Social Bond Framework

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Introduction

Fannie Mae is a government-sponsored enterprise (GSE) chartered by the United States Congress in 1938 to provide liquidity and stability to the U.S. housing market and promote access to mortgage credit. We do this primarily by purchasing residential mortgage loans from lenders who originate loans to borrowers. We securitize those loans into mortgage-backed securities (MBS), which are purchased by investors throughout the globe. We do not originate loans or lend money directly to borrowers.

Our mission is to facilitate equitable and sustainable access to homeownership and quality affordable rental housing across America. We support both Single-Family and Multifamily housing. Our Single-Family business provides financing to individuals and families for properties that have four or fewer residential units. Our Multifamily business provides financing for residential buildings with five or more units. Our efforts also help borrowers and renters facing hardships to remain in their homes and avoid foreclosure or eviction.

We accomplish our mission while managing risks to our firm and the U.S. housing finance system. As part of this work, we integrate environmental, social, and governance priorities into our business and operations. These priorities 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, focus on topics that are most relevant from environmental, social, and governance perspectives, and inform our strategy and disclosures. Housing affordability and stability and racial equity in housing finance were among the priorities that emerged from these assessments. The financing made available by securities aligned with this Social Bond Framework support Fannie Mae's ability to pursue further progress in these areas.

Our Corporate Governance Guidelines promote the effective functioning of the Board and its committees. The Community Responsibility & Sustainability Committee provides oversight of our mission-oriented efforts.

For more information on this work, please visit our website.

Since September 6, 2008, Fannie Mae has operated under the conservatorship of the Federal Housing Finance Agency (FHFA).

Fannie Mae MBS

Our Single-Family and Multifamily businesses issue mortgage-backed securities (MBS) secured by a beneficial ownership interest in either a pool of mortgage loans or a single mortgage loan secured by residential properties. Fannie Mae ensures that the loans it acquires and places in MBS meet its guidelines for credit quality and provides the guaranty of timely payment of principal and interest to the MBS investor. The certificates and payments of principal and interest on the certificates are not guaranteed by the U.S. Government and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

Framework Overview

Fannie Mae's Social Bond Framework (the "Framework") guides issuances of Fannie Mae's "Social MBS" (single-family or multifamily MBS). This Framework addresses the four components of the International Capital Markets Association (ICMA) Social Bond Principles 2023 (SBP)[1] as well as their recommendation on the use of external reviews and impact reporting:

I. Use of Proceeds

II. Process for Project Evaluation and Selection

III. Management of Proceeds

IV. Reporting

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[1] In June 2023, ICMA added Appendix I to its SBP to distinguish between different types of Social Bonds that have emerged in this developing market. ICMA defines four types of Social Bonds in the Appendix. Fannie Mae's Social MBS may be considered to fall under what ICMA describes as "Social Collateral Bonds," as the mortgages being used for collateral of the Social MBS already exist and have been packaged into Social MBS under the eligibility criteria defined in this Framework.

I. Use of Proceeds

Fannie Mae's Social MBS are expected to finance social assets that align to the ICMA project categories and UN Sustainable Development Goals (SDGs) that are listed below.

ICMA SBP Project Categories	UN SDGs	Social Assets Eligibility Criteria
Socioeconomic Advancement and Empowerment	**10: Reduced Inequalities**	Investments that may include: ▪ Enabling the financing of single-family and multifamily housing in underserved communities ▪ Providing access to capital to traditionally underserved and underrepresented groups
Affordable Housing	**11: Sustainable Cities and Communities**	Investments that may include: ▪ Enabling affordable homeownership and supporting affordable rental housing by enabling the financing of single-family and multifamily properties affordable to low-to-moderate income individuals and families ▪ Enabling investments that incentivize the improvement of the health and well-being of multifamily tenants through building design and resident services

II. Process for Project Evaluation and Selection

Single-Family MBS Project Evaluation

When Fannie Mae acquires a single-family mortgage loan from a lender, the lender represents and warrants to Fannie Mae that the loan satisfies general criteria described in the Fannie Mae Single-Family *Selling Guide*. In addition, the lender may represent to us that the loan satisfies other underwriting standards or criteria. For a loan to be eligible for inclusion in a Social MBS, the lender must represent, or Fannie Mae must otherwise be able to ascertain, that the loan satisfies at least one of the following Social Impact Criteria.

Fannie Mae is focused on addressing housing challenges that U.S. consumers face — especially those that disproportionately burden underserved borrowers and renters. In support of this objective, Fannie Mae's Single-Family Mission Index disclosure provides MBS investors with insights into our mission-oriented lending activities, which allows them to allocate capital in a more targeted way towards these activities. The Mission Index is the foundation of our Single-Family Social Bond program. The program aligns with ICMA's Social Bond Project (SBP) categories of Socioeconomic Advancement and Empowerment and Affordable Housing, seeking to achieve positive socioeconomic outcomes for target populations and create vibrant communities.

Our objective is to allow investors to direct their capital to securities rich in mortgages to underserved borrowers and areas, potentially increasing affordable housing opportunities for target populations. The Mission Index disclosure provides additional transparency toward this goal, allowing investors to seek out MBS that have a high concentration of underserved borrower populations. In turn, investor demand for these MBS may result in improved pricing, which may translate to better access to credit for borrowers in targeted underserved populations.

Mission Index framework:

The Mission Index is designed to focus on underserved populations in the U.S. housing market that typically face barriers to obtaining affordable housing and/or have constrained access to credit. These populations are defined through income, borrower, and property attributes that are consistent with Fannie Mae's mission focus. Income ceilings are applied where appropriate to responsibly target support to underserved populations. Fannie Mae is committed to periodically evaluating and enhancing the Mission Index criteria and disclosures to align to the needs of underserved borrowers and the capital markets. In pursuit of this commitment, the attributes underlying the Mission Index may change over time as the types of borrowers needing housing finance support evolves.

The Mission Index is comprised of two scores that are disclosed to investors at the MBS level, a Mission Criteria Share (MCS) and a Mission Density Score (MDS).

- The MCS displays the percentage of loans, measured by loan count, in the MBS that meet at least one income, borrower, or property attribute included in the Mission Index specification.
- The MDS displays a score between zero (0.00) and 2.50. It illustrates a layering of mission-oriented attributes, reflecting whether each loan in the MBS meets at least one (1) income attribute, at least one (1) borrower attribute, and at least one (1) property attribute included in the Mission Index specification. Although the sum of each of those attributes may total up to three (3), the maximum MDS score on a pool is capped at 2.50 to mitigate risks to borrower privacy.

Mission Index applied to Single-Family Social Bonds:

Fannie Mae's Single-Family Social Bond program will include only single-family MBS where the MCS is equal to 100% and the MDS is equal to or greater than 2.0. This means that:

- 100% of the loans in the MBS were made to borrowers in an underserved population referenced in the Mission Index.
- The average loan in the MBS identifies with at least two of the three high-level attributes of income, borrower, or property.

Multifamily MBS Project Evaluation

Fannie Mae's national network of Delegated Underwriting and Servicing (DUS) lender partners provide mortgage loans to commercial real estate owners for the acquisition or refinance of multifamily properties. These loans are secured by several types of multifamily properties, including apartment buildings, manufactured housing communities, seniors housing, dedicated student housing, affordable housing[2], and cooperatives. If a loan conforms to Fannie Mae's standards, DUS lenders may sell the loan to Fannie Mae to guarantee and securitize in the form of an MBS. These securities are then sold to investors in the capital markets as agency commercial mortgage-backed securities (CMBS). Loans purchased by Fannie Mae from its DUS lenders will be Eligible Assets under this Framework if they:

- Conform to the Multifamily Selling and Servicing Guide (the "Guide") requirements;
- Conform to additional requirements documented in Fannie Mae Forms;
- Contain all required modifications and exhibits to the Loan Agreement; and
- Meet one of the defined Social Impact Criteria at loan origination.

Restricted Affordable Housing: Restricted Affordable Housing: The most restrictive of all the Fannie Mae's affordable housing offerings, a Restricted Affordable Housing loan, is available on a Multifamily Affordable Housing (MAH) or Conventional, in some instances of Self-Imposed Restrictions, property which is encumbered by a regulatory or recorded affordability agreement. The property must provide rent-restricted housing. This housing can be subsidized by various government programs including Low-Income Housing Tax Credits (LIHTC), the U.S. Department of Housing and Urban Development's Section 8 program, state and local housing initiatives, or restricted under Fannie Mae's Sponsor-Initiated Affordability (SIA) product. The rent or income restrictions on the property must meet or exceed one of the following:

- **20% @ 50%:** At least 20% of all units have rent or income restrictions in place making them affordable to households earning no more than 50% of AMI as adjusted for family size.
- **40% @ 60%:** At least 40% of all units have rent or income restrictions in place making them affordable to household earning no more than 60% of AMI as adjusted for family size (except for New York City, where at least 25% of all units have rent or income restrictions in place, making them affordable to households earning no more than 60% of AMI as adjusted for family size).
- **Section 8 Housing Assistance Payments (HAP) contract:** At least 20% of all units are subject to a project-based HAP contract.

[2] A rental unit is considered "affordable" if the renter spends no more than 30% of their income on gross housing costs, including a utility allowance. For example, assume the AMI is $100k, so 60% of AMI is $60k, or $5k per month. An "affordable" unit, then, would be one where the rent and utility allowance does not exceed $1,500 (30% of $5k).

- **Special Public Purpose:** The property is subject to an Affordable Regulatory Agreement imposed by a government entity, containing other rent and/or income restrictions,
    - has rent or income restrictions that meet or exceed **20% @ 80%:** At least 20% of all units have rent or income restrictions in place making them affordable to households earning no more than 80% of AMI as adjusted for family size, and
    - with rent not exceeding 30% of the adjusted AMI.
- **Self-Imposed Restrictions:** The borrower may elect self-imposed rent and income restrictions to preserve multifamily affordable housing. These restrictions must:
    - be placed on record against the property;
    - remain in place during the mortgage loan term;
    - be certified annually by the borrower and a third-party Administering Agent; and
    - be monitored by the lender to ensure the property's compliance.

Unrestricted Affordable Housing: In order to meet the needs of workforce households across the spectrum, Fannie Mae provides financing for market-rate units that do not receive support from government housing programs, but still offer affordable rents in their local markets. These units are generally in class B or C properties that may provide affordable rents due to the age, condition, or location of the asset. For a property to qualify as Unrestricted Affordable Housing, at least 80% of all units must be affordable to households earning no more than 60% of AMI.

Manufactured Housing Communities (MHC): Manufactured housing continues to be an important part of the affordable housing stock, both for owners and renters. In order to support this community, Fannie Mae provides financing for owners of MHC sites in which the individual pad sites are leased to owners of manufactured homes. Through its program requirements, Fannie Mae seeks to influence the quality and affordability of these communities:

- The percentage of park-owned homes generally may not exceed 35%.
- Density is based on market norms and generally should not exceed 12 Manufactured Homes per acre for an existing community and seven Manufactured Homes per acre for a new community.

With limited exceptions, all manufactured homes should conform to applicable Manufactured Housing and Urban Development (HUD) Code standards. Additional support is available for communities owned by a Non-Profit/Government entity or by Residents under a Cooperative regime.

Healthy Housing Rewards™: Our Healthy Housing Rewards initiative is for borrowers who incorporate health-promoting design features and practices or resident services in their newly constructed or rehabilitated multifamily affordable rental properties. Properties can follow one of two pathways:

- Healthy Design: Properties that are designed to encourage physical activity, healthy eating and improved air quality - such as playgrounds, community gardens and tobacco-free policies. Properties must meet or exceed the minimum certification standards of the Fitwel®, WELL, or Enterprise Green Communities certification systems.
- Resident Services: Property owners who incorporate a system of resident services for their tenants -- such as health and wellness services, work and financial capability support, and child education and academic support -- must become (or partner with) a CORES certified service-provider and obtain Enhanced Resident Services (ERS) certification for their property. The certifications are operated by Stewards for Affordable Housing for the Future.

III. Management of Proceeds

Social MBS Management of Proceeds

Mortgage lenders originate eligible loans and deliver those loans to Fannie Mae. Fannie Mae securitizes those loans into a fully guaranteed MBS. As a result of the MBS securitization process, proceeds received from these MBS transactions support the origination of the loans by replenishing capital to lenders, so that lenders can make loans available to borrowers in the future.

Our Social MBS only contain mortgages that 1) satisfy the criteria set forth in our Guides and 2) meet the applicable social criteria described in this Framework. Unlike a traditional corporate debt issuance where guidelines govern how we manage the funds over time, these funds have already been invested towards the acquisition of a loan that meets our Social Bond criteria.

A portion of Fannie Mae's proceeds from the sales of Single-Family Social MBS will be used to support programs under our Duty to Serve and Equitable Housing Finance Plan requirements.

IV. Reporting

Single-Family MBS Reporting

Fannie Mae's Single-Family business publishes at-issuance and ongoing data for all Single-Family MBS through a web-based system called PoolTalk®. Through PoolTalk, investors can obtain comprehensive information about single-family securities and the underlying loans. Fannie Mae continuously evaluates potential enhancements to incorporate additional social disclosure information into PoolTalk.

Multifamily MBS Reporting

Fannie Mae's Multifamily business publishes data both at-issuance and ongoing for its MBS through a web-based system called DUS Disclose®. Through DUS Disclose, investors can obtain comprehensive information about multifamily securities including the performance of the loans backing multifamily MBS and financial information at the property level. Fannie Mae is committed to providing extensive disclosure on Social MBS to enable investors to evaluate the performance of each property.

Third-Party Data Providers

Fannie Mae publishes single-family and multifamily MBS disclosure files that feed third-party sites such as Bloomberg, Intex, and eMBS. Some third-party data providers include ESG-related disclosures. For example, Bloomberg's current MBS disclosure screens for Single-Family MBS include Mission Index scores, and for Multifamily MBS includes fields disclosing the percentage of units at the property that are affordable to renters earning no more than 60% of AMI or if the property is a manufactured housing community. They also provide a blue heart icon for Social Bonds. These fields enable investors to quickly determine if a bond meets their portfolio requirements. Fannie Mae continues to work with these data providers in order to help investors with a Socially Responsible Investment (SRI) mandate to determine the appropriateness of Social MBS as a part of their investment portfolio.

Impact Reporting

Fannie Mae is committed to providing investors with reporting on the assets financed by its Social MBS on an annual basis, starting approximately one year after issuance through its annual impact reporting process. We expect to report on the social impact of our MBS issuances, where feasible. Potential impact reporting metrics, which may change over time, may include:

ICMA SBP Project Categories	Potential Impact Reporting Metric
SBP: Socioeconomic advancement and empowerment **SBP: Affordable housing**	▪ For single-family bonds: ▪ UPB of loans financed detailed by the Mission Index criteria ▪ Number of properties/units financed detailed by the Mission Index criteria ▪ Value created from single-family social bonds deployed to affordable programs including under our Duty to Serve and Equitable Housing Finance Plan requirements ▪ Home retention activities ▪ For multifamily bonds: ▪ Number of properties/units financed, detailed by area median income (AMI) distributions ▪ Number of pads financed (MHC)

Refer to **Projected Impact Metrics** for additional examples of impact achieved from bond issuance.

External Review

Fannie Mae has received a Second Party Opinion on its Social Bond Framework from Sustainalytics, evaluating the alignment of the Framework and proposed eligible project categories with the Social Bond Principles.

Amendments to the Framework

Fannie Mae will review this Framework on a regular basis, including its alignment to updated versions of the International Capital Markets Association (ICMA) Social Bond Principle. Such review may result in the Framework being updated and amended. Any updates will be posted on the Fannie Mae website.

Fannie Mae Webpages & Resources

- Environmental, Social, Governance
- Social Bonds
- Impact Reporting
- Single-Family Mission Index
- Board of Directors Community Responsibility and Sustainability Committee Charter
- Annual and Quarterly Results
- PoolTalk: Single-Family MBS disclosure application
- DUS Disclose: Multifamily MBS disclosure application

Additional Resources

- United Nations Sustainable Development Goals (SDGs)
- ICMA SBP
- Sustainalytics Second-Party Opinion

Disclaimer

This Social Financing Framework (the "Framework") is provided by Fannie Mae for informational purposes only, is provided as of the specified date, and is subject to change without notice. Fannie Mae does not assume any responsibility or obligation to update or revise any statements in this document, regardless of whether those statements are affected by the results of new information, future events or otherwise. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained herein. No liability whatsoever is or will be accepted by Fannie Mae for any loss or damage howsoever arising out of or in connection with the use of, or reliance upon, the information contained in this document.

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This Framework is not incorporated by reference into, or a part of, any Offering Documents or any security. Any failure of Fannie Mae to comply with this Framework will not constitute a default under, or breach of, any security.

This Framework should not be considered as a recommendation that any investor should subscribe for or purchase any securities, nor as an assessment of the economic performance and creditworthiness of the securities. Any person who subsequently acquires securities must rely solely on the Offering Documents prepared by Fannie Mae in connection with such securities, on the basis of which alone purchases of or subscription for such securities should be made. In particular, investors should pay special attention to any sections of Offering Documents describing any risk factors. The merits or suitability of any

securities or any transaction described in these materials to a particular person's situation should be independently determined by such person. Any such determination should involve, among other things, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of the securities or such transaction.

Certain statements in this Framework constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words and terms such as "aim," "allocate," "anticipate", "believe," "consider," "deliver," "drive," "enable," "enhance," "estimate", "expand," "expect," "fulfill," "goal", "impact," "improve," "include," "intention," "maintain," "manage," "may," "potential," "promote," "reduce," "result," "seek," "should," "strategy", "subsequently," "target", "update," "will" and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Many factors will be important in determining the results of Fannie Mae. Forward-looking statements are based on assumptions and current expectations, which may be inaccurate, and on the current economic environment, which may change. These statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. Results and the use of proceeds from any issuance of Social MBS could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in Fannie Mae's filings with the U.S. Securities and Exchange Commission. Fannie Mae's execution of the Framework is subject to the risk that Fannie Mae will be unable to execute its strategy because of economic, market or competitive conditions or other factors. Fannie Mae does not undertake any obligation to publicly correct or update any forward-looking statement if Fannie Mae later becomes aware that such statement is not likely to be achieved. Please consult any further disclosures Fannie Mae makes on related subjects in reports to the U.S. Securities and Exchange Commission.