

**Testimony of Michael J. Williams
President and Chief Executive Officer
Fannie Mae
U.S. House of Representatives Committee on Financial Services
Subcommittee on Oversight and Investigations
“Analysis of the Post-Conservatorship Legal Expenses of Fannie Mae and Freddie Mac”
February 15, 2011**

Chairman Neugebauer, Ranking Member Capuano, Members of the Committee, good afternoon. My name is Mike Williams. I am President and Chief Executive Officer of Fannie Mae. I was named to that role in April 2009, after the Company had been placed into conservatorship.

Fannie Mae plays a critical role in stabilizing the nation’s fragile housing market. Since 2009, Fannie Mae has provided more than \$1.2 trillion in mortgage liquidity, helped one million families buy homes and enabled 3.8 million homeowners to refinance. In that time, we have also provided over \$30 billion in financing for more than 570,000 units of affordable rental housing.

Fannie Mae has also substantially strengthened its underwriting standards, and set new guidelines for the industry on loan quality. As a result, we are building a profitable new book of business. We are committed to putting a very strong foundation in place for a sustained recovery in housing, which is key to getting the U.S. economy back on track.

The Committee has asked me to discuss Fannie Mae’s post-conservatorship legal expenses. As CEO, I am keenly aware of Fannie Mae’s responsibility to manage expenses prudently.

Fannie Mae’s Legal Expenses

Fannie Mae is currently facing an unprecedented volume of complex legal matters.

For example, various members of the plaintiffs’ trial bar are pursuing class action lawsuits against Fannie Mae, including one brought on behalf of the Attorney General of Ohio. Plaintiffs and their lawyers are seeking billions of dollars. Fannie Mae has substantial defenses in these lawsuits and is vigorously defending the Company and the taxpayers from this potential liability.

Fannie Mae has also been the subject of numerous agency and Congressional investigations. In cooperating fully, we have incurred significant expenses collecting, processing, reviewing, storing and producing tens of millions of pages of data and documents.

We also incur legal expenses in the aggressive pursuit of claims against entities that owe Fannie Mae money. To date, we have been successful in recovering sums well in excess of our legal costs.

Fannie Mae's Advancement Obligations

In addition to our own legal expenses, Fannie Mae is obligated to advance certain legal expenses incurred by current and former officers.

This obligation derives from Article 6 of our bylaws, which Fannie Mae's shareholders adopted in 1987. It is also governed by the contracts that Fannie Mae's Board has entered into with each of its officers and directors. Our Conservator affirmed these contracts in 2008. Where they apply, the Company's obligation to advance legal expenses is always mandatory. If Fannie Mae were to refuse to honor this obligation, we would undoubtedly be sued and likely be subject to additional costs.

Corporations throughout America make provisions similar to ours in order to attract and retain strong and experienced officers and directors.

Since 2009, Fannie Mae has put in place a new Board of Directors and senior executive team. It would not have been possible for the Company to recruit and retain these professionals without offering advancement protections and applying them consistently.

Managing Advancement of Legal Expenses

Since 2005, Fannie Mae's General Counsel has used the services of a third party vendor to review all legal bills for individuals entitled to advancement. Currently, we use a legal invoice audit firm that has provided services for some of the largest corporations in America and various government entities. The vendor negotiates billing rates and determines the reasonableness and necessity of all charges.


In closing, we take seriously our responsibility to manage effectively the resources we have been provided.

I am joined today by our General Counsel Timothy Mayopoulos. He and I look forward to answering your questions.

**United States House of Representatives
Committee on Financial Services**

“TRUTH IN TESTIMONY” DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.


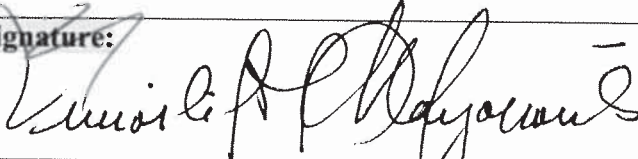
1. Name:	2. Organization or organizations you are representing:
Michael J. Williams	Federal National Mortgage Association
3. Business Address and telephone number:	
[REDACTED]	
4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
Not applicable	
 2/14/11	
7. Signature:	

Please attach a copy of this form to your written testimony.

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1. Name: Timothy J. Mayopoulos	2. Organization or organizations you are representing: Fannie Mae
3. Business Address and telephone number: 	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets. 	
7. Signature: 	

Please attach a copy of this form to your written testimony.