

Congressman Grayson

- 1. Is Fannie Mae currently paying the legal defense fees against shareholder actions for former Chairman and CEO Franklin Raines, former Vice-Chair and CFO Timothy Howard, and former Controller Leanne Spencer?**

Yes.

- 2. If so, how much has Fannie Mae, and by extension the taxpayers, paid since the end of their employment to defend each of these individuals? Please break out costs by year.**

Year*	Raines	Howard	Spencer
Post-Conservatorship (9/6/2008) 2008	\$.67 million	\$ 0.46 million	\$ 1.22 million
2009	\$1.76 million	\$ 0.89 million	\$ 1.3 million

*As reported by Fannie Mae, based on the date that Fannie Mae received an indemnification invoice. Includes all invoices received after the date of the Conservatorship, when the Treasury began providing financial assistance to Fannie Mae (and prior to July 21, 2009), even if they relate to fees and expenses incurred prior to the Conservatorship. The amounts include fees and expenses incurred in connection with the defense of derivative, securities, and ERISA claims pending in the U.S. District Court for the District of Columbia. The amounts above do not include invoices for expenses totaling \$ 0.4 million incurred in connection with government investigations prior to the Conservatorship.

- 3. What is the total cost to the company and government for shareholder actions against the company and the management?**

Approximately \$23.1 million during the conservatorship. This amount includes all fees and costs for outside counsel to defend the Office of Federal Housing Enterprise Oversight and FHFA and their employees and former employees in the multidistrict litigation involving Raines, Howard and Spencer. It also includes all such fees and expenses expended by Fannie Mae since the Conservatorship was imposed in September 2008, and includes the figures provide in answer to question 2. It includes nothing for OFHEO, FHFA and Fannie Mae in-house employee costs, which have been substantial, but not accounted for separately, but probably exceed \$1 million.

- 4. Could these costs to the taxpayers have been avoided if the company had gone into receivership instead of conservatorship?**

Whether these costs could have been avoided would depend on the facts and circumstances surrounding any receivership. It is possible that receiverships might have reduced the costs of the litigation, but by no means certain. Costs might have been deferred longer, because HERA provides for a 90-day mandatory stay of litigation in receiverships, but only a 45-day stay in conservatorships. Receivership raises numerous additional legal issues that would eventually need to be litigated.

5. How many depositions has the government paid for to defend Raines, Howard and Spencer subsequent to their removal from their positions with Fannie Mae?

Raines, Howard and Spencer have not yet been deposed in any of the shareholder actions. Since the Conservatorship (and prior to July 21, 2009), 33 depositions of other parties have taken place in the consolidated shareholder, derivative, and ERISA actions pending before the U.S. District Court for the District of Columbia. These defendants have had counsel at all or most of those depositions.

Congressman Manzullo

1. What remedies are available under the HVCC agreement for sellers in situations involving anomaly sales (e.g. an estate that offloads a property below market value for the sake of expediency)?

Under the Uniform Standards of Professional Appraisal Practice ("USPAP"), the appraiser must identify the particular definition of "market value" that is being applied in the appraisal. See USPAP Definition of Market Value. In cases of loans sold to the enterprises, the definition of "market value" to be applied is the same as required by the Federal banking agencies' regulation implementing Title XI of FIRREA. See Fannie Mae Seller Guide B4-1.2-02 at 432-34; Freddie Mac Selling Guide 44.3(c). It defines "market value" as "[t]he most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus."

To the extent USPAP or state laws regarding appraisals may have been violated where an appraiser is alleged to have misapplied the definition of market value or used inappropriate comparable sales, the seller may file a complaint with the appropriate state licensing agency.

In addition, under the Code, an enterprise seller may, as a remedy for a flawed initial appraisal, obtain a second subsequent appraisal, provided that there is a reasonable basis to believe that the initial appraisal was flawed. The enterprise seller may also perform a second appraisal pursuant to written, pre-established bona fide appraisal review or quality control policies or underwriting guidelines. In any event, the lender must adhere to a policy of selecting the most reliable appraisal, rather than the valuation most favorable to the transaction at hand.