



This section of our Web site is designed to help visitors better understand the company's approach to the issues we face.

Related Links In:

As part of our continuing effort to be best-in-class in corporate governance and transparency, Chairman and Chief Executive Officer Franklin D. Raines is committed to answering investors' most frequent questions about Fannie Mae's business. This section provides plain talk about how we operate to provide liquidity to the homeownership markets.

Some say Fannie Mae has competitive advantages. Is that true? What are they?

Yes, Fannie Mae does have a competitive edge for three basic reasons. We've earned a funding advantage. We manage a safe asset in large volumes. And we specialize in the most popular, lowest-cost mortgage on the market.

What are derivatives? Why does Fannie Mae use them?

Derivatives are securities that many financial companies use to reduce the risk of investing. They're called derivatives because their cash flow is derived from that of other instruments. Fannie Mae uses derivatives to reduce the risk and cost of investing in mortgages, which we buy to expand homeownership.

You've said that Fannie Mae is a disciplined growth company. What do you mean by that?

For Fannie Mae, "growth" means that our core business earnings have grown faster than the S&P and the NASDAQ over the past 16 years. For this 16 years, we have produced double-digit increases in core business earnings per share, putting us among the best of the S&P 500 companies.

How is Fannie Mae protected against economic shocks?

More than many large financial companies, Fannie Mae is protected against economic shocks and other potential calamitous events in five basic ways.

You say Fannie Mae's standard is to be a model for financial transparency. What does that mean?

We place a premium on openness and transparency. We listen to investors, shareholders, stakeholders, policy makers, and the media. We respond to their questions and try to meet their information needs. And as the record shows, we are always willing to do more to keep our disclosures at the cutting-edge of best practices.

Fannie Mae is big -- how can you keep growing?

Fannie Mae can keep growing because our market keeps growing. We like to say that as the American Dream grows, so do we. In fact, our challenge will be to keep up with the American Dream, because for the coming decade and beyond, we expect the demand for homes to buy and rent to grow at a very strong pace.

Are you worried housing prices have risen too fast?

No. Without question, the U.S. housing sector remains robust. The building, buying, and financing of homes, and the growth in home values, has continued to be so strong that housing not only endured the weakness in the U.S. economy -- housing helped the economy to sustain and recover.

Aren't big financial companies like yours sensitive to interest rates?

It is true, large financial companies are often considered an "interest rate play" -- that is, their performance and earnings can be sensitive to changes in interest rates. But Fannie Mae is different for two reasons.

What do Fannie Mae's monthly interest rate risk disclosures mean?

To supply mortgage funds to lenders, Fannie Mae sells debt securities to investors and uses the proceeds to buy mortgages and mortgage-backed securities. We hold these mortgage assets in our investment portfolio. From that, we earn net interest income -- the difference between the interest received on our assets and the interest paid on our

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How does Fannie Mae's MBS business work?

To expand homeownership, Fannie Mae operates two businesses, both of which keep low-cost mortgage funds flowing to lenders across America. We have a portfolio business, which buys mortgages originated by lenders. We also have a credit guarantee business, which helps lenders convert their mortgages into mortgage-backed securities, or MBS. Both businesses help lenders replenish their funds to lend.

Fannie Mae provides a [redacted] of our GAAP results to our non-GAAP financial measures.

These pages include certain forward-looking statements based on management's estimates of trends and economic factors in the markets in which Fannie Mae is active as well as our business plans. These estimates and plans may change without notice. Future results may vary from results we expect if there are significant changes in economic conditions (including conditions in the housing market), regulatory or legislative changes affecting us, our competitors or such markets, or changes in other factors. You should review our [redacted] (PDF) for a discussion of these factors. We make no undertaking to update the forward-looking information contained in these pages.

The Form 10-K contains in-depth discussions about our business, financial results and operating environment, among other things. We urge you to read it for more detailed discussions about the topics contained in these pages.