



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

JAN 30 2006

Mr. Daniel Mudd
President and Chief Executive Officer
Fannie Mae
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Dear Mr. Mudd:

By letter dated February 28, 2005, the Department of Housing and Urban Development requested information on the Fannie Mae Foundation's activities and relationship to Fannie Mae. Fannie Mae and the Fannie Mae Foundation provided separate responses on March 24, 2005 that together included the material requested.

This letter is to inform you that the Department has completed its current review of Fannie Mae's charitable activities. The Department has concluded that Fannie Mae's charitable activities, as described in the documentation provided by Fannie Mae and the Fannie Mae Foundation in March 2005, are not inconsistent with the Fannie Mae Charter Act or the Federal Housing Enterprises Safety and Soundness Act of 1992 (FHEFSSA).

The Department has determined that charitable contributions by Fannie Mae are an ordinary corporate activity authorized by section 309(a) of the Fannie Mae Charter Act. However, section 309(a) is not an independent source of program authority for Fannie Mae, and Fannie Mae cannot make charitable contributions for the purpose of engaging in activities that would be inconsistent with Fannie Mae's statutory purposes or the specific provisions of the Charter Act or FHEFSSA. In addition, the Department determined that Fannie Mae is authorized by its Charter Act to establish a Foundation to carry out its charitable activities, and that the Fannie Mae Foundation is authorized to make charitable contributions in the form of grants and to fund and promote research and education on housing-related issues. However, the Fannie Mae Foundation is subject to the same Charter Act and FHEFSSA restrictions that apply to Fannie Mae itself, and the Foundation cannot engage in any activities that would circumvent or otherwise be inconsistent with the Charter Act and FHEFSSA.

For example, the Fannie Mae Foundation could not engage in activities that Fannie Mae is prohibited from engaging in under its Charter Act, such as originating mortgage loans. In addition, if the Foundation is engaged in carrying out the business activities of Fannie Mae, then HUD would apply the same strict review for consistency with the Fannie Mae Charter Act and FHEFSSA that it does for any other business activity of Fannie Mae. The activity would also be viewed in light of the other restrictions on Fannie Mae's business activities – e.g., restrictions on implementing new programs without the Department's review and approval as required by section 1322 of FHEFSSA.

Given that the Department's determination today is strictly limited to its review of the documents provided by Fannie Mae and the Foundation in March 2005, the Department will, from time-to-time, continue to review the relationship between Fannie Mae and the Fannie Mae Foundation to ensure that Fannie Mae's charitable activities, including contributions to the Foundation and the activities of the Foundation, are consistent with the Charter Act and with FHEFSSA.

Sincerely,

A handwritten signature in black ink, appearing to read "BDM", with a stylized flourish extending from the end.

Brian D. Montgomery
Assistant Secretary for Housing-
Federal Housing Commissioner