family mortgage debt outstanding and 21% of multifamily mortgage debt outstanding in the U.S.[7]

7 Based on internal estimates using data from the Federal Reserve Board of Governors' "Financial Accounts of the United States" (Z.1) release, Q4 2022.

Our business segments

We have two reportable business segments: Single-Family and Multifamily.

Single-Family

Our Single-Family Business acquires mortgage loans secured by properties containing one to four residential dwelling units, delivered by over a thousand lenders across the U.S. in 2022. Fannie Mae's position in the housing finance value chain means that we help set standards that apply nationally to conventional mortgage financing.[8] Those standards include lender business requirements, credit and underwriting guidelines for loans we acquire, eligibility requirements for properties underlying the loans, servicer requirements for ongoing administration of the loans, and standards for borrower assistance and loss mitigation.

Our Single-Family Business provided $615 billion in liquidity to the mortgage market in 2022, enabling the financing of 1.2 million home purchases and 886,000 refinancings. Macroeconomic trends pushed mortgage interest rates higher in 2022, leading to a decrease in the volume of refinance loan acquisitions. Housing affordability constraints plus limited supply also decreased the volume of loans for home purchase. Most outstanding mortgage borrowers as of late 2022 had mortgage loans with rates well below prevailing market rates, which creates a strong disincentive to refinance.

Of the single-family mortgages we acquired in 2022, over a third financed primary residences affordable to low-to-moderate-income households.[9] Approximately 539,000 of the mortgages we acquired in 2022 were to first-time homebuyers.

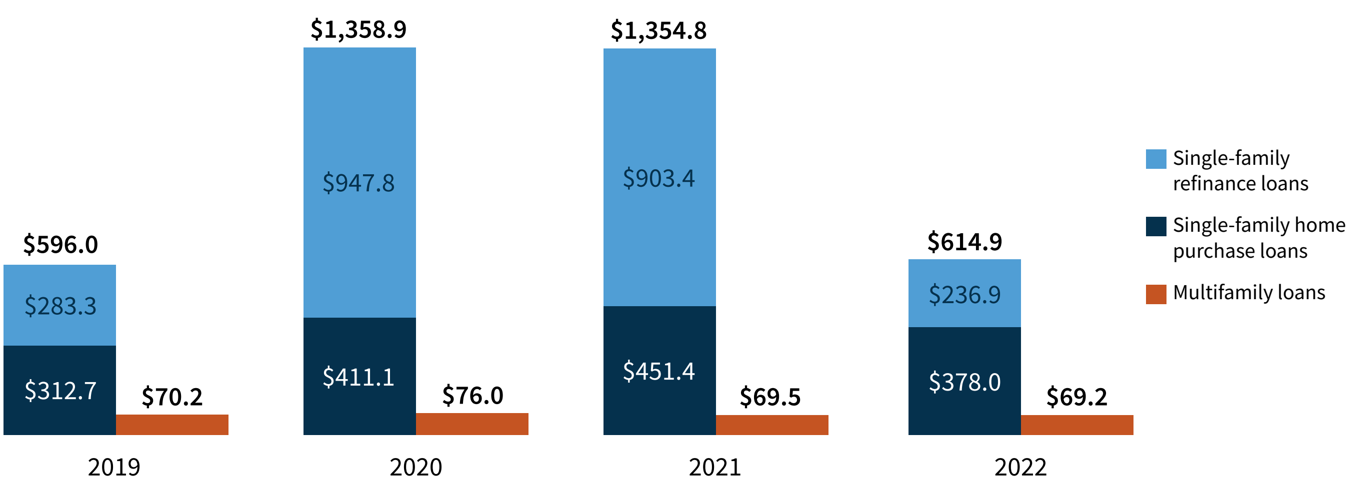
Multifamily

Our Multifamily Business provides mortgage market liquidity primarily for properties with five or more residential units, which may be apartment communities, cooperative properties, seniors housing, dedicated student housing, or manufactured housing communities. Multifamily housing is an essential part of the U.S. housing supply: there are 44 million renter households in the U.S., and 46% of those households live in multifamily units.[10]

Overall, our Multifamily Business provided $69 billion in multifamily mortgage market liquidity in 2022. A significant majority of units financed were affordable to low-to-moderate-income households.[11]

MORTGAGE LOANS ACQUIRED DURING THE YEAR BY UNPAID PRINCIPAL BALANCE AT ACQUISITION

(Dollars in billions)



8 Our acquisitions of single-family conventional mortgage loans are subject to maximum original principal balance limits, known as "conforming loan limits," which are adjusted each year based on the Federal Housing Finance Agency's (FHFA) housing price index. In most of the U.S., the conforming loan limit for mortgages secured by one-family residences was set at $647,200 for 2022.

9 Low-income borrowers are those with incomes of 80% of Area Median Income (AMI) or below; low-to-moderate-income borrowers are those with incomes of 100% of AMI or below. Percentages are based on number of loans and not unpaid principal balance.

10 U.S. Census Bureau, 2021 American Community Survey 1-Year Estimates.

11 Based on rents reported at loan origination. Rents may change following loan origination. For additional information on multifamily affordable housing acquisitions, see Table 3. Multifamily Housing Mortgage Acquisitions by Year, by Select Characteristics in the Data Tables section of the Appendix.

About This Report

This annual Environmental, Social, and Governance (ESG) report provides information on Fannie Mae's business and operations with a focus on social impact, sustainability, and responsible governance.

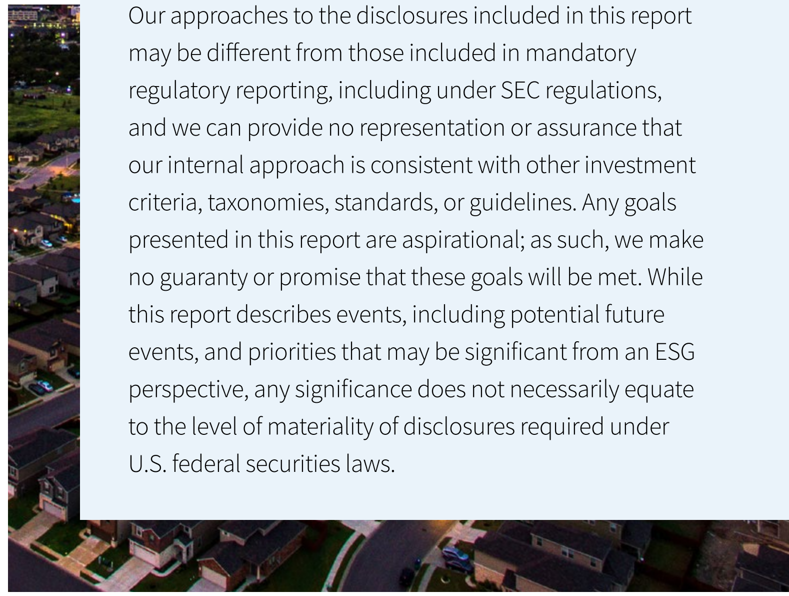
Some of the information included in this report has been previously disclosed in other voluntary and mandated reporting, including on our website, in our annual reports on Form 10-K filed with the Securities and Exchange Commission (SEC), and in previous ESG reporting. Additional details may be available in those and other complementary disclosures. Please see the list of Additional Resources in the Appendix to this report.

Scope of the report

The information included in this report is as of and for the year ended December 31, 2022, unless otherwise noted. This report focuses on our priority ESG topics identified through internal and external stakeholder engagement and additional topics relevant to investors, ESG reporting standards, and ESG ratings organizations.

Alignment to independent reporting standards

The report includes specified information prepared in accordance with the SASB Standards for Mortgage Finance (our primary SASB industry), Commercial Banks, and Investment Banking and Brokerage as set forth in Note 1: Basis of Presentation in the SASB Index of this report.[12] In addition, we refer to the Task Force on Climate-related Financial Disclosures (TCFD) framework to inform this report's preparation. Please see the SASB and TCFD indexes in the Appendix for more information.



Our approaches to the disclosures included in this report may be different from those included in mandatory regulatory reporting, including under SEC regulations, and we can provide no representation or assurance that our internal approach is consistent with other investment criteria, taxonomies, standards, or guidelines. Any goals presented in this report are aspirational; as such, we make no guaranty or promise that these goals will be met. While this report describes events, including potential future events, and priorities that may be significant from an ESG perspective, any significance does not necessarily equate to the level of materiality of disclosures required under U.S. federal securities laws.

Portions of this report that are aligned to the SASB Standards are denoted by banners indicating the associated metric.

SASB Example

Text responsive to SASB Standards appears within the SASB tags.

SASB Example

Limited assurance

Fannie Mae engaged Deloitte & Touche LLP (Deloitte) to perform a review engagement on management's assertion related to the specified information referenced in the SASB Index as of and for the years ended December 31, 2022, 2021, and 2020. Deloitte's report can be found on p. 68 of this ESG Report.

12 We have modified certain metrics to reflect Fannie Mae's position in the secondary mortgage market. The SASB Index in the Appendix of this report explains these modifications as well as changes from our 2021 ESG Report. See our 2021 ESG Report for an explanation of changes from our 2020 SASB Report.

Our Approach to ESG

Fannie Mae exists to make affordable housing a reality for millions in the U.S. by providing stability and liquidity in the housing market. Fannie Mae's strategy builds on this mission, set forth in our charter, while keeping the safety and soundness of the housing market at the forefront. Our strategic plan is designed around two core objectives — improving access to equitable and sustainable housing and enhancing our financial and risk positions.[13] Our corporate strategy integrates our environmental, social, and governance priorities, which are informed by market analysis and internal and external stakeholder engagement.

Since 2018, we have conducted assessments periodically to deepen our understanding of the overall housing finance landscape, prioritize the topics that are most relevant to our business and stakeholders from an ESG perspective, and adapt our ESG strategy and disclosures accordingly. The 14 priorities below that emerged from that assessment guide and focus our work to realize our mission and positively impact the lives of millions of borrowers and renters in the U.S.

Realizing scalable, positive impact while mitigating risk requires thoughtful integration of our ESG priorities throughout our business. Our ESG team works to deepen our understanding of our ESG priorities and solutions to the challenges they present, benefiting from enterprise-wide connectivity and visibility, engagement with external stakeholders, and Board-level oversight.

13 For more information on our strategic plan, see our 2022 Form 10-K, p. 4.

Fannie Mae's priority ESG topics (in alphabetical order):[14]

- Business ethics
- Climate resilience
- Climate risk
- Community engagement
- Data privacy & security
- Diversity & inclusion
- ESG integration
- Green homes
- Housing affordability
- Housing stability
- Human capital management
- Racial equity in housing finance
- Regulatory engagement
- Risk management

14 Topics were identified based on their relevance to our business from an ESG perspective, their impact on society, and our capacity to impact the issue at scale, among other factors.

SPOTLIGHT

Connecting Investors to Our Mission

Fannie Mae's mission has long been to facilitate equitable and sustainable access to homeownership and quality, affordable rental housing across the U.S.

Green and Social Bonds

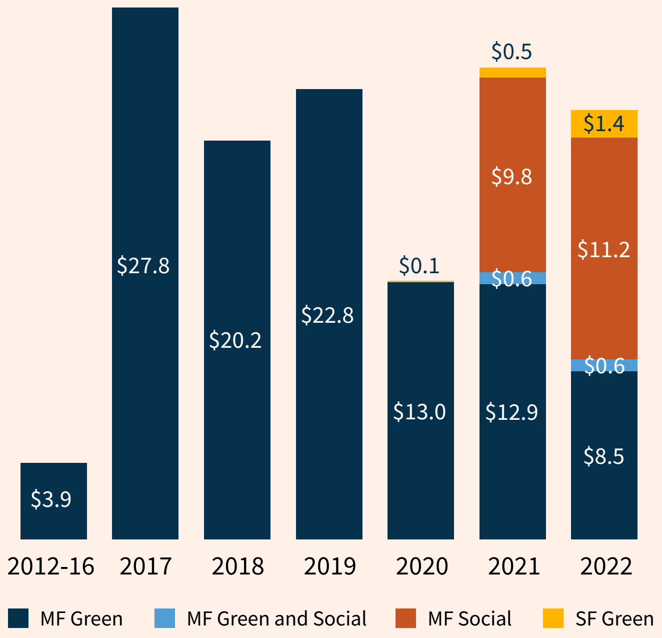
Fannie Mae issues labeled Green Bonds backed by single-family loans and labeled Green and Social Bonds backed by multifamily loans. These securities abide by our Sustainable Bond Framework, which is aligned to global standards set forth in the International Capital Markets Association (ICMA) Green Bond Principles and Social Bond Principles.

Our Sustainable Bond Framework

Our Sustainable Bond Framework, first published in 2020 and updated in 2022, details the processes and criteria we use to distinguish our Social and Green Bond offerings. The Sustainable Bond Framework received a second-party opinion from Sustainalytics. Fannie Mae's sustainable bonds finance assets that we believe align to the following United Nations Sustainable Development Goals: Goal 1 (No Poverty), Goal 7 (Affordable and Clean Energy), Goal 10 (Reduced Inequalities), and Goal 11 (Sustainable Cities and Communities). Under our Sustainable Bond Framework, eligible categories for use of proceeds of social bonds include Access to Essential Services, Socio-Economic Advancement and Empowerment, and Affordable Housing, per the ICMA Social Bond Principles 2020.

Our Sustainable Bond Framework also incorporates our Multifamily and Single-Family Green Bond Frameworks, which received Light Green and Good Governance Second Opinions from CICERO Shades of Green.[15] In addition, CICERO gave our multifamily Green Rewards Mortgage Loan product (see below) a Light to Medium Green rating.

ANNUAL GREEN AND SOCIAL MBS ISSUANCE
(UPB at issuance, Dollars in billions)



15 Please see the CICERO Shades of Green second opinions for multifamily and single-family frameworks.

The Social and Green Bond designations are not mutually exclusive. In the chart above, the "MF Green" category represents MBS that only met the criteria for Multifamily Green Bonds; the "MF Social" category represents MBS that only met the criteria for Multifamily Social Bonds; and the "MF Green and Social" category represents MBS that met the criteria for both Multifamily Green Bonds and Multifamily Social Bonds.

Green Bonds

Fannie Mae began issuing Green Bonds in 2012, and through 2022 we cumulatively issued $112.1 billion in Green MBS. The balance of Fannie Mae Green MBS outstanding as of December 31, 2022 was $93.8 billion. According to the Climate Bonds Initiative, as of December 2022, Fannie Mae was the largest cumulative issuer of green bonds in the world.

Multifamily Green Bonds

We issue Multifamily Green Bonds through two types of securities: **Multifamily Green MBS** and **Green Fannie Mae Guaranteed Mortgage Structures (GeMS™)**. To be included in Fannie Mae Multifamily Green MBS, the underlying loan must be either a Green Rewards Mortgage Loan or a Green Building Certification Mortgage Loan.

Multifamily Green MBS are generally backed by one loan and one property. These bonds benefit from the same features as our other Multifamily MBS, including certain prepayment protections, credit policies, and Fannie Mae's guaranty of timely principal and interest payments. The underlying mortgage loans must also conform to Fannie Mae's Multifamily Green Bond Framework, which outlines our requirements and commitment to accountability, transparency, and impact reporting in green financing. In 2022, Fannie Mae issued $9.1 billion in Multifamily Green MBS.

Green GeMS are pools of Multifamily Green MBS that are resecuritized in a real estate mortgage investment conduit (REMIC). Green GeMS offer investors geographic or property-type diversity, larger-size investments, and customized cash flows to fit investor preferences. GeMS deals are backed by the same Fannie Mae guaranty of timely payment of principal and interest as the underlying MBS pools. In 2022, Fannie Mae issued $781 million in Green resecuritizations.

Single-Family Green Bonds

Single-Family Green MBS are backed by pools of mortgage loans secured exclusively by newly constructed single-family homes with green building certifications.[16] To be eligible, these homes must meet or exceed the national program requirements for ENERGY STAR® Certified Homes, Version 3.0.[17] Fannie Mae's Single-Family Green Bond program relies on green building certifications that have stringent requirements as to what constitutes an energy-efficient residence and requires independent validation of the certifications. In 2022, Fannie Mae issued $1.4 billion in Single-Family Green MBS.

For more information on our financing energy- and water-efficiency improvements in multifamily and single-family housing, see the Green Homes chapter, Table 11. Green Bond Issuance, and Table 12. Projected Green Bond Impacts in the Data Tables section of the Appendix.

16 More information can be found on our website's Single-Family Green MBS page.

17 "About the ENERGY STAR Residential New Construction Program," 2019. Energystar.gov.

Supporting greater diversity in the investor community

Fannie Mae developed the ACCESS® program in 1992 to promote diversity within the capital markets. ACCESS provides opportunities for diverse-owned broker-dealer firms to distribute Fannie Mae's fixed-income securities to the investor community. We include ACCESS dealers in our debt issuance transactions, single-family and multifamily MBS trading, and credit risk transfer transactions. Please see our Community Engagement chapter for more information.

Multifamily Social Bonds

Fannie Mae issued its first Multifamily Social Bonds in 2021 to better connect interested investors to our loans financing the creation and preservation of affordable housing. Securities eligible for our Multifamily Social MBS designation include those composed of loans financing affordable housing units with and without rent and/or income restrictions, manufactured housing communities, and Healthy Housing Rewards™ properties.

As with our Multifamily Green MBS, our Multifamily Social MBS are generally backed by one loan and one property and benefit from the same features as our other Multifamily MBS. We also resecuritize Multifamily Social MBS for investors seeking geographic or property-type diversity, larger-size investments, and customized cash flows to fit investor preferences.

See Table 4. Multifamily Social Bond Issuance in the Data Tables section of the Appendix.

The Social and Green Bond designations are not mutually exclusive — in 2022, $587 million of the multifamily bonds we issued met our criteria for both Social and Green labels. A substantial majority of the units at the properties backing these securities were affordable (at the time of issuance) to tenants with incomes of 60% of Area Median Income (AMI) or less. The owners' commitment to install energy-efficient improvements with Green Rewards or secure a Green Building Certification with energy-efficiency prerequisites resulted in the creation of sustainable housing alternatives for low- and very low-income households.

Security-Level Reporting

Because many fixed-income investors are interested in environmental and social metrics related to their specific investments, Fannie Mae provides a variety of ESG information at the security level:

- At-issuance and ongoing annual metrics on whole multifamily property energy and water performance, including ENERGY STAR Score and EPA's Water Score, are available in DUS Disclose®.
- Projected impacts of Green and Social Bonds are available on our website, published each year to include the previous year's issuance.
- Single-Family Social Index scores are available in PoolTalk® and Data Dynamics®.
- Multifamily Restricted and Rent-based Affordability (as of loan acquisition) are available in DUS Disclose.

For more details about Fannie Mae's existing Green Bond disclosures, please see our Green Bond Disclosures At a Glance guide on our website.

Social Index

In 2022, Fannie Mae introduced the Single-Family Social Index as a flexible and scalable solution to provide investors with insights into our mission-oriented activities in the residential real estate financing market, while also being designed to help preserve the confidentiality of mortgage consumers' personal information.[18] We designed the index so that it can be refined over time to suit the needs of investors and evolving market practices and standards.

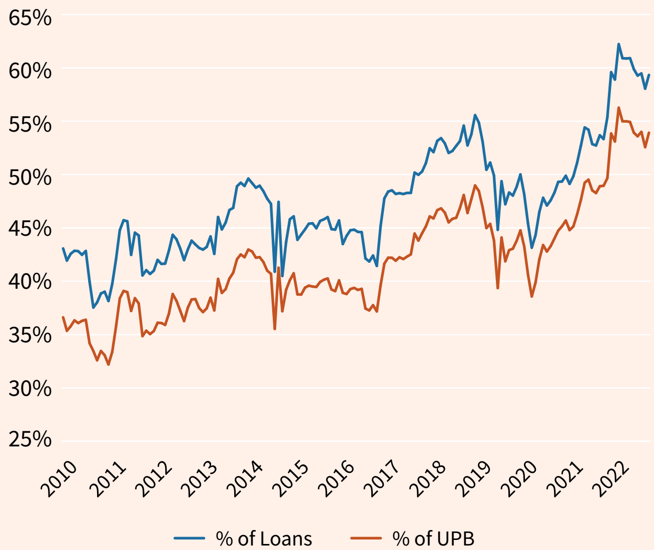
18 As of the date of this report's publication, Fannie Mae has not labeled any Single-Family MBS issuances as "social" bonds. In February 2023, FHFA issued a Request for Input on Fannie Mae's and Freddie Mac's Single-Family social bond policies and program design. Feedback from investors, second-party opinion providers, and other market participants will inform how to approach potential social-labeled issuance. For more discussion about privacy and disclosure, see Fannie Mae's "Disclosure and Privacy: A Delicate Balance," published in August 2022.

We provide Social Index scores on our single-family MBS pools based on a pool's concentration of loans meeting certain criteria that reflect lending in service of Fannie Mae's mission.[19] The Social Index currently evaluates loans against eight social criteria, grouped under three dimensions. We do not disclose individual loan scores. We evaluate loans at time of acquisition, and we calculate pool-level metrics based on the composition of pools when they are issued.

We score MBS pools on two pool-level metrics:

- Social Criteria Share™ (SCS) is the percentage of loans in a pool that meet at least one of our eight social criteria.
- Social Density Score™ (SDS) reflects the layering of social attributes. Each loan is scored on a zero-to-three scale based on the number of dimensions its criteria matches fall in. The SDS is the average score of the loans in the pool. Pool-level SDS is capped at 2.5.

HISTORICAL SHARE OF FANNIE MAE ACQUISITIONS MEETING CURRENT SOCIAL INDEX CRITERIA



ELEMENTS OF SOCIAL INDEX METHODOLOGY

Dimension	Current Criteria[20]
Income	Low-income borrowers (household income is 80% of Area Median Income (AMI) or below)
Borrower	Minority borrowers (at least one borrower identifies as a racial or ethnic minority)
	First-time homebuyers (at least one borrower is a first-time homebuyer and household income is 120% of AMI or below)
Property	Low-income area (home located in designated low-income area and household income is 120% of AMI or below)
	Minority tract (home located in designated minority tract and household income is 120% of AMI or below)
	High-needs rural (home located in designated high-needs rural area and household income is 120% of AMI or below)
	Designated disaster area (home located in designated disaster area and household income is 120% of AMI or below)
	Manufactured housing (home is manufactured housing and household income is 120% of AMI or below)

19 We provide Social Index scores for most active and inactive pools issued since January 2010.

20 Loans on second homes are not eligible for any criteria. Households with income greater than 120% of Area Median Income are not eligible for most social criteria, with the exception of the "minority borrower" criterion, reflecting the homeownership gap between minority consumers and non-Hispanic white consumers that is persistent across household income levels.