

Promises Made, Promises Kept

November 2025

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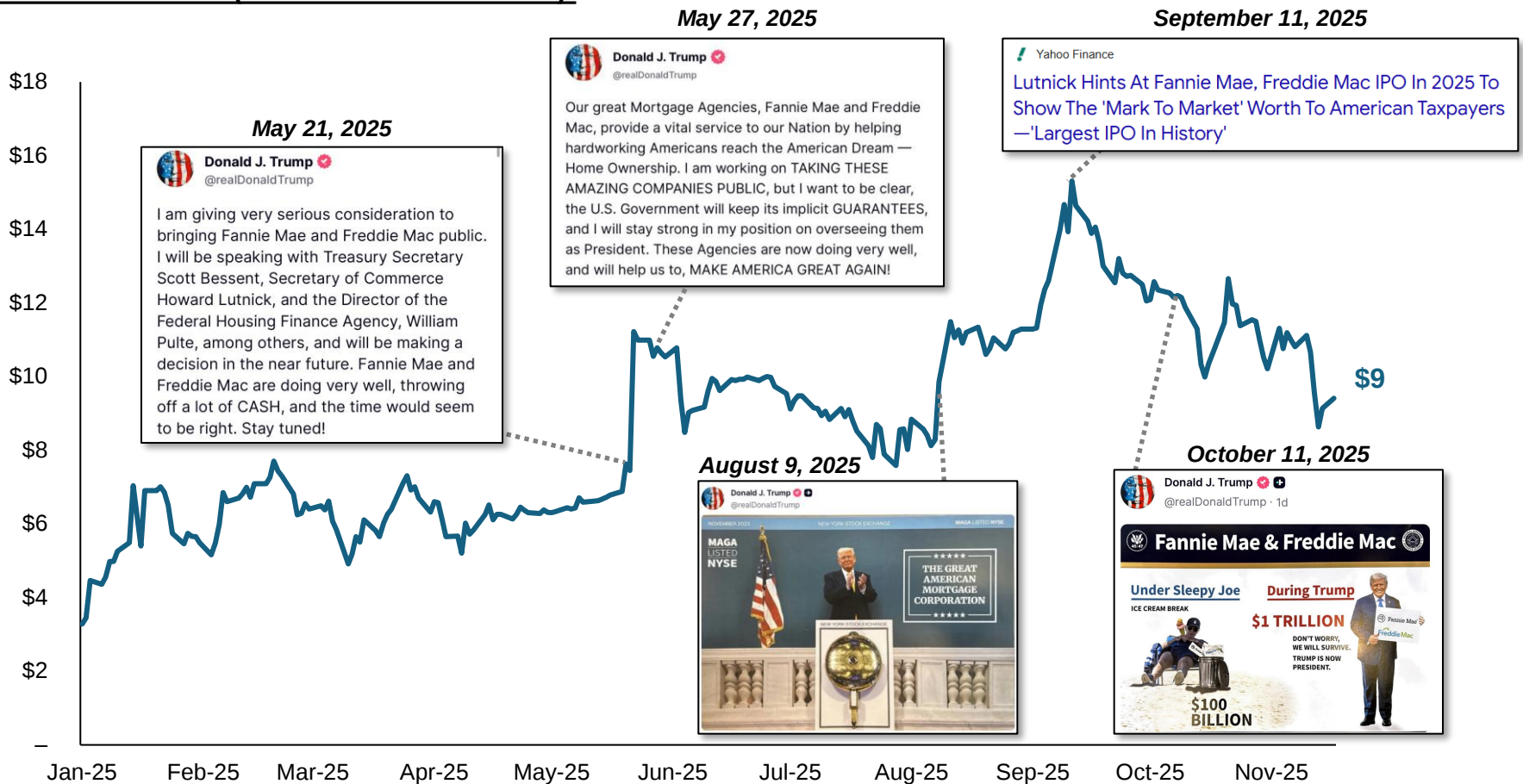
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Fannie and Freddie YTD Share Price Appreciation

Statements from President Trump and the administration have led Fannie and Freddie shares, which trade in the OTC market, to more than double in value this year

FNMA Stock Price (12/31/2024 to 11/17/2025):



Institutional and Retail Ownership

Many institutional and retail shareholders have purchased Fannie and Freddie shares this year in anticipation of a public offering

- ▶ **While disclosing ownership in OTC-listed securities is not required, several institutions have voluntarily reported ownership in Fannie and Freddie**
 - Institutions including Capital Group, Morgan Stanley, Aegon, Brighthouse Financial, and Banco Santander have increased their holdings of FNMA and FMCC since President Trump was re-elected
 - Many institutions are precluded from investing in FNMA and FMCC shares since they are not listed on a major national exchange

- ▶ **Many retail shareholders have also purchased shares in the GSEs**
 - The Reddit group “r/FNMA_FMCC_Exit” has 7,600 weekly visitors and 1,800 weekly contributions
 - Widespread enthusiasm for Fannie and Freddie on platforms such as X and Truth Social

The Trump Administration's GSE Objectives

- 1 Maintain or enhance mortgage affordability**
- 2 Demonstrate mark-to-market worth to taxpayers**
- 3 Maximize long-term value for taxpayers**

1 Maintain or Enhance Mortgage Affordability



“One, the structure of the U.S. mortgage market – we’re committed to making sure that there is no change in the spread of mortgages over Treasuries. We actually believe there are things that can be done to make mortgages cheaper for the American people. And then on the other side, these are tremendously valuable companies, and President Trump wants to realize some of the value.”

- Treasury Secretary Scott Bessent, 8/27/2025

2 Demonstrate Mark-to-Market Worth to Taxpayers



“I think it's going to be sort of a, it could well be a this-year thing. Now, do we want to sell a lot? No, no. What we want to do is show a mark to market, right? That the President shows these are assets that we, the American taxpayers, own, and look how much they're worth, look how well they do. And what we want to do is keep the price of a home mortgage as low as mathematically possible. We don't want to take any action that raises that spread because that makes homeownership tougher, and we want to make home ownership easier.”

- Commerce Secretary Howard Lutnick, 9/11/2025

3 Maximize Long-Term Value for Taxpayers

 Donald J. Trump  
@realDonaldTrump

 **Fannie Mae & Freddie Mac** 

Under Sleepy Joe
ICE CREAM BREAK



\$100 BILLION

During Trump

\$1 TRILLION

DON'T WORRY,
WE WILL SURVIVE.
TRUMP IS NOW
PRESIDENT.



- President Donald Trump, 10/11/2025

Now is Not the Right Time to Sell

We do not believe that selling a portion of Treasury's GSE shares in a public offering today is feasible or aligned with the Trump Administration's objectives

- ▶ **A share sale by Treasury while the GSEs remain in conservatorship is not feasible**
 - Institutions and retail investors were burned by both the 2008 bailout and the 2012 net worth sweep
 - While in conservatorship, boards of directors “owe their fiduciary duties of care and loyalty solely to the conservator, and not to either the company or our stockholders”⁽¹⁾
- ▶ **Attempting a large secondary offering now would at best dilute taxpayer ownership at a significant discount to long-term fair value, or more likely result in a failed offering**
- ▶ **Accomplishing a significant stock sale at an attractive price would require the following actions followed by an exit from conservatorship**
 - Revise capital rule to allow the GSEs to earn adequate returns without raising g-fees
 - Modify existing PSPAs to act as an ongoing, paid-for government backstop
 - Codify and communicate regulatory powers that FHFA will retain post-conservatorship
 - Recruit and incentivize world-class leadership and boards of directors at the GSEs
- ▶ **The above actions will take significant time to deliberately execute**

(1) Source: Fannie Mae 2024 annual report.

The Solution is Simple and Straightforward

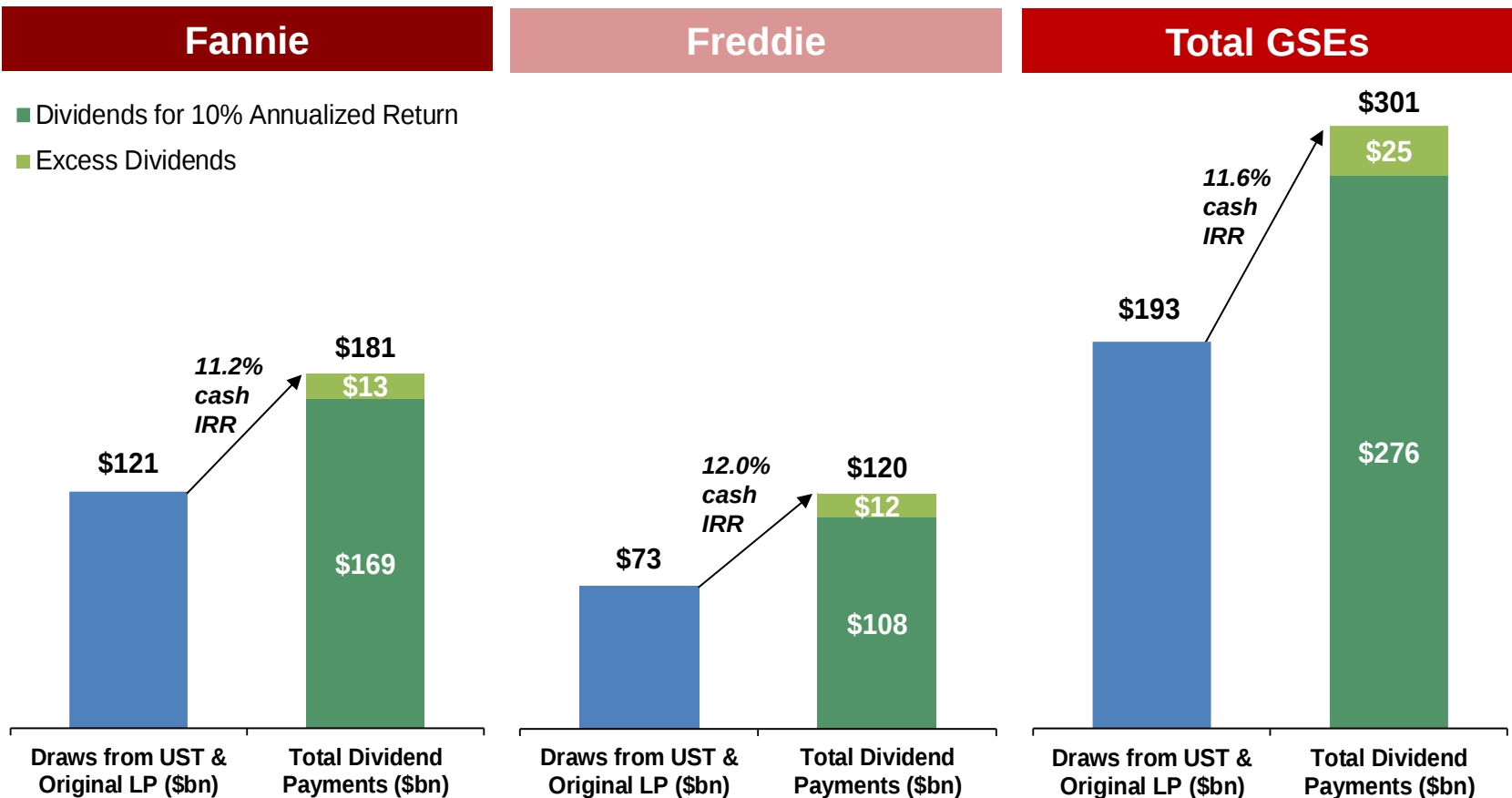
- 1 Account for the repayment of the Senior Preferred Stock (“SPS”)**
- 2 Exercise Treasury’s 79.9% warrants in both companies**
- 3 Relist Fannie and Freddie on the NYSE**

- ▶ **All three of these steps can be taken immediately by Treasury and FHFA**
 - Accounting for repayment of the SPS can be accomplished via a simple letter agreement between Treasury and FHFA
 - Treasury may exercise its warrants to purchase 79.9% of the common stock of the GSEs for \$0.00001 per share
 - The GSEs meet all the NYSE listing requirements today and could re-list on the NYSE before exiting conservatorship, subject to approval by FHFA
- ▶ **These steps enable the Trump Administration to achieve its GSE objectives**
 - Keeping the GSEs in conservatorship eliminates timing pressure, maximizes optionality, and gives Treasury and FHFA runway to plan a careful exit that avoids disrupting the mortgage market
 - Relisting allows President Trump to deliver on his November 2025 timing commitment

We believe that this solution would result in taxpayers owning a 79.9% stake in the GSEs that would be worth over \$300 billion

1 Account for the Repayment of the SPS

Treasury has recouped its total cash invested plus ~\$25bn in excess of what would have been owed under the original 10% dividend rate



1

Account for the Repayment of the SPS (Cont.)



DONALD J. TRUMP

November 11, 2021

The Honorable Rand Paul
United States Senate
Washington, D.C.

Dear Senator Paul,

Thank you for talking to me about the need to privatize Fannie Mae and Freddie Mac, two great American companies, and about the question the Supreme Court has raised about what I would have been able to accomplish if I had been able to fire the incompetent Mel Watt from day one of my Administration.

Another Obama/Biden scam in legal trouble was when they allowed the Federal Housing Finance Agency (FHFA) to steal the retirement savings of hardworking Americans who had invested in Fannie Mae and Freddie Mac. In a recent ruling, the Supreme Court has recognized that my Administration was denied the ability to oversee the work of FHFA in violation of the Constitution. The Supreme Court's decision asks what I would have done had I controlled FHFA from the beginning of my Administration, as the Constitution required. From the start, I would have fired former Democrat Congressman and political hack Mel Watt from his position as Director and would have ordered FHFA to release these companies from conservatorship. My Administration would have also sold the government's common stock in these companies at a huge profit and fully privatized the companies. The idea that the government can steal money from its citizens is socialism and is a travesty brought to you by the Obama/Biden administration. My Administration was denied the time it needed to fix this problem because of the unconstitutional restriction on firing Mel Watt. It has to come to an end and courts must protect our citizens.

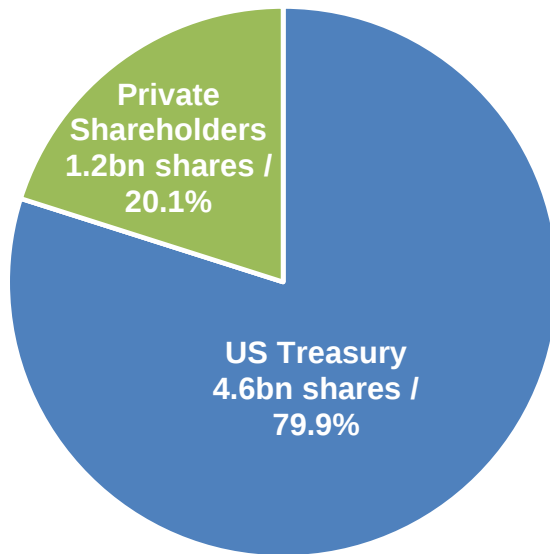
Sincerely,

The theft caused by the Obama Administration's August 2012 net worth sweep was paused by Secretary Mnuchin, but the first Trump Administration ran out of time to fully resolve the issue

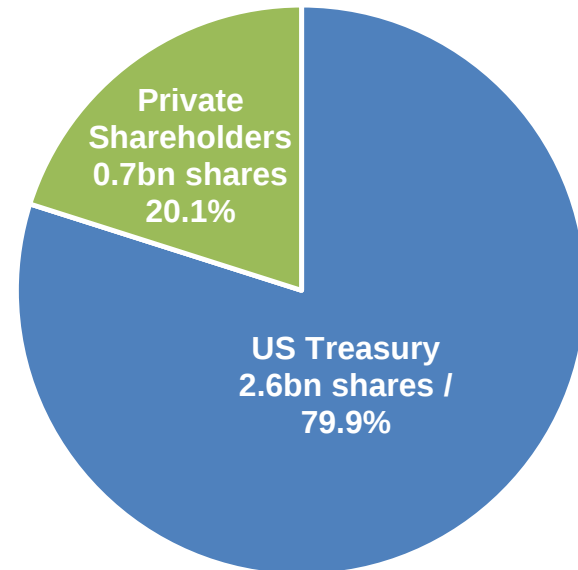
2 Exercise Treasury's 79.9% Warrants

Treasury will own a 79.9% permanent common stock stake in both GSEs after its warrants are exercised

Fannie Mae Ownership



Freddie Mac Ownership



3 Relist Fannie and Freddie on the NYSE

Fannie and Freddie meet all the NYSE listing requirements today and could re-list on the NYSE before exiting conservatorship subject to approval by FHFA

NYSE Listing Requirements ⁽¹⁾ :		Fannie (FNMA)	Freddie (FMCC)	
Distribution Standards	Minimum Share Price	\$4.00	✓	✓
	Publicly Held Shares	1.1mm	✓	✓
	Number of Shareholders	400 round lot holders	✓	✓
	Market Value of Public Float	\$40mm	✓	✓
Financial Standards	Global Market Capitalization	\$200mm	✓	✓
	Adjusted Pre-Tax Income	Aggregate \$10mm over last three years ⁽²⁾	✓	✓

A NYSE listing would allow institutional investors to build positions in Fannie and Freddie and provides the ideal setup for future secondary sales by Treasury when desired

Source: https://www.nyse.com/publicdocs/nyse/listing/NYSE_Initial_Listing_Standards_Summary.pdf

(1) Must meet all of the distribution standards but only one of the financial standards.

(2) Also requires at least \$2mm of adjusted pre-tax income in each of the two most recent fiscal years and positive adjusted pre-tax income in each of the prior three fiscal years.

Conservatorship to Continue Until Exit is Finalized

This proposal envisions no near-term changes to the status quo beyond accounting for SPS repayment, warrant exercise, and listing on NYSE

- ✓ **No risk of disruption to the mortgage or MBS markets**
 - Level of available and explicit Treasury support through the Preferred Stock Purchase Agreements will remain unchanged
- ✓ **No changes to GSE operations**
 - Fannie and Freddie will continue operating in conservatorship as they do today
- ✓ **No diminution in the government's control or oversight**
 - FHFA will retain all its powers as conservator until a full exit can be accomplished
- ✓ **No change to capital allocation policy**
 - All comprehensive income will continue to be retained until full capital levels are achieved
 - No dividends will be paid to junior preferred or common shareholders until the GSEs are fully capitalized

After implementing this proposal, the Trump Administration will have a three-year runway to carefully plan an exit from conservatorship that addresses the capital rule, nature of ongoing government support, regulatory framework, and management and governance

Illustrative Financial Projections: Fannie Mae

Fannie Mae common stock trades in the OTC market at three and a half times its earnings per share, highlighting its dramatic undervaluation

(\$ in millions, except per share data)	2025E	2026E
Summary P&L		
Single-Family Guarantees (\$bn)	\$3,593	\$3,665
<i>Growth</i>	(1%)	2%
<i>Avg. Portfolio G-Fee (bps)</i>	58	59
<i>TCCA Fees (bps)</i>	(10)	(10)
<i>Net Credit Losses (bps)</i>	(2)	(4)
<i>G&A & Net Other Expenses (bps)</i>	(12)	(12)
Single-Family Guarantee Pretax Income	\$12,300	\$12,000
<i>bps</i>	34	33
<i>Investments & Multifamily Guarantees (\$bn)</i>	\$609	\$637
Investments & Multifamily Pretax Income	\$6,866	\$6,928
<i>bps</i>	113	109
<i>Plus: Income on Incremental Capital at 4.0%</i>	0	310
<i>Change in Loan Loss Reserve</i>	(659)	0
<i>Less: Income Taxes</i>	(3,772)	(3,944)
Net Income to Common	\$14,735	\$15,295
<i>bps</i>	35	36
<i>Fully Diluted Shares Outstanding (mm)</i>	5,762	5,762
Diluted EPS	\$2.56	\$2.65
<i>Growth</i>		4%
Implied Price / EPS	\$9.35	3.7x
		3.5x
Balance Sheet Metrics (\$bn)		
Total Capital at End of Year	\$109	\$125
Average Adjusted Total Assets	4,462	4,568
Implied Capital Ratio	2.5%	2.7%
Implied Return on Capital	14.4%	13.1%

Illustrative Financial Projections: Freddie Mac

Freddie Mac common stock trades in the OTC market at two and a half times its earnings per share, highlighting its dramatic undervaluation

(\$ in millions, except per share data)	2025E	2026E
Summary P&L		
Single-Family Guarantees (\$bn)	\$3,130	\$3,193
<i>Growth</i>	2%	2%
<i>Avg. Portfolio G-Fee (bps)</i>	59	60
<i>TCCA Fees (bps)</i>	(10)	(10)
<i>Net Credit Losses (bps)</i>	(1)	(4)
<i>G&A & Net Other Expenses (bps)</i>	(13)	(13)
Single-Family Guarantee Pretax Income	\$10,900	\$10,488
<i>bps</i>	35	33
<i>Investments & Multifamily Guarantees (\$bn)</i>	\$515	\$538
Investments & Multifamily Pretax Income	\$3,419	\$3,009
<i>bps</i>	66	56
<i>Plus: Income on Incremental Capital at 4.0%</i>	0	227
<i>Change in Loan Loss Reserve</i>	(751)	0
<i>Less: Income Taxes</i>	(2,722)	(2,745)
Net Income to Common	\$10,846	\$10,980
<i>bps</i>	30	29
<i>Fully Diluted Shares Outstanding (mm)</i>	3,234	3,234
Diluted EPS	\$3.35	\$3.39
<i>Growth</i>		1%
Implied Price / EPS	\$8.33	2.5x
	2.5x	2.5x
Balance Sheet Metrics (\$bn)		
Total Capital at End of Year	\$70	\$81
Average Adjusted Total Assets	3,915	4,007
Implied Capital Ratio	1.8%	2.0%
Implied Return on Capital	16.7%	14.5%

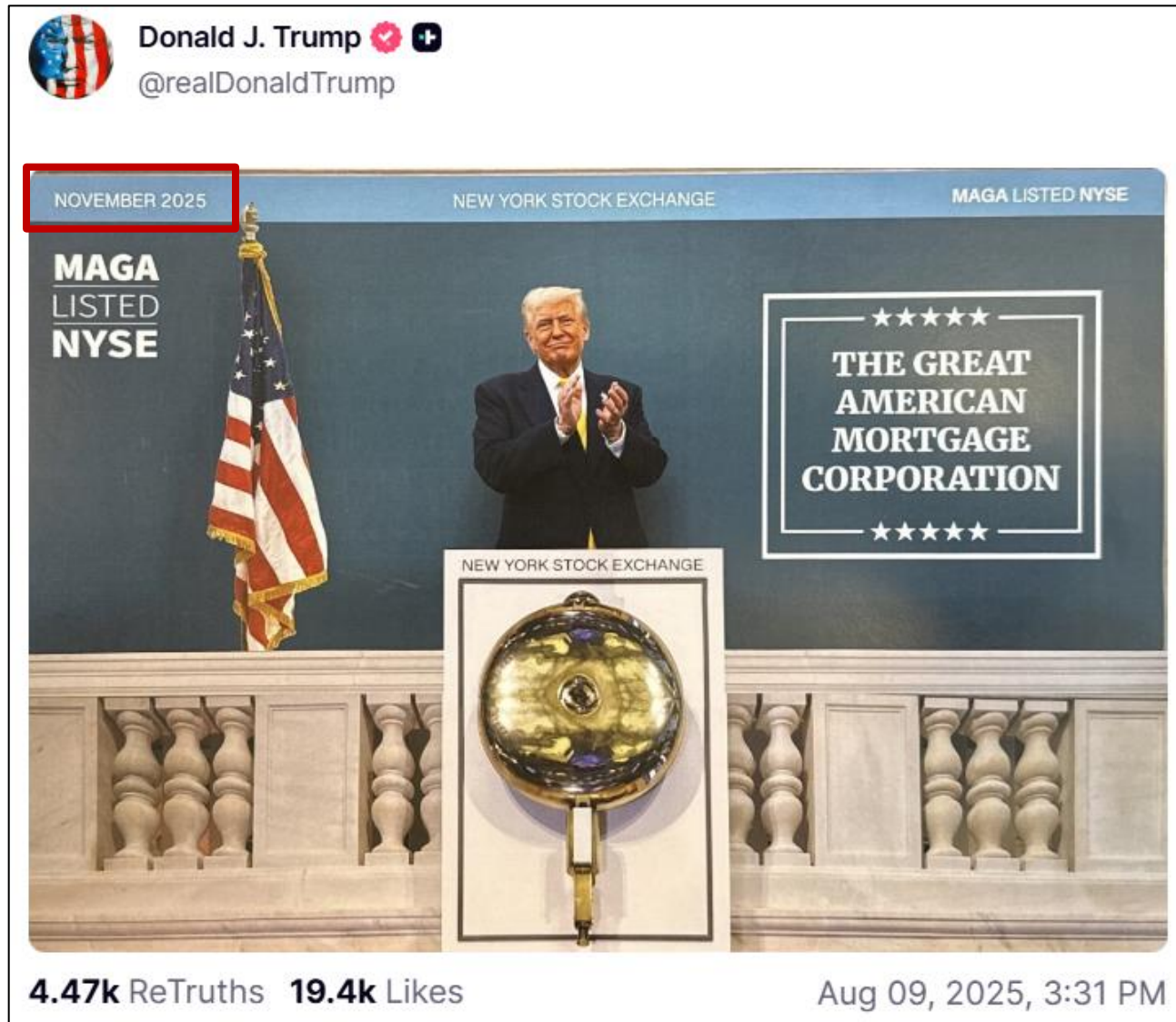
Illustrative Value of Treasury's Investment

At 12/31/25, we estimate that taxpayers' stake in the GSEs will be worth in excess of \$300 billion after accounting for repayment of the SPS, exercise of Treasury's warrants, and relisting on the NYSE

(\$ in billions, except per share data)	FNMA	FMCC	Total
<u>Illustrative Common Stock Valuation</u>			
FY 2026E Diluted EPS	\$2.65	\$3.39	
Assumed FY1 P/E Multiple	16.0x	13.0x	
Implied Share Price at 12/31/25	\$42.47	\$44.13	
Fully Diluted Shares Outstanding (mm)	5,762	3,234	
Implied Market Cap at 12/31/25	\$245	\$143	\$387
Plus: Junior Preferred Equity	19	14	33
Implied Total Capitalization at 12/31/25	\$264	\$157	\$421
Book Value of Capital Held at 12/31/25	109	70	180
Implied Price / Book Value	2.4x	2.2x	2.3x
<u>Illustrative Value of Treasury's Ownership Stake</u>			
% of Common Stock Purchased through Warrants	79.9%	79.9%	
Number of Shares Purchased through Warrants (mm)	4,604	2,584	
Illustrative Share Price Post-Relisting	\$42.47	\$44.13	
Implied Value of Treasury's Stake in the GSEs	\$196	\$114	\$310

Communication and clarity from the government regarding its strategy and timing for exiting conservatorship will maximize the current valuation

✓ Fannie Mae and Freddie Mac NYSE-Listed, November 2025



Why the SPS Should be Deemed Repaid

Treasury Senior Preferred Stock Investment

On Sept. 7, 2008, Treasury committed to invest up to \$100bn of senior preferred stock in each of the GSEs through the Preferred Stock Purchase Agreements (“PSPAs”). In 2009, Treasury raised its commitment to \$200bn each

Terms of Senior Preferred Stock

- ▶ \$1bn initial liquidation preference
- ▶ Warrants for 79.9% of common stock
- ▶ Cumulative dividends at 10% cash rate or 12% paid-in-kind (PIK) rate

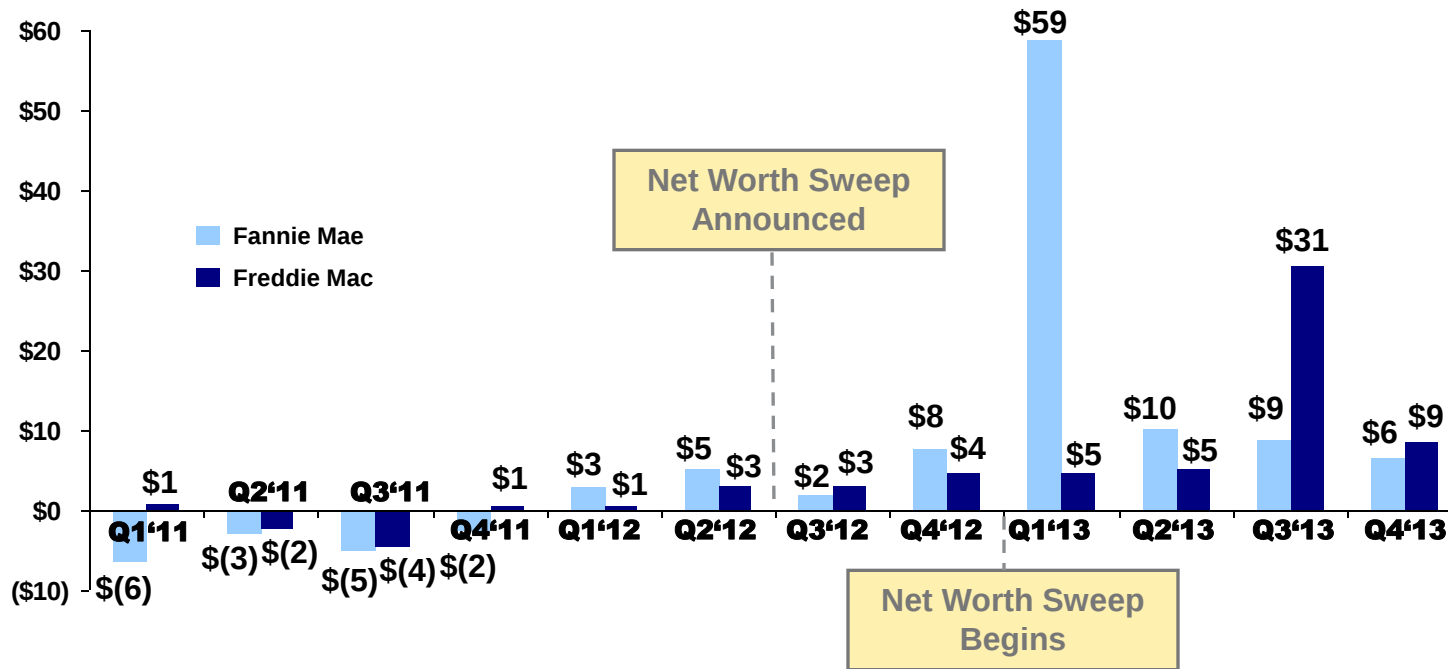
History Prior to the Net Worth Sweep

- ▶ The GSEs were unable to pay 10% cash dividends from 2008 to 2011 and used proceeds from additional Treasury preferred stock investments to pay dividends
- ▶ By its terms, dividends on the preferred stock could have been paid in kind
- ▶ In 2012, Fannie and Freddie became profitable enough to pay the 10% cash dividend on Treasury’s preferred stock

The Net Worth Sweep

On Aug. 17, 2012, the Obama administration amended the terms of the senior preferred stock (the “Net Worth Sweep”) to require the GSEs to pay dividends equal to 100% of their earnings

Fannie and Freddie Quarterly Net Income Since 2011 (\$ in Billions)

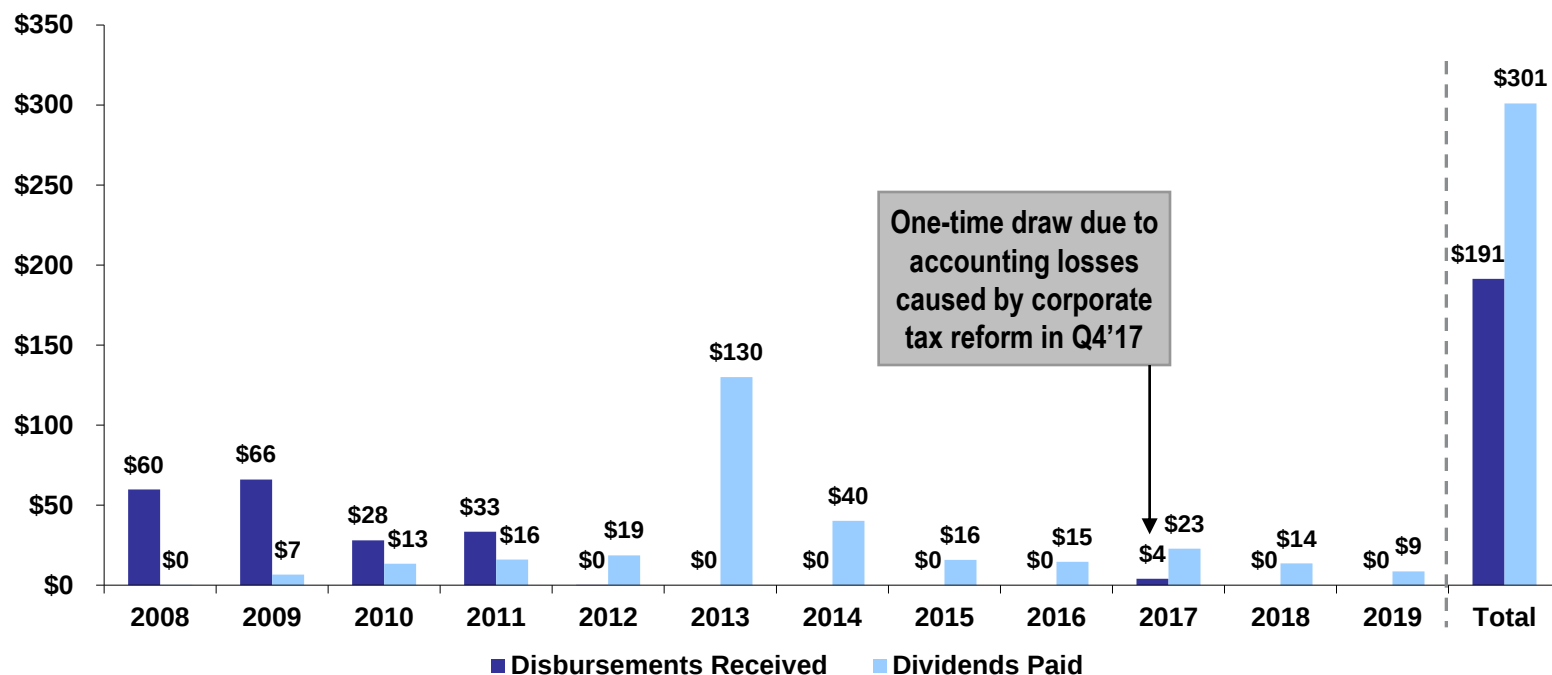


The government announced the net worth sweep just after the GSEs returned to profitability and were able to pay the cash dividends under the original agreement

Dividends Paid to Treasury Exceed Disbursements

The Treasury has earned an 11.6% IRR from the \$301bn of dividends received from the GSEs, ~\$25bn more than what was owed under the original 10% dividend rate

Disbursements Received and Dividends Paid (\$ in Billions)



The GSEs have not paid a dividend to Treasury since 2019, and have not drawn funds since 2011 outside of one-time accounting losses from corporate tax reform in 2017

SPS Conversion Would be Value-Destructive

We believe the narrative around Treasury potentially “converting” its Senior Preferred Stock into common stock is flawed

- ▶ **Treasury already owns 79.9% of both companies**
 - Mathematically, this claim on the GSEs’ earnings can only increase by 25%
 - 80% or higher ownership could require the U.S. government to consolidate Fannie and Freddie, which would increase the national debt by ~20%
- ▶ **An attempt to convert the SPS into common would invite new litigation**
 - Precludes any new private capital raise or secondary sale
 - Would delay a conservatorship exit well beyond the current administration’s term
- ▶ **In the unlikely scenario that a share sale to private investors were possible, an SPS conversion would severely impact the GSEs’ valuation**
 - Investors would either assign a very low valuation multiple to a company whose prior shareholders were wiped out by the government without just compensation, or more likely choose not to invest

We believe an SPS conversion would severely impair the value of Treasury’s stakes in Fannie and Freddie, rendering them ill-suited assets for a potential SWF

SPS Conversion Would be Value-Destructive (Cont.)

An SPS conversion would severely impair the value of Treasury's stakes in Fannie and Freddie and preclude any primary or secondary share sale

Illustrative value of Treasury's investment in Fannie Mae (\$bn)

	SPS Deemed Repaid	Senior Preferred Stock of \$121bn Converted to Common at Current FNMA Share Price of \$9.35				
FY1 P/E Multiple	16.0x	10.0x	9.0x	8.0x	7.0x	6.0x
2026E Net Income	\$15.3	\$15.3	\$15.3	\$15.3	\$15.3	\$15.3
Implied Market Cap at 12/31/25	\$245	\$153	\$138	\$122	\$107	\$92
Implied Price / Book Value	\$109 2.4x	1.6x	1.4x	1.3x	1.2x	1.0x
<u>Common Stock Ownership Mix</u>						
Treasury	80%	94%	94%	94%	94%	94%
Legacy Common Equity	20%	6%	6%	6%	6%	6%
Value of Treasury Common at 12/31/25	\$196	\$143	\$129	\$115	\$100	\$86
% Reduction vs. SPS Deemed Repaid		(27%)	(34%)	(41%)	(49%)	(56%)
<u>Memo: Impact per Common Share</u>						
Implied FNMA Share Price at 12/31/25	\$42.47	\$8.19	\$7.37	\$6.55	\$5.73	\$4.91
% Change vs. Current Price of \$9.35	354%	(12%)	(21%)	(30%)	(39%)	(47%)

In the unlikely scenario that a SPS conversion could be accomplished, Treasury would own a higher percentage of much less valuable companies

SPS Conversion is Inconsistent with the Duties of a Conservator

An attempt to convert the SPS into common would be inconsistent with FHFA's duties as a conservator

“Eighty-seven years of FDIC, FSLIC, and RTC history demonstrate that conservators are caretakers who are not meant to operate an institution indefinitely. A conservatorship is supposed to be a ‘temporary measure’ leading either to rehabilitation or to a receivership and ultimately payment of creditors and shareholders.”

“Nor do federal conservators or receivers act for the benefit of a single preferred shareholder (the government) to the detriment of all of the institution’s other shareholders. Such ‘unprecedented deviations from settled insolvency practices and creditor protections undercut one of the critical foundations of a market economy, and could call into question the reliability of the government as a resolution authority.”

- Amicus Brief of Thomas P. Vartanian, 9/23/2020

SPS Conversion is Inconsistent with the Duties of a Conservator (Cont.)

Consistent with more than 4,000 precedent conservatorships and receiverships, the Senior Preferred Stock is only entitled to repayment with interest

“In open bank assistance and conservatorships, the stakeholders’ interests are protected by their contractual rights since the institution is continuing to function as an open and operating company. The provider of the assistance, formerly the FDIC for banks and Treasury for the Companies, receives repayment plus interest like any creditor based on the assistance agreement. All past open bank assistance and conservatorships, and all principles underlying HERA and related insolvency statutes, limited that repayment to the actual funding provided because the statutory goal explicitly is to restore the company to a ‘sound and solvent’ condition. That cannot be accomplished with a confiscatory seizure of current and future value.”

- Cato Institute Working Paper, Michael Krimminger and Mark Calabria, 2/9/2015

Unfinished Business of the First Trump Administration



DONALD J. TRUMP

November 11, 2021

The Honorable Rand Paul
United States Senate
Washington, D.C.

Dear Senator Paul,

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