The Art of the Deal

January 16, 2025

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Pershing Square

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This presentation contains a high-level overview that reflects our subjective beliefs, assumptions, and assessments regarding Fannie Mae and Freddie Mac. There can be no assurance that Fannie Mae and Freddie Mac will be able to implement a particular strategy or achieve particular results. The "Framework for Ending Conservatorship" and "Illustrative GSE Restructuring" sections of this presentation contain frameworks, projections, and models for illustrative purposes only. They are calculated based on certain inputs and underlying assumptions, which may not prove to be correct, which may not reflect all considerations, and are subject to various risks and inherent limitations. Although Pershing Square believes the calculations and models described herein are based on reasonable assumptions, the use of different assumptions would produce different results.

Agenda

- Background on Fannie and Freddie
- Conservatorship and the Net Worth Sweep
- A Framework for Ending Conservatorship
- Illustrative GSE Restructuring

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Background on Fannie and Freddie

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Prior to the Great Depression

Mortgage availability was limited, with 5-to-10 year terms, floating interest rates, and ~50% loan-to-value ratios

- Mortgages were primarily originated and retained by local thrifts, commercial banks, and insurance companies
- Banks would lend at floating interest rates for a short term to match the structure of their deposit funding sources
- Supply of mortgage credit was limited and required large initial down payments
- Availability and pricing of mortgage credit varied widely across the U.S. due to localized funding
- Homeownership rate was ~45%

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The Great Depression

During the Great Depression, the U.S. mortgage market was paralyzed and required significant government involvement to eventually recover

- The unemployment rate was nearly 25%
- Housing prices declined as much as 50%
- ~25% of mortgages were in default and ~10% of homes were in foreclosure
- Homeowners were unable to satisfy their principal payments and were unable to refinance their short-term mortgages
- The banking system was near collapse and was unable and unwilling to provide a meaningful amount of mortgage credit

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Government's Response to the Great Depression

During the Great Depression, the government undertook a series of mortgage-related initiatives that culminated with the creation of Fannie Mae

- **1933: Created Home Owners' Loan Corp**
  - Issued government-backed bonds to fund the purchase of defaulted mortgages from financial institutions
  - Converted short-term, variable rate mortgages into long-term, fixed-rate mortgages
- **1934: Enacted National Housing Act, which established the Federal Housing Administration**
  - Provided credit insurance on long-term, fixed-rate mortgages made by approved lenders
- **1938: Created Fannie Mae as a government agency**
  - Purchased FHA-insured loans to provide liquidity for mortgage lenders

Fannie Mae was chartered to support liquidity, stability, and affordability in the secondary mortgage market

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Evolution of the GSEs

Fannie and Freddie (collectively, the "GSEs") have evolved significantly since the creation of Fannie Mae in 1938

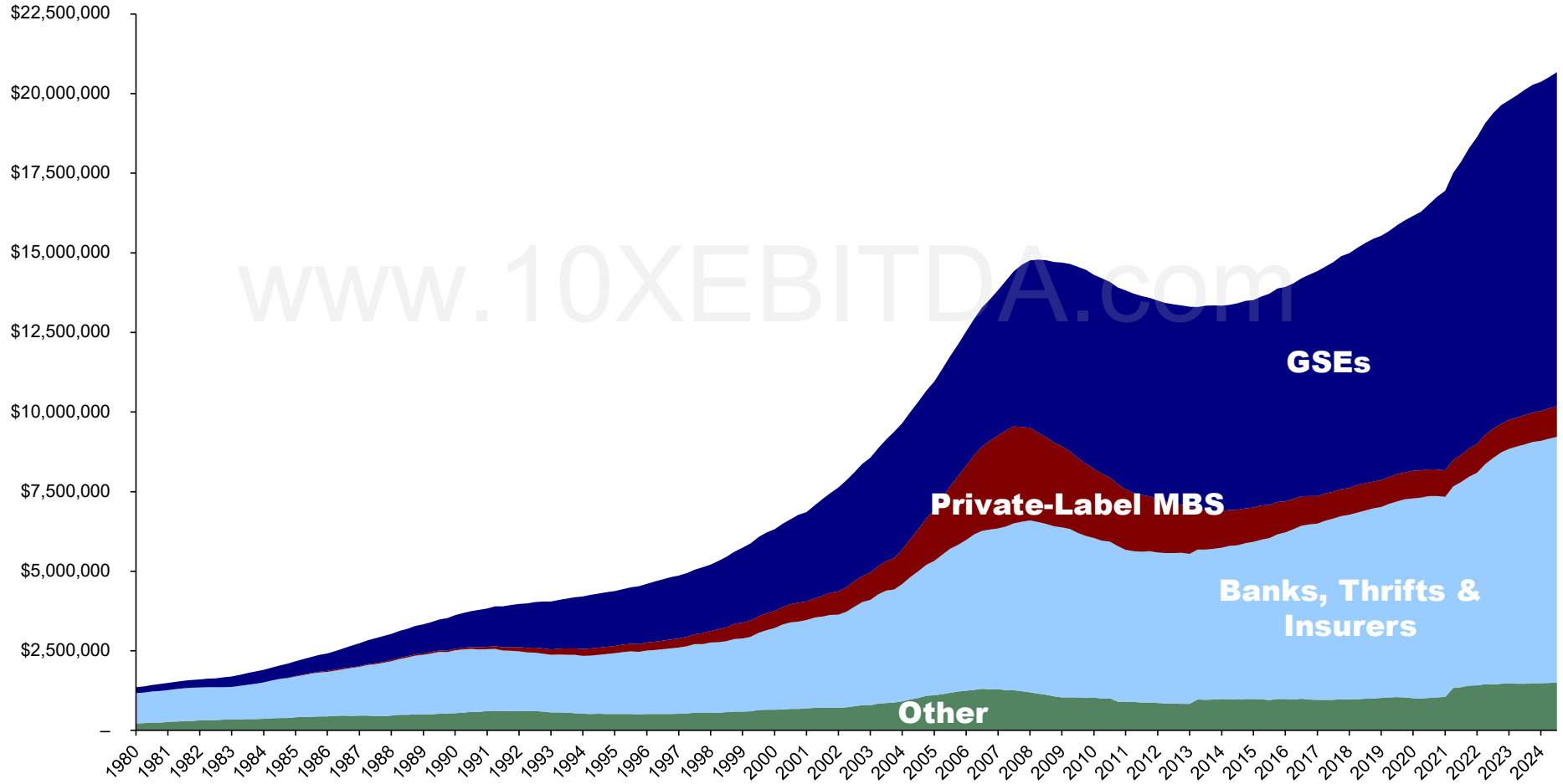
- **1948: Fannie allowed to purchase loans insured by the Veterans Administration**
  - Provided liquidity to long-term, low-down-payment mortgages issued to veterans returning from WWII
- **1954: Fannie converted into a "public-private, mixed-ownership" company**
- **1968: Fannie converted into a for-profit, shareholder-owned enterprise**
  - Fannie allowed to buy non-government backed mortgages
- **1970: Freddie Mac created to securitize mortgages issued by the savings and loans institutions**
- **1971: Freddie issued the first conventional loan MBS**
- **1989: Freddie converted into a for-profit, shareholder-owned enterprise**

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The Rise of the GSEs

Since the 1980s, Fannie and Freddie have played an increasingly vital role in providing borrowers with access to an ample supply of credit

Outstanding Residential Mortgages Since 1980 ($ in Billions)



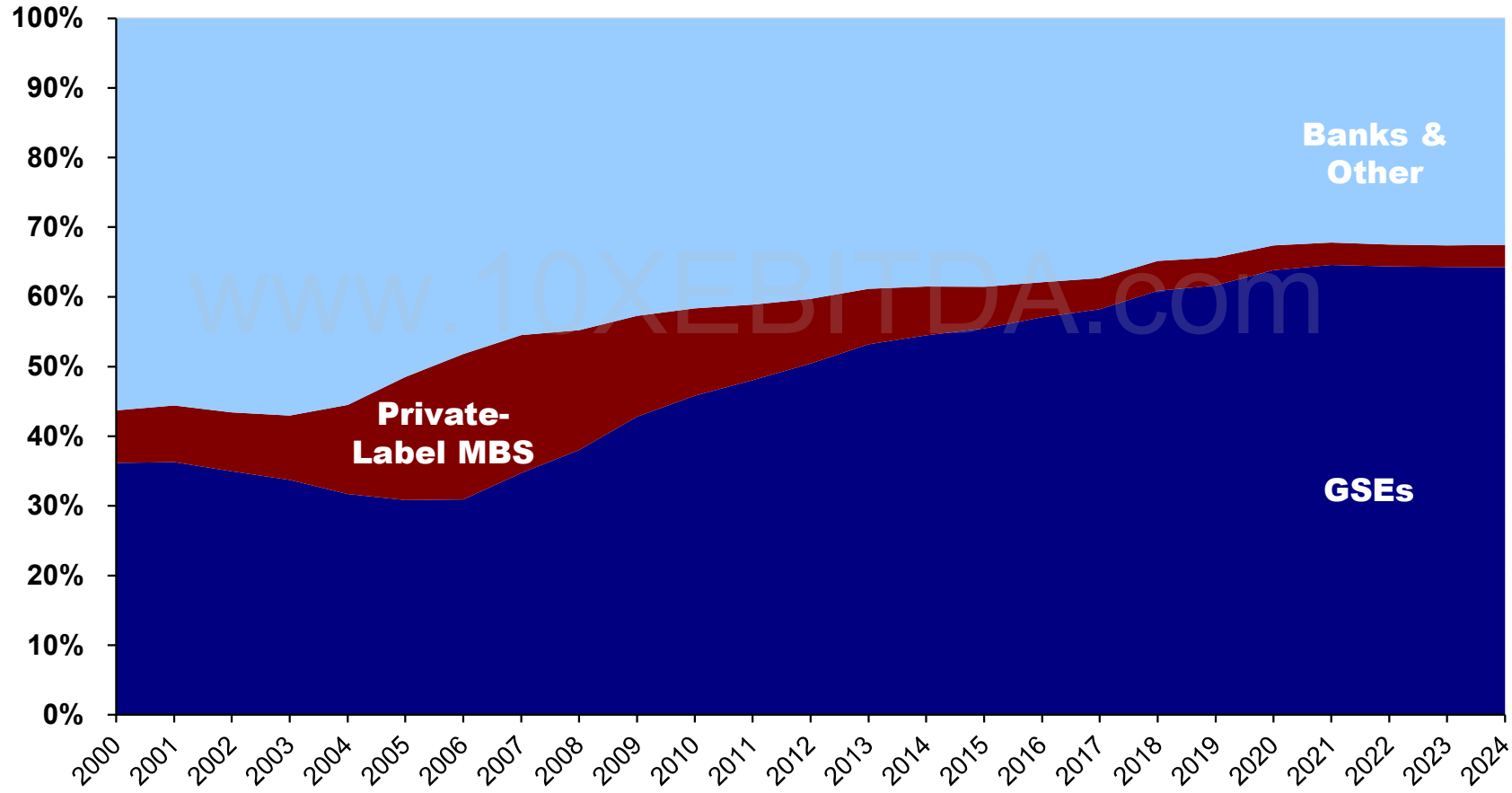
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Source: Federal Reserve.
Note: GSEs includes Ginnie Mae.

The GSEs' Presence is Vital Today

Fannie and Freddie's role has increased significantly since the financial crisis

Share of Outstanding Residential Mortgages Held or Guaranteed Since 2000

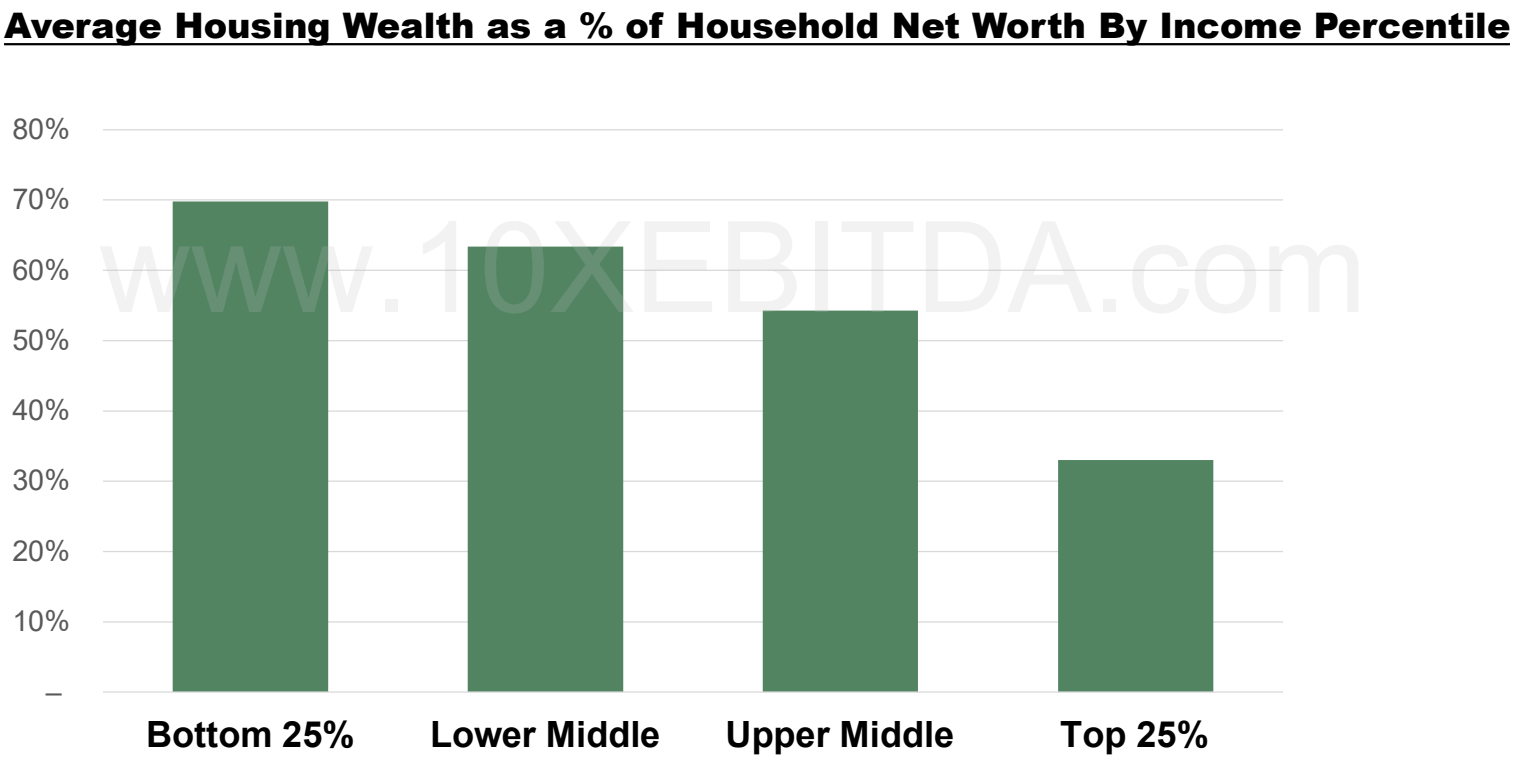


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Source: Inside Mortgage Finance.
Note: GSEs includes Ginnie Mae.

Housing is a Key Asset for the Average American

Average household net worth consists primarily of equity in the home. This equity, as a proportion of household net worth, increases as household income decreases



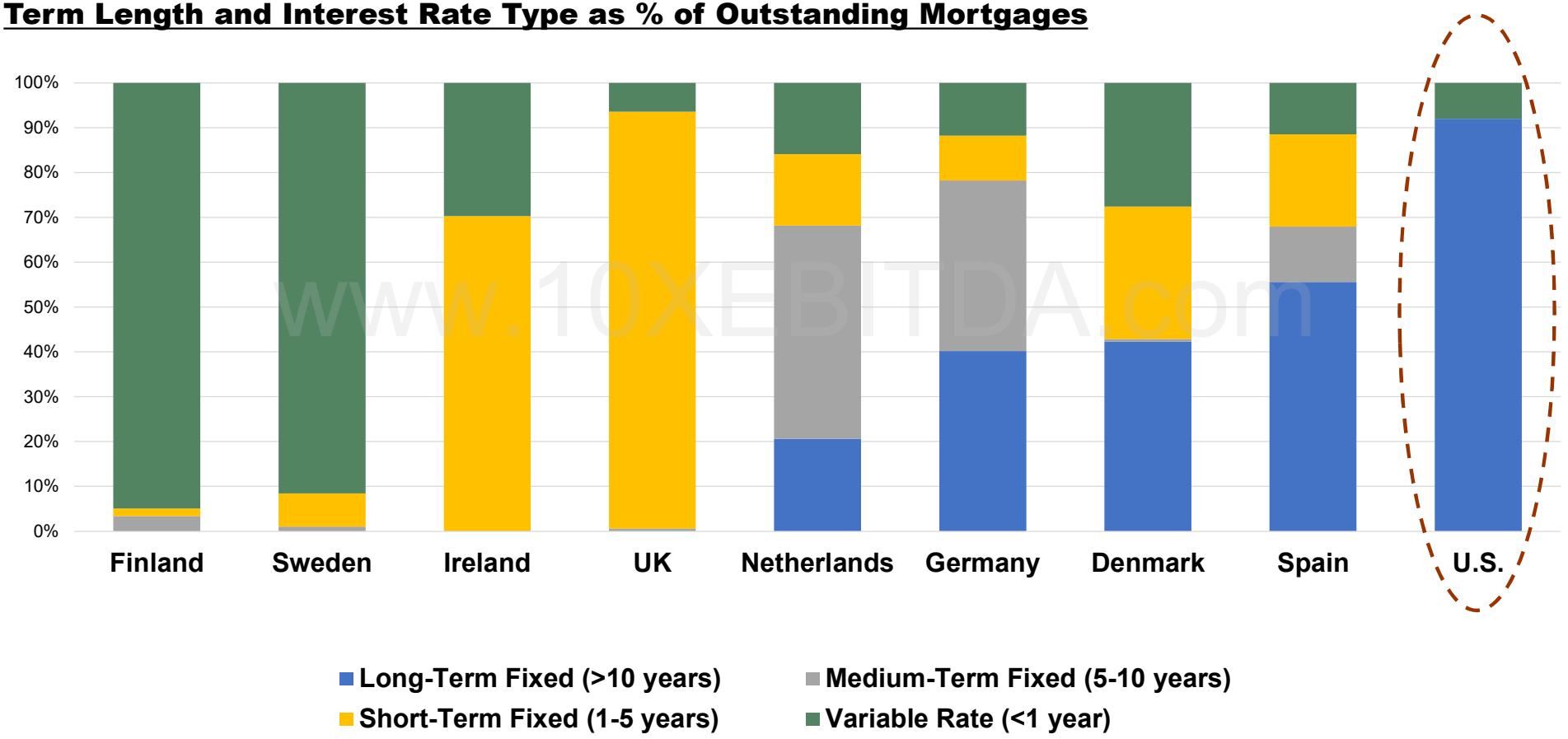
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Source: 2021 Census Survey of Income and Program Participation.

U.S. Mortgages are Predominantly 30-Year Fixed-Rate

The widespread use of the 30-year fixed-rate mortgage differentiates the U.S. from other large mortgage markets

Term Length and Interest Rate Type as % of Outstanding Mortgages



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Source: Federal Reserve, European Mortgage Federation Q2 2024 Quarterly Review of European Mortgage Markets.

Preserving the 30-Year Fixed-Rate Mortgage is Essential

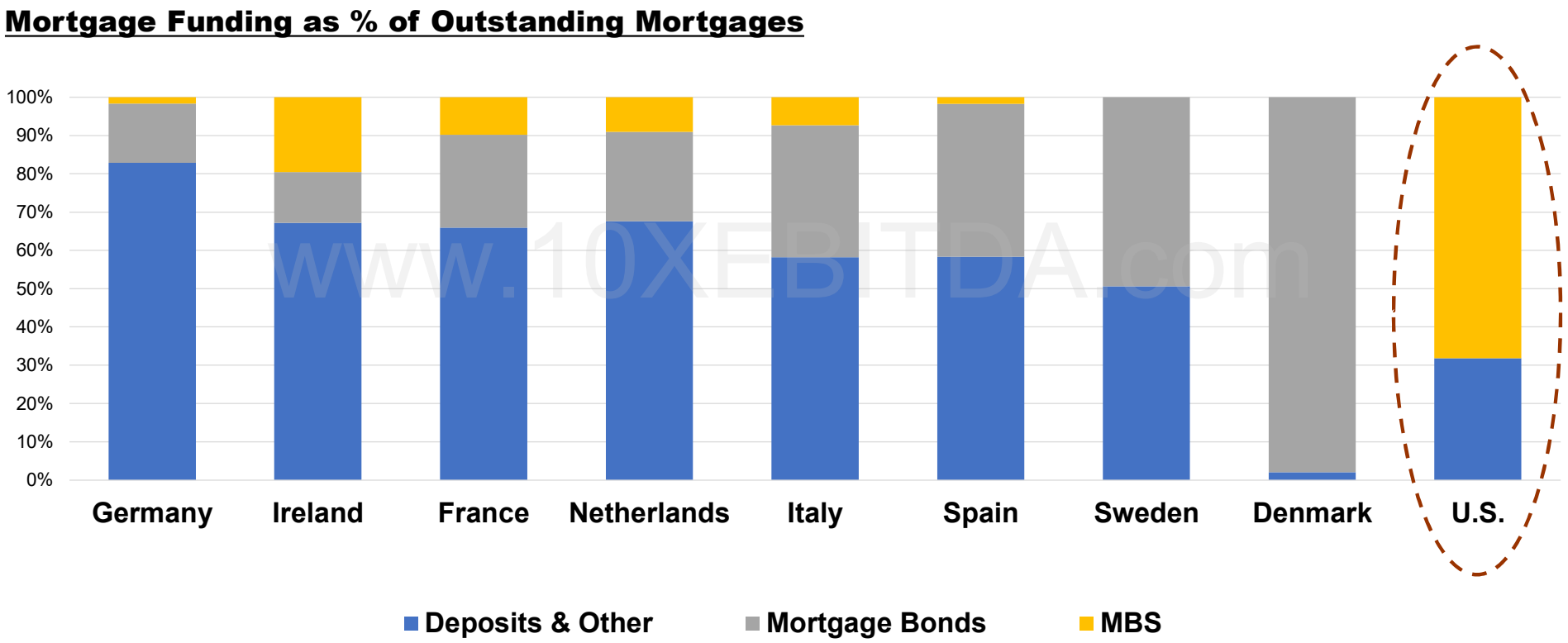
The 30-year, prepayable, fixed-rate mortgage has a variety of attributes that make it an affordable and borrower-friendly financing option for the average American

- **30-year amortization term**
  - Long-term nature allows for smaller monthly mortgage payments
  - Removes the refinancing risk inherent in balloon payment loans
- **Fixed interest rate**
  - Provides certainty of recurring monthly mortgage payments
  - Protects against rising interest rates
- **Prepayment option without penalty**
  - When interest rates decline, borrowers have the ability to refinance at a more attractive rate

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U.S. Mortgages are Predominantly Funded by MBS

The large degree of MBS funding differentiates the U.S. from other large mortgage markets



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Source: The Urban Institute Housing Finance at a Glance, European Mortgage Federation HYPOSTAT 2024 – A Review of Europe's Mortgage and Housing Markets.

The GSEs' Role in the Marketplace

The GSEs were chartered by Congress to support liquidity, stability, and affordability in the secondary mortgage market

Fannie and Freddie's role in the mortgage market

- Convert long-term, illiquid mortgages into highly-liquid mortgage backed securities (MBS)
- Provide insurance on the credit risk of the underlying mortgages of the MBS
- Facilitate the sale of MBS to the global capital markets

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By creating a highly liquid investment security that is insured against credit risk, the GSEs allow borrowers to access the global capital markets

The GSEs Enable Low-Cost 30-Year Mortgage Availability

Fannie and Freddie facilitate widespread access to the 30-year, prepayable, fixed-rate mortgage at a low cost

- **Widespread access to credit**
  - The global capital markets provide a much larger and more stable source of credit than local lending institutions
- **Long-term, fixed-rate financing**
  - Lenders are willing to originate a high proportion of long-term, fixed-rate mortgages because Fannie and Freddie can convert the mortgages into highly liquid MBS, which the lender can then retain or sell
- **Low-cost financing**
  - When interest rates decline, borrowers can refinance, lowering their monthly payments
  - The high level of liquidity for GSE MBS lowers mortgage interest rates

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Prior to the Great Financial Crisis, the GSEs Had Two Distinct Lines of Business

Fannie and Freddie

Guarantees
(Ongoing: ~$7.6 trillion guarantees, of which 88% are single-family)

- High-quality, low-risk
- Serves a vital purpose for the mortgage market

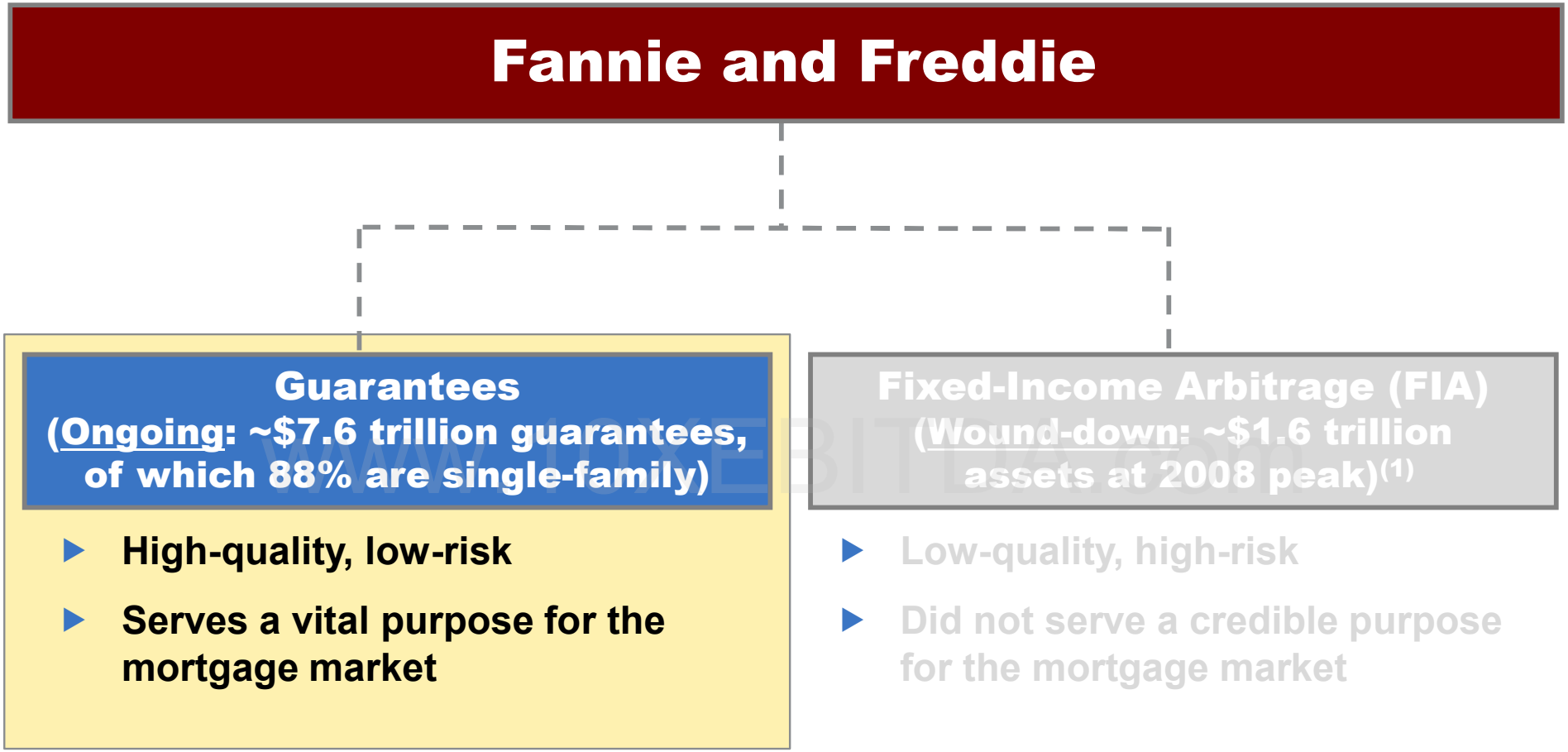
Fixed-Income Arbitrage (FIA)
(Wound-down: ~$1.6 trillion assets at 2008 peak)[1]

- Low-quality, high-risk
- Did not serve a credible purpose for the mortgage market

Fannie and Freddie's failure during the GFC was exacerbated by two initiatives not core to their original charter – the FIA business, and their guarantee of subprime and Alt-A loans

(1) Fannie and Freddie today hold ~$180 billion of investment assets on balance sheet, a large portion of which is related to warehousing of mortgage loans for future MBS issuances, as well as workouts of non-performing loans in prior MBS issuances.

Prior to the Great Financial Crisis, the GSEs Had Two Distinct Lines of Business



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Core Guarantee Business Model: High-Quality

The GSEs guarantee the timely payment of interest and principal on a ~$7.6 trillion portfolio of mortgage-backed securities

- **Inherently simple insurance business model**
- **Insure mortgage-backed securities ("MBS") in exchange for premiums called guarantee fees ("g-fees")**
- **Payment is received upfront in exchange for the promise to pay potential losses incurred in the future**
- **Leveraged to positive long-term trends in the housing markets**
- **Enormous scale allows the GSEs to be the low-cost provider**
- **Asset-light, high-return-on-equity business model**
- **Does not rely on funding from the capital markets**
- **Does not require the use of derivatives**

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Single-Family Guarantee Business: Low-Risk

Guaranteeing the monthly payment of interest and principal on a 30-year, fixed-rate, prepayable mortgage is a low-risk business

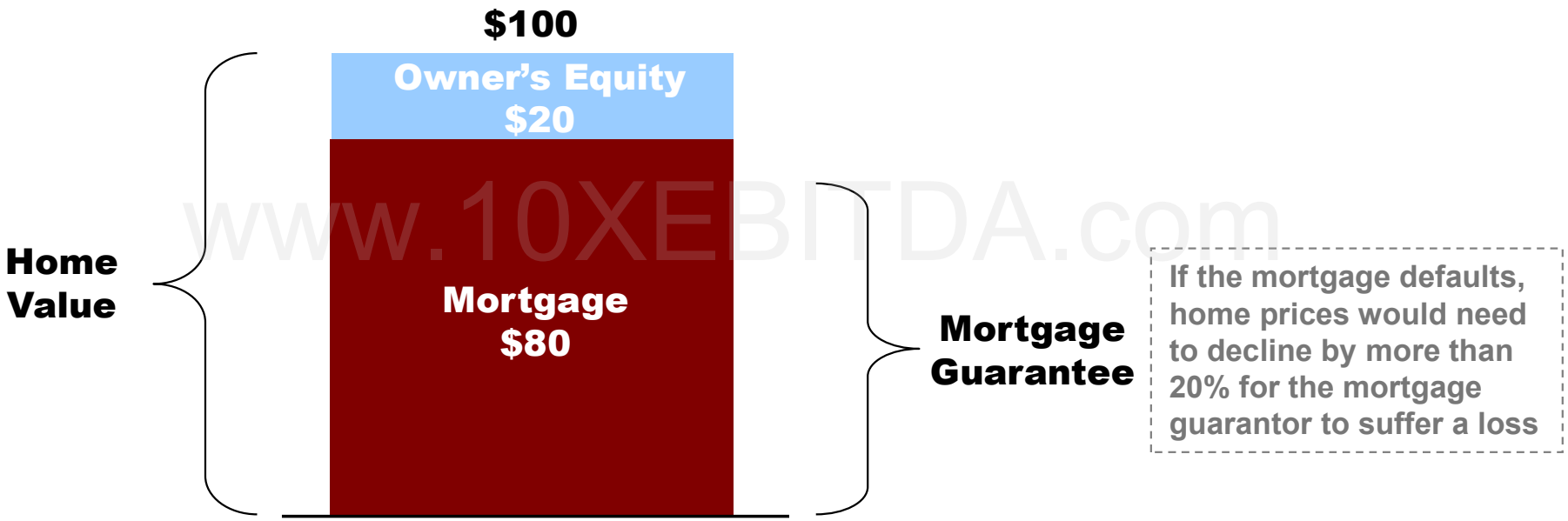
- **Low liquidity risk because defaults do not immediately accelerate payments to MBS holders – the GSEs can pay scheduled interest and principal for up to two years before repurchasing delinquent loans**
- **Large number of loans in portfolio limits concentration risk**
- **Geographically diverse portfolio mitigates the impact of regional economic fluctuations**
- **A nationwide housing downturn is rare**
- **A borrower's equity in their home mitigates loss severity by serving as first-loss protection for credit guarantee**
- **Borrower's equity decreases the likelihood of a default**

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Single-Family Guarantee Business: Low-Risk (Cont.)

The GSEs' credit guarantee is structurally senior to a borrower's equity in their home

Illustrative Example of GSE Guarantee on 80% LTV Mortgage



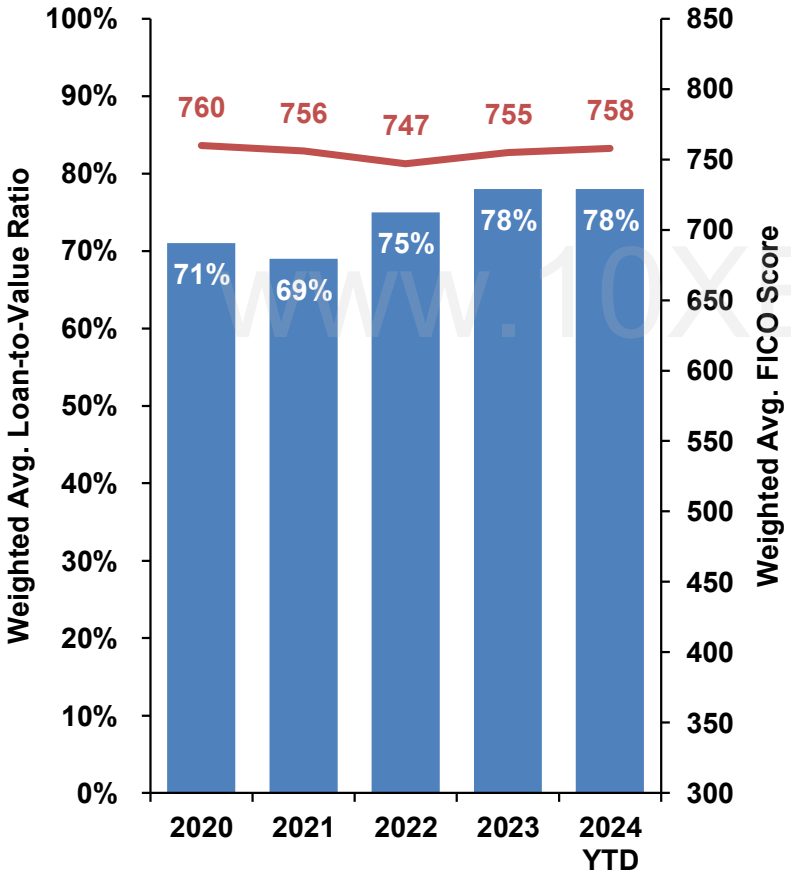
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As home values increase over time and mortgages amortize, the borrower's equity increases and the GSEs' credit guarantee become even lower risk

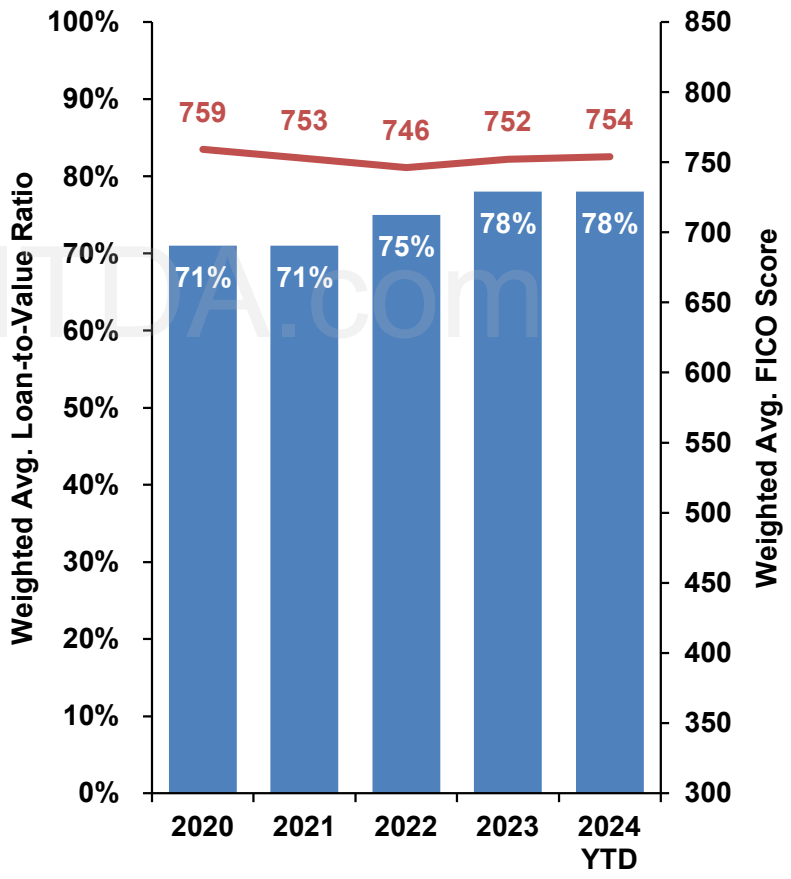
Single-Family Guarantee Business: Low-Risk (Cont.)

Fannie and Freddie guarantee the low-risk mortgages of middle-class borrowers with excellent credit

Fannie Single-Family Acquisitions



Freddie Single-Family Acquisitions



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Source: Company filings.

Single-Family Guarantee Business: Low-Risk (Cont.)

As dominant participants in the market, the GSEs have historically retained access to capital as other participants have been forced to exit. This has allowed them to significantly expand their market share in economic downturns, when mortgage underwriting conditions are most favorable

- **Economic downturns usually result in a decline in housing prices and a decrease in interest rates**
- **Lower housing prices result in reduced loan-to-replacement cost ratios**
- **Lower interest rates result in a lower mortgage payment burden**
- **Lower initial interest rates decrease the probability of future prepayments**

Guarantees issued during an economic downturn have a lower probability of default, a longer time period to default, lower severity upon default, and greater persistency, which increases the overall quality of the guarantee portfolio and de-risks the business model

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Fannie and Freddie's Multifamily Guarantee Business: High-Quality and Low-Risk

The GSEs play an important role in the multifamily market, guaranteeing 38% of multifamily mortgage debt outstanding in the United States

- **Provides mortgage market liquidity for properties with five or more residential units**
  - The GSEs purchase multifamily loans and securitize them into MBS that they then guarantee and sell, akin to what they do in the single-family business
- **Multifamily differs from Single-Family in several ways**
  - Loans collateralized by apartment buildings with many rent-paying tenants
  - Borrowers are investment professionals rather than middle-class homebuyers
  - Typical loan has a term of 5 to 15 years with prepayment penalties, vs. 30 years and no prepayment penalty for single-family
  - Can be more resilient in a recession as consumers seek to rent vs. buy

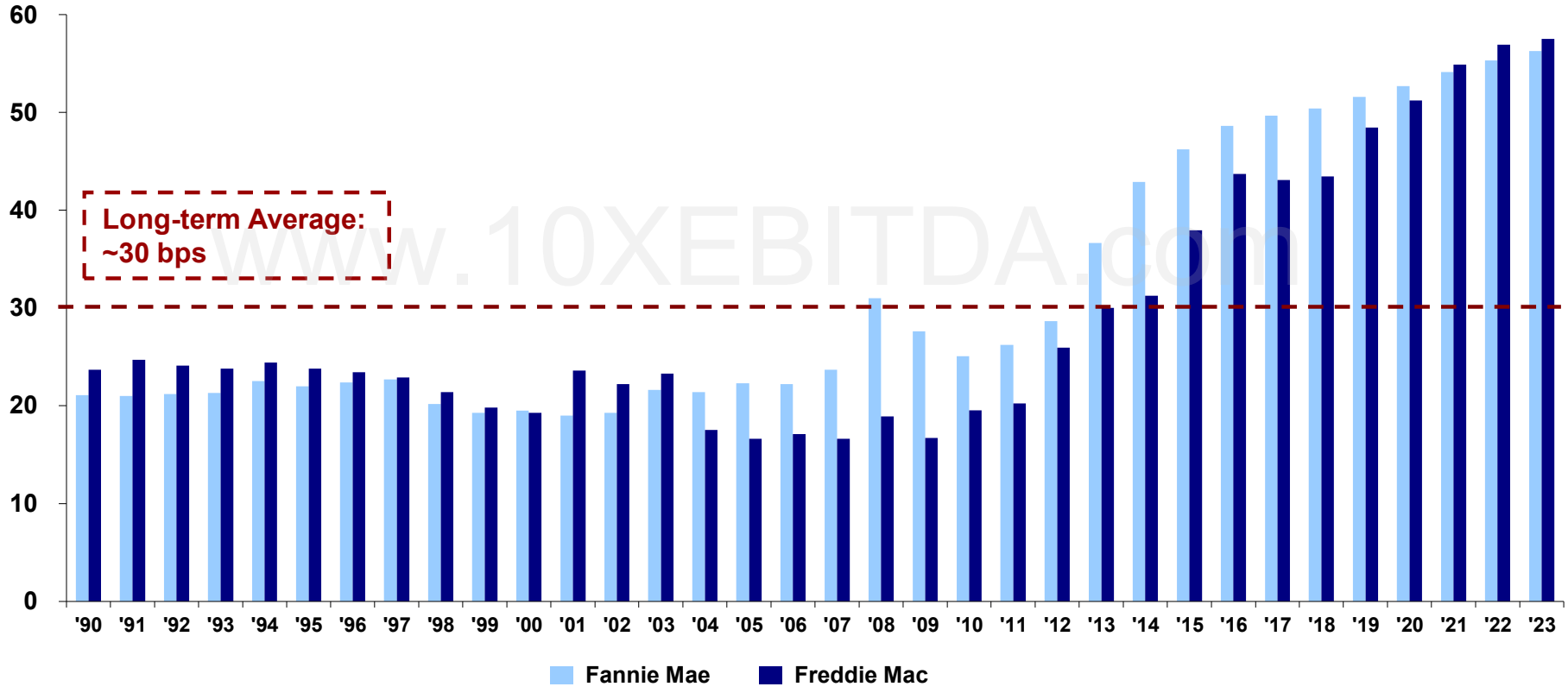
The 2008 financial crisis demonstrated the resilience and attractiveness of the GSEs' multifamily guarantee business, which produced* de minimis *losses. We assume this business continues operating in its current form going forward

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Single-Family Guarantee Business: Low Guarantee Fees Prior to the Financial Crisis

Fannie and Freddie's g-fees have averaged approximately 30bps since 1990, but have risen steadily since the financial crisis

Average G-fee on Single-Family Guarantee Portfolio from 1990 to 2023 (bps)



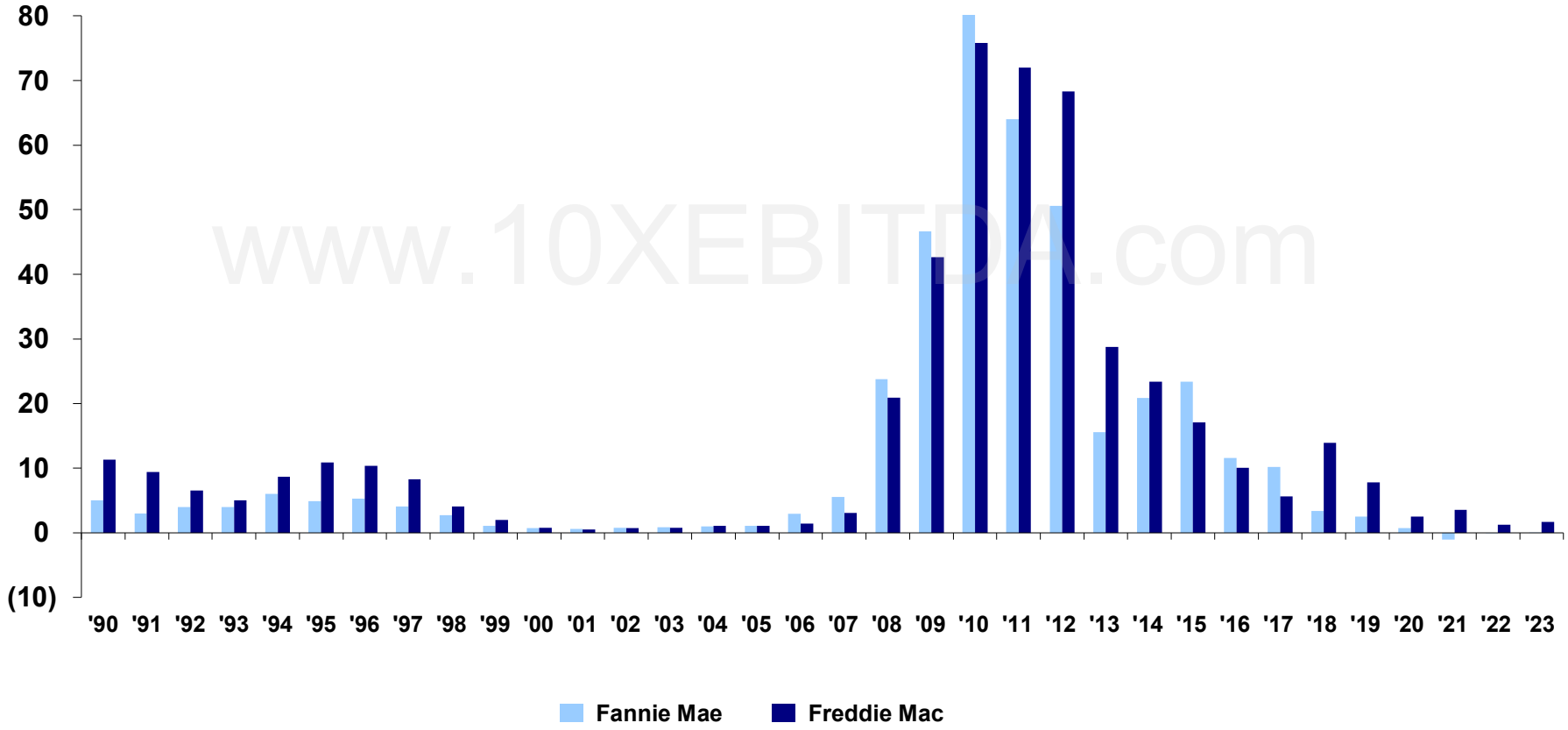
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Source: Company filings and Pershing Square estimates.
Note: Based on single-family guarantees for Fannie Mae and Freddie Mac.

Limited Credit Losses Outside of the Financial Crisis

The GSEs generated consistent profits and high ROEs at historical g-fee levels because of limited credit losses and limited capital

Credit Losses for Single-Family Guarantees from 1990 to 2023 (bps)



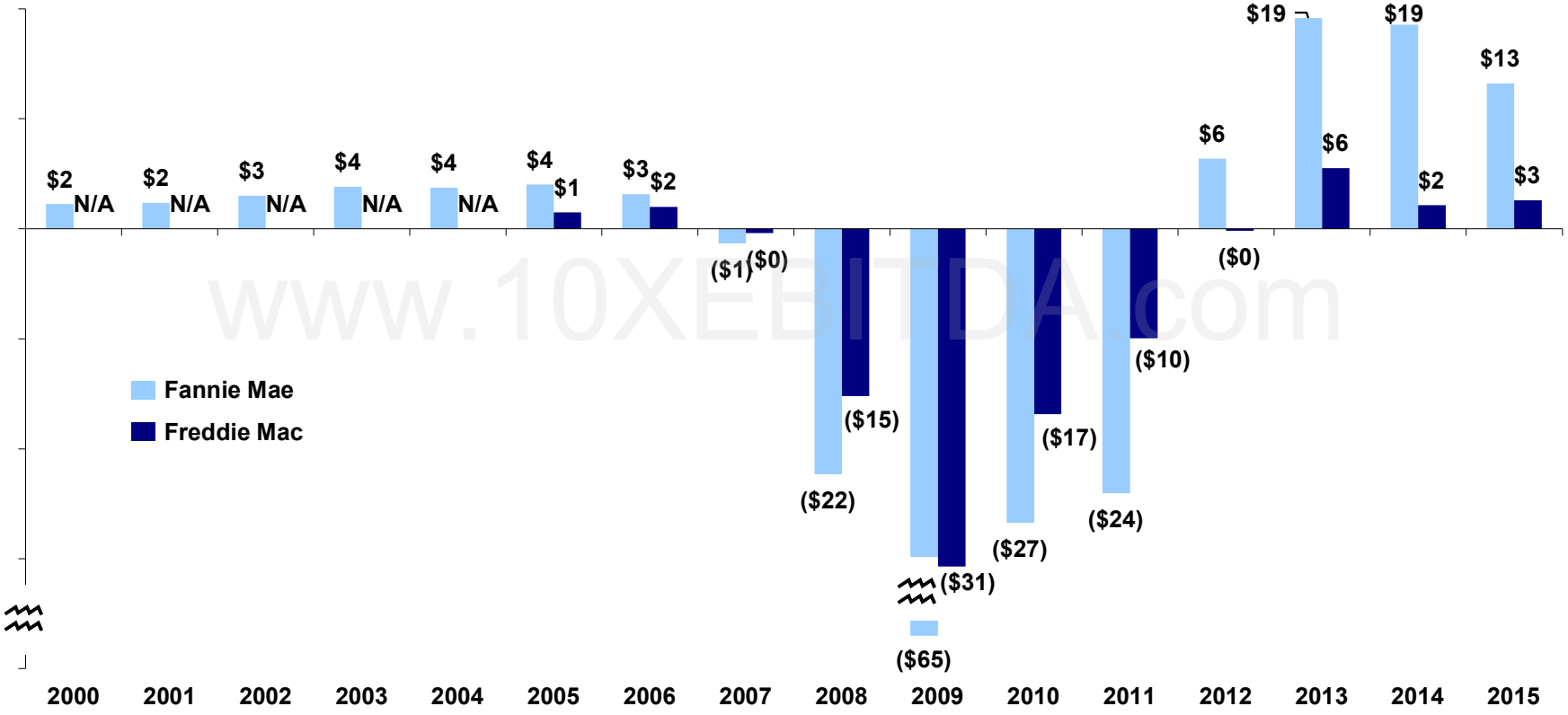
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Source: Company filings and Pershing Square estimates.

Large Losses During the Financial Crisis

The GSEs' guarantee business experienced extraordinary losses during the financial crisis, but returned to profitability in 2013

Pre-Tax Income for Single-Family Guarantee Segment ($ in Billions)



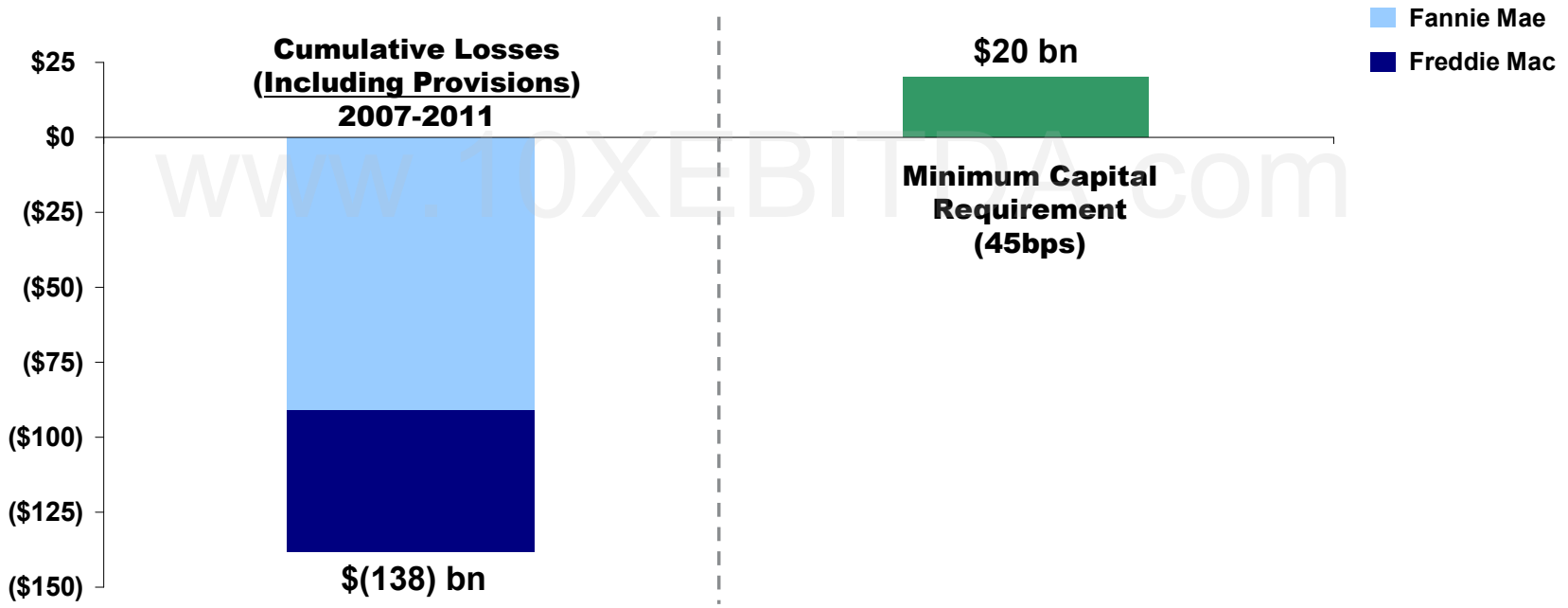
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Source: Company filings and Pershing Square estimates.
Note: Freddie Mac did not disclose a separate guarantee segment prior to 2005. Data only shown through 2015 as Fannie Mae began consolidating the former Capital Markets Group segment into the Single-Family and Multifamily segments in 2016, while Freddie Mac began doing so in 2021.

Losses Including Provisions Exceeded Minimum Capital Levels

The losses in the GSEs' guarantee business during the financial crisis, when including $92bn of provisions, i.e. the accounting reserves for expected losses, significantly exceeded their minimum capital requirements

Fully-Taxed Net Income and Minimum Capital for Single-Family Guarantee Segment ($ in Billions)



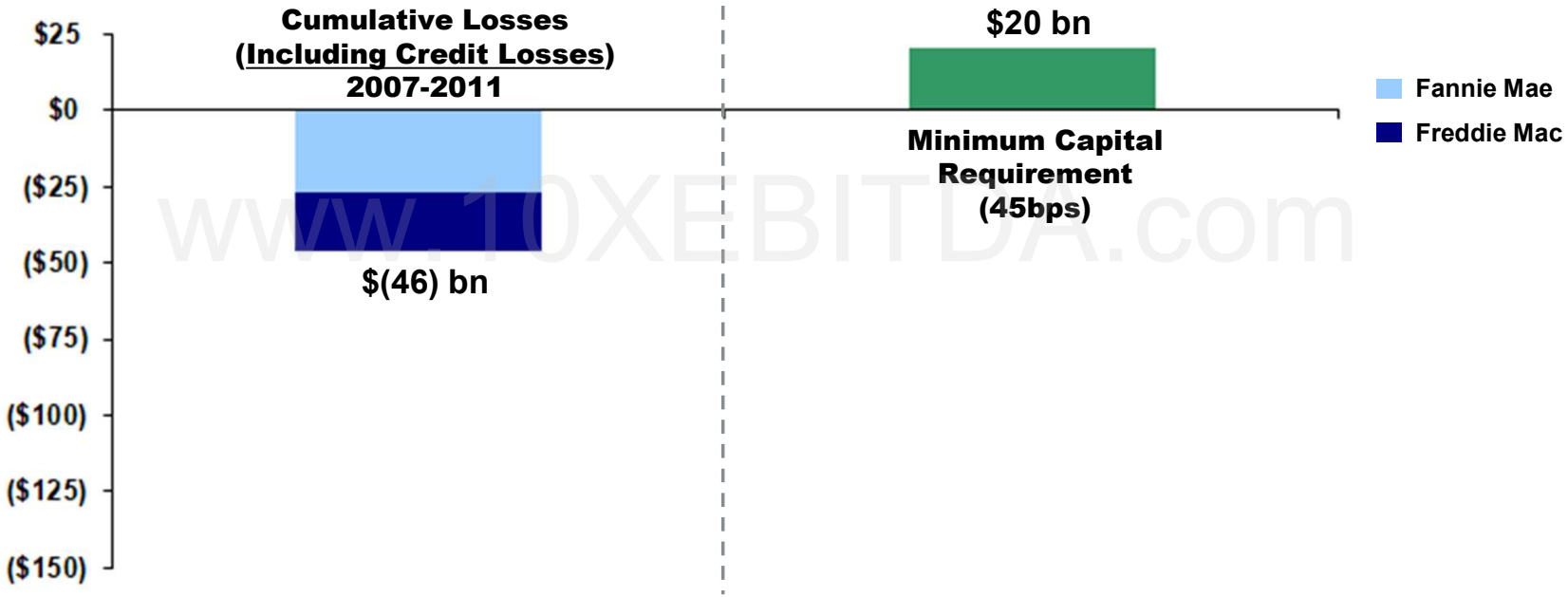
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Source: Company filings and Pershing Square estimates.
Note: Fully-taxed net income based on a 35% tax rate to remove the initial negative impact of the DTA valuation allowance and the subsequent positive impact of its reversal. Minimum capital requirement based on 45bps of average single-family guarantee portfolio during the period 2007 to 2011.

Actual Credit Losses Were Lower Excluding Accounting Charges

The GSEs' losses during the financial crisis were much lower when calculated based on their actual credit losses, rather than provisions

Fully-Taxed Net Income for Single-Family Guarantee Segment ($ in Billions)



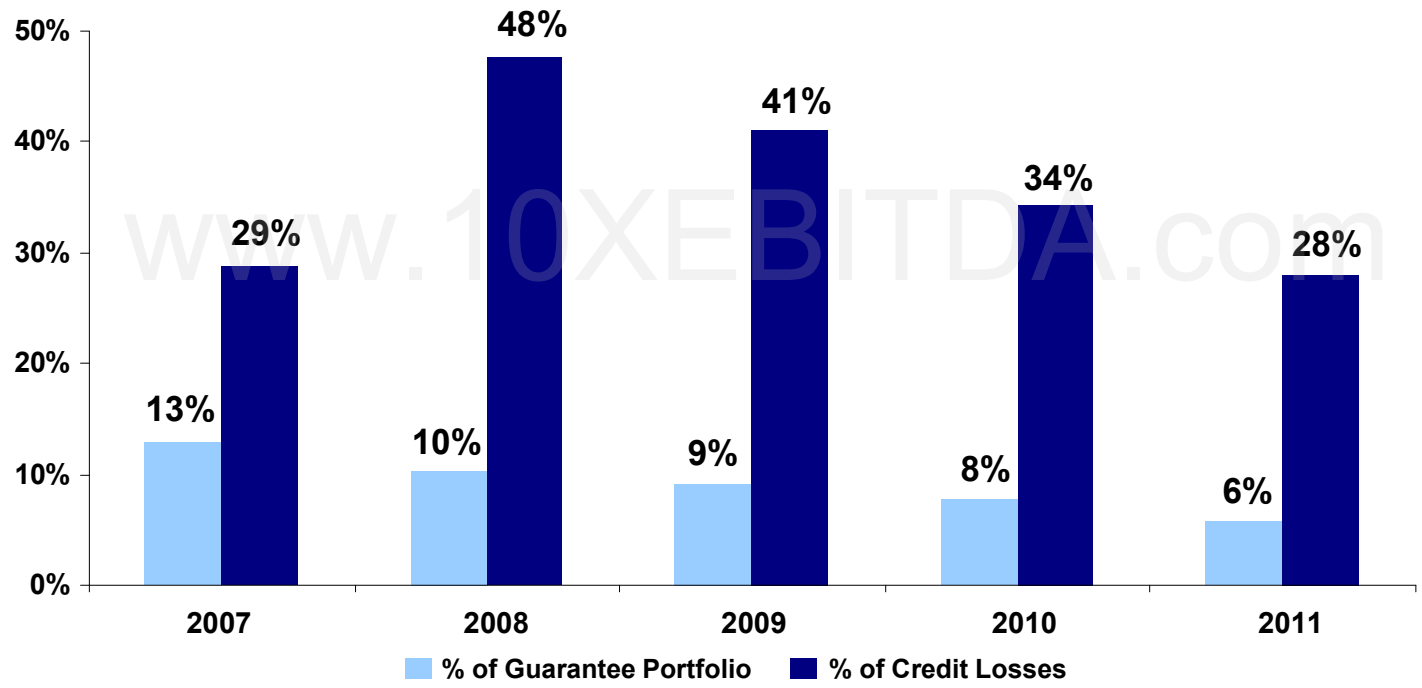
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Source: Company filings and Pershing Square estimates.
Note: Fully-taxed net income based on actual credit losses rather than provision expenses. Fully-taxed net income based on a 35% tax rate to remove the initial negative impact of the DTA valuation allowance and the subsequent positive impact of its reversal. Minimum capital requirement based on 45bps of average single-family guarantee portfolio from 2007 to 2011.

Losses from Subprime & Alt-A Loans

A large portion of the credit losses in the GSEs' guarantee business during the financial crisis resulted from the small portion of subprime and Alt-A loans in their portfolios, which they no longer guarantee

Fannie Mae Subprime & Alt-A Loans as % of Single-Family Guarantees and Credit Losses



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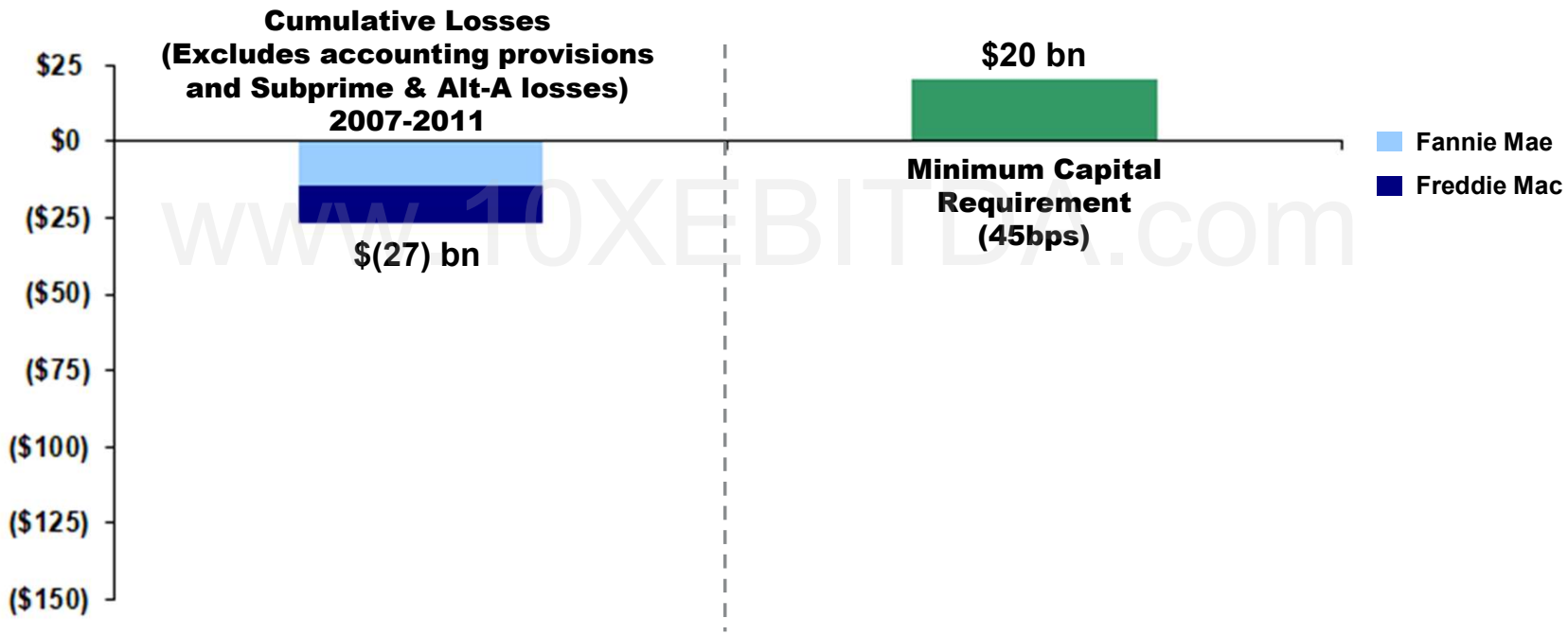
The GSEs should never have guaranteed subprime and Alt-A loans, which are much riskier than conventional 30-year, fixed-rate, prepayable mortgages

Source: Company filings.
Note: Fannie Mae used as an illustration, but Freddie Mac followed a similar trend.

Minimum Capital Nearly Enough for Core Portfolio Losses

We estimate that the GSEs' minimum capital levels were nearly sufficient to withstand their actual losses during the financial crisis, excluding the large credit losses from subprime and Alt-A loans

Fully-Taxed Net Income for Single-Family Guarantee Segment ($ in Billions)



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Source: Company filings and Pershing Square estimates.
Note: Fully-taxed net income based on credit losses, excluding the elevated credit losses in the subprime and Alt-A loans and assumes credit losses for subprime and Alt-A loans occurred at a similar rate as non-subprime and Alt-A loans. Assumes similar levels of subprime and Alt-A loans for Freddie Mac as for Fannie Mae. Fully-taxed net income based on a 35% tax rate to remove the initial negative impact of the DTA valuation allowance and the subsequent positive impact of its reversal. Minimum capital requirement based on 45bps of average single-family guarantee portfolio from 2007 to 2011. Actual accounting losses from 2007-2011 were $138bn due to (i) provisions of $92bn and (ii) estimated subprime and Alt-A losses of $19bn.

Prior to the Great Financial Crisis, the GSEs Had Two Distinct Lines of Business

Fannie and Freddie

Guarantees
(Ongoing: ~$7.6 trillion guarantees, of which 88% are single-family)

- High-quality, low-risk
- Serves a vital purpose for the mortgage market

Fixed-Income Arbitrage (FIA)
(Wound-down: ~$1.6 trillion assets at 2008 peak)[1]

- **Low-quality, high-risk**
- **Did not serve a credible purpose for the mortgage market**

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(1) Fannie and Freddie today hold ~$180 billion of investment assets on balance sheet, a large portion of which is related to warehousing of mortgage loans for future MBS issuances, as well as workouts of non-performing loans in prior MBS issuances.

Fixed-Income Arbitrage Business Model: Pre-GFC

The GSEs issued AAA-rated corporate debt to finance the purchase of mortgage assets and earn a profit from the small spread between the yield on their long-term assets and shorter-term debt. At times, FIA was able to generate a high ROE due to significant leverage

Illustrative Fixed-Income Arbitrage Business ($ in Billions)



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Pre-Tax Return	**4.5%**	**(3.5)%**	**40%**
	Net investment spread: 1.0%		

FIA relied on an implicit government guarantee to access the capital markets at a low cost

In effect, the GSEs took advantage of the government's implied backing to enter a new, high-risk business that was not consistent with their original mission

Note: Illustrative 2.5% equity based on pre-GFC minimum capital requirements for Fannie and Freddie's on-balance sheet assets.

FIA Served No Credible Purpose for the Mortgage Market

"The Federal Reserve Board has been unable to find any credible purpose for the huge balance sheets built by Fannie and Freddie other than the creation of profit through the exploitation of the market-granted subsidy. Fannie's and Freddie's purchases of their own or each other's mortgage-backed securities with their market-subsidized debt do not contribute usefully to mortgage market liquidity, to the enhancement of capital markets in the United States, or to the lowering of mortgage rates for homeowners."

- Alan Greenspan, 5/19/2005

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Source: https://www.federalreserve.gov/boarddocs/speeches/2005/20050519/

Warren Buffett's Perspectives on FIA

"The portfolios are what really got them into the trouble. The portfolios were the ways that the managements of Freddie and Fannie tried to juice up the earnings, basically, because the insurance guaranteed that they were given that mortgage. I always thought that made a lot of sense. But the portfolio operations enabled both of those entities to use, in effect, government-related borrowing costs and sort of unlimited credit, to set up the biggest hedge fund in the world...So the portfolios are poison. They aren't really needed to carry out the function of Freddie and Fannie."

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- Warren Buffett, 9/8/2008

Source: CNBC interview. https://www.cnbc.com/2008/09/08/transcript-video-warren-buffett-tells-cnbc-treasury-did-exactly-the-right-thing-on-fanniefreddie.html

FIA Was Inherently Risky and Fragile

FIA was an inherently risky and fragile business

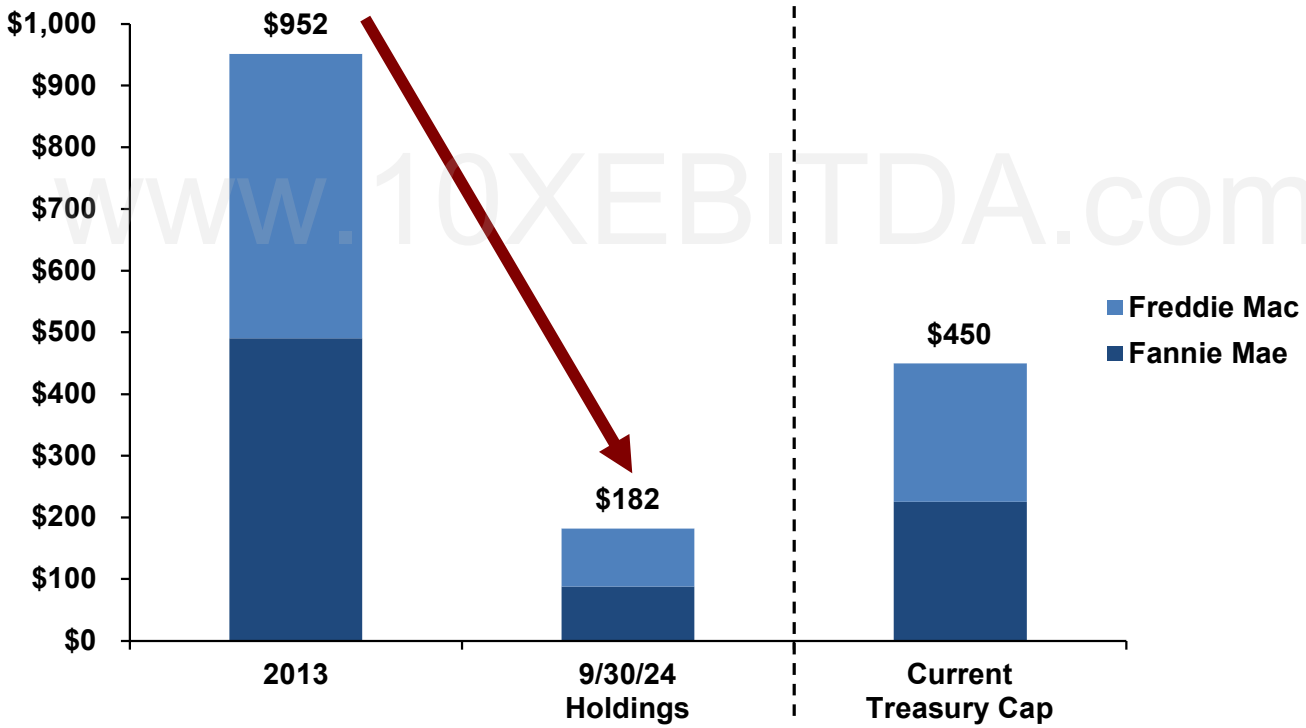
- Inherently complex business model
- Asset-intensive, low-return business
- High leverage needed to achieve a high ROE
- Required continuous access to capital
- Substantial interest rate and prepayment risk
- High liquidity risk
- Scale did not provide an inherent competitive advantage
- Extensive reliance on derivatives

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The GSEs are No Longer in the FIA Business

The GSEs' fixed-income arbitrage business has been wound down, and the GSEs today hold $182bn of mortgage loans to support their core guarantee business, well below caps set by Treasury

Mortgage-Related Investment Assets ($ in Billions)



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Source: Company filings.

Conservatorship and the Net Worth Sweep

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Conservatorship

On Sept. 6, 2008, the government placed the GSEs into conservatorship with the objective of returning them to normal operations when their businesses stabilized

"Therefore, in order to restore the balance between safety and soundness and mission, FHFA has placed Fannie Mae and Freddie Mac into conservatorship. That is a statutory process designed to stabilize a troubled institution with the objective of returning the entities to normal business operations. FHFA will act as the conservator to operate the Enterprises until they are stabilized."

- James Lockhart, FHFA Director, 9/7/2008

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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

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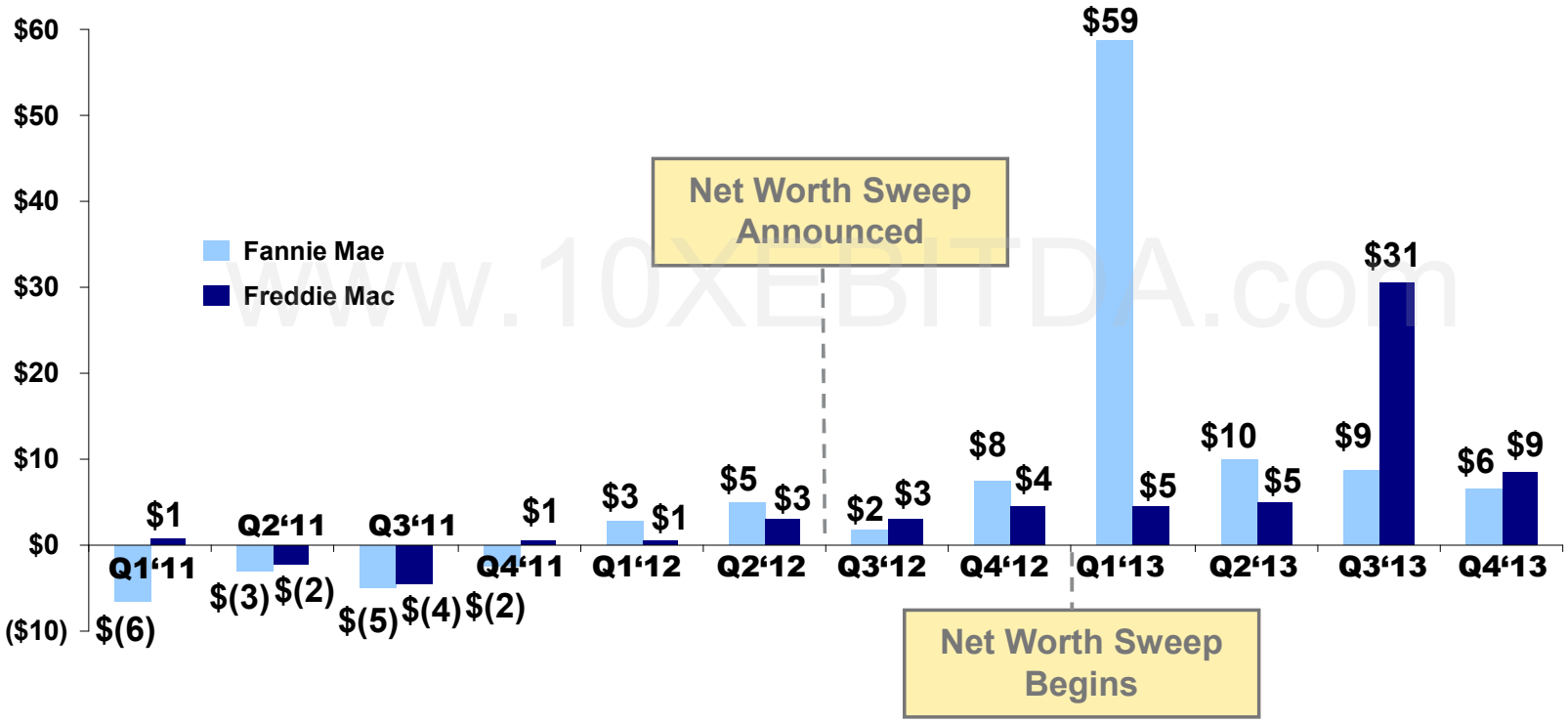
History Prior to the Net Worth Sweep

- 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
- It is unclear why Treasury did not allow the preferred stock to pay 12% PIK dividends when the GSEs were unable to pay cash dividends
- 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)



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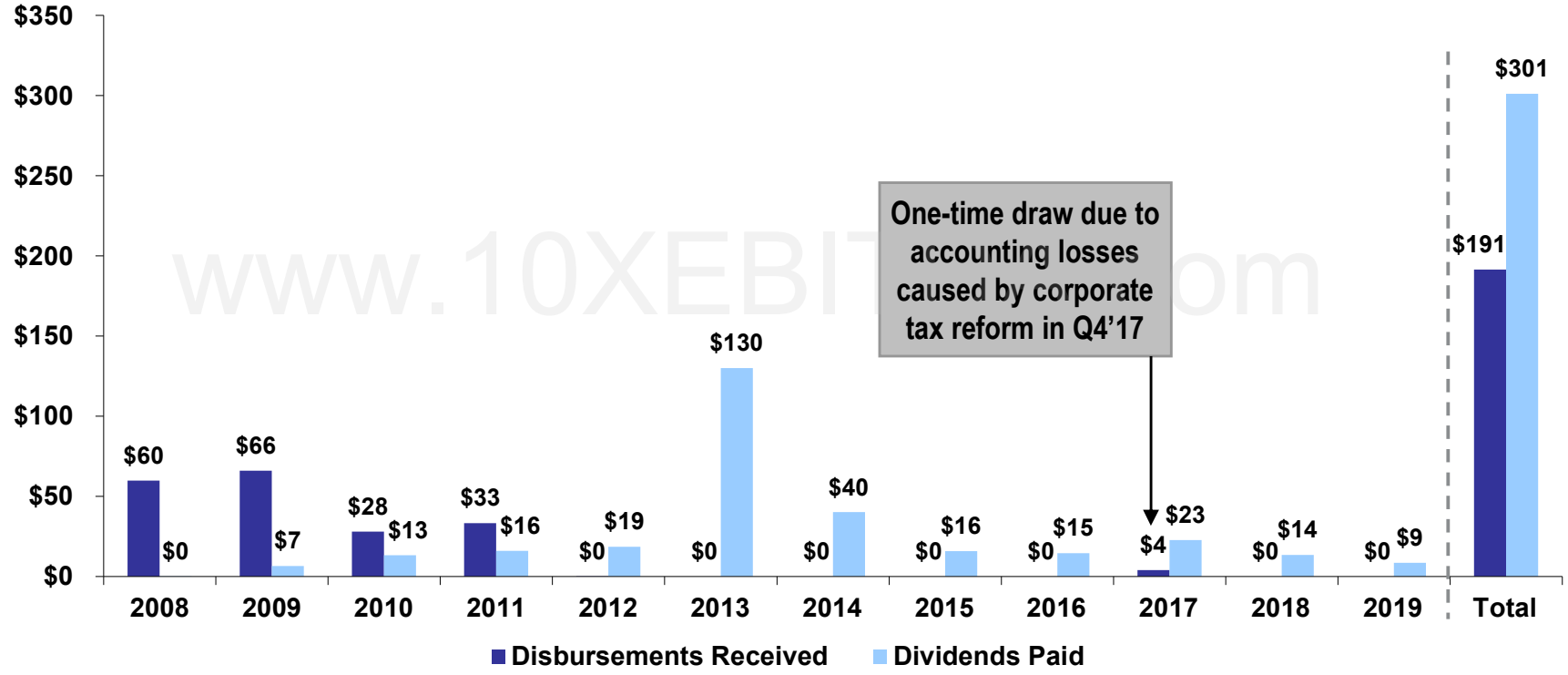
The government announced the net worth sweep just after the GSEs returned to profitability and were able to pay the cash dividends under the original agreement

Source: Company filings and reports. Net Income includes the reversal of the DTA valuation allowance for Fannie Mae in Q1 '13 and for Freddie Mac in Q3 '13.

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)



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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

Source: Company filings.

GSEs Treated Differently Than Other Bailout Recipients

The government has already made more profit on the GSEs than all other bailout investments combined

Company	Government Investment ($bn)	Government Net Profit[1]		Year Exited[2]
		$bn	%	
AIG	$182	$23	12%	2012
General Motors	$50	($11)	(21%)	2013
citi	$45	$12	27%	2011
Bank of America	$45	$4	9%	2010
J.P.Morgan	$25	$2	7%	2009
WELLS FARGO	$25	$2	9%	2010
CHRYSLER	$11	($1)	(12%)	2011
FannieMae / FreddieMac	$191	$110	57%	Current

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Source: Company and government filings.

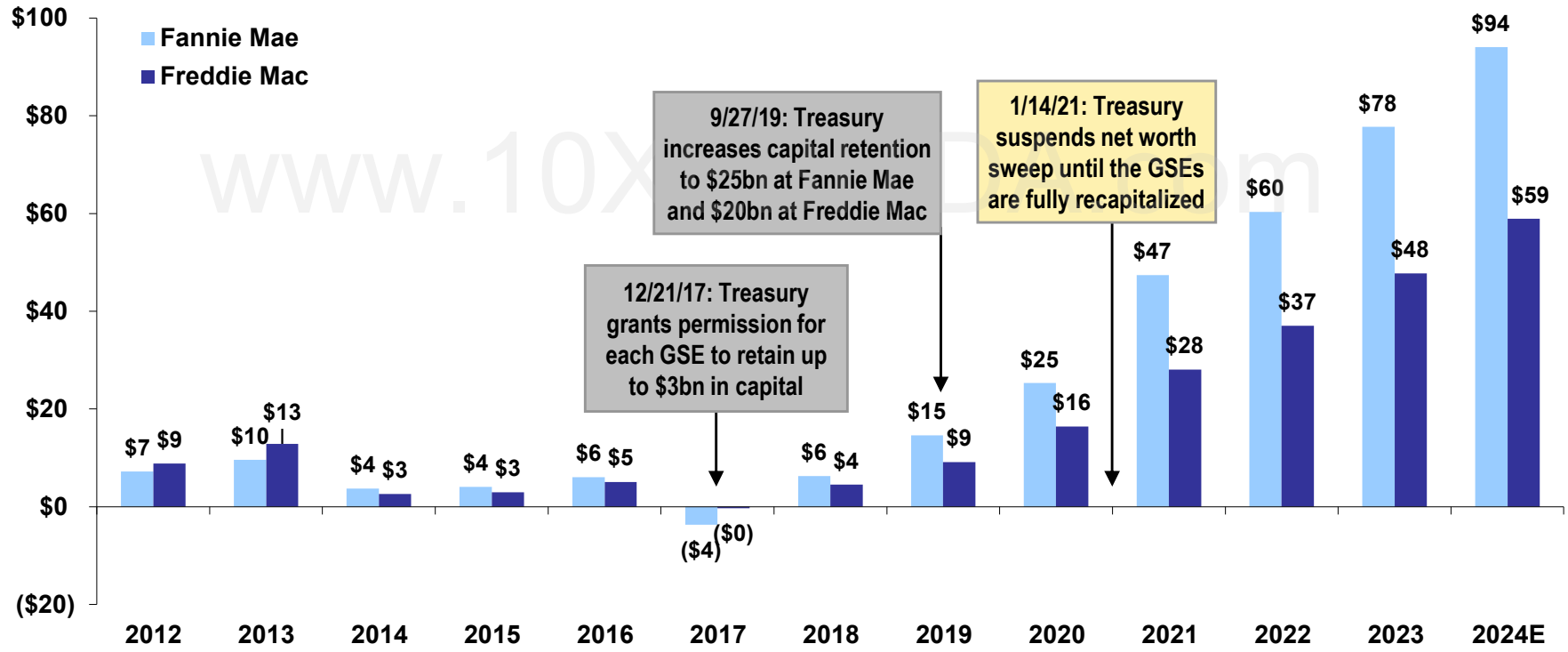
(1) Proceeds received from principal repayment, dividends, interest, and gains on sale of common stock and other securities less government investment.

(2) Year of last repayment or last sale of government-owned securities.

Capital Retention Began During Trump's First Term

In the first Trump administration, Treasury Secretary Mnuchin made meaningful progress towards ending the conservatorships by pausing the net worth sweep and allowing the GSEs to begin recapitalizing themselves by retaining earnings

GSEs: GAAP Net Worth ($ in Billions)



Source: Company filings. Includes deferred tax assets, which as of 9/30/24 were $11bn at Fannie Mae and $5bn at Freddie Mac.

January 2, 2025 PSPA Amendment

On January 2, 2025, the Treasury Secretary and FHFA Director of the outgoing administration further amended the PSPAs

- **The amendment restored Treasury's right to consent to a release from conservatorship, which it had previously from 2008 to 2021**
  - Practically, Treasury always had this right, as exiting conservatorship is not possible without addressing Treasury's Senior Preferred Stock
- **Includes a new commitment to conduct a market impact assessment prior to releasing the GSEs**
- **We do not believe this amendment made any substantive changes to the status quo**
  - Did not affect the GSEs' capital retention or the terms of any of their securities
  - Press release acknowledged *"the eventual release of the GSEs from conservatorship"*

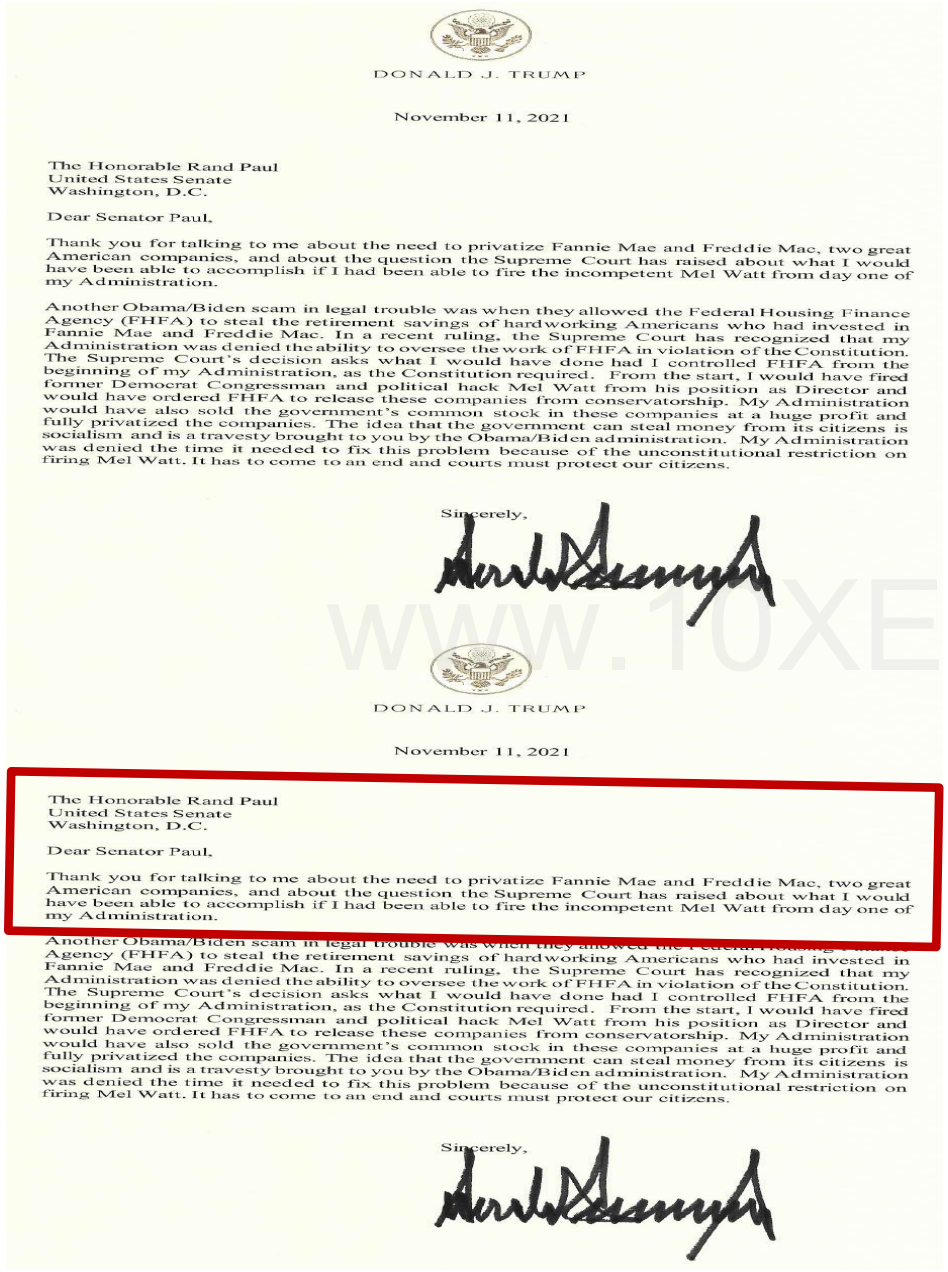
Treasury Secretary Scott Bessent and President Trump's FHFA Director will be free to modify the terms of the PSPAs as they see fit

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A Framework for Ending Conservatorship

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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,

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.

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- Donald J. Trump

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Fannie and Freddie: Situation Overview

We believe releasing the GSEs from conservatorship could generate ~$300 billion for taxpayers, while maintaining the same availability and affordability of mortgage financing that exists today with the GSEs in conservatorship

- **The 2008 conservatorship was always intended to be temporary**
- **Meaningful progress was made during President Trump's first term**
  - Net worth sweep suspended by Secretary Mnuchin in January 2021
  - The GSEs now hold $131bn of capital, up from effectively zero prior to President Trump, due to earnings retention facilitated by this suspension
  - The Biden administration has taken no meaningful action on the GSEs
- **We believe there is a clear path for Fannie and Freddie to become fully recapitalized and exit conservatorship within the next two years**
- **Treasury's warrants are a hidden asset on the government balance sheet that we estimate could be worth more than $300bn over time**
- **Releasing the GSEs from conservatorship does not require any action by Congress. Fannie and Freddie can each exit conservatorship as soon as they receive approvals from Treasury and FHFA**

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Key Objectives in Ending Conservatorship

Key Objectives:

- Maintain the availability and affordability of the 30-year, fixed-rate, prepayable mortgage
- Protect taxpayers from bearing the cost of a housing downturn
- Minimize government involvement in the housing finance system
- Maximize probability of successful private capital raise
- Maximize taxpayers' profits on Treasury's investment in the GSEs

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Our Framework for Ending Conservatorship

Ending the conservatorship of Fannie and Freddie will maintain the widespread availability and affordability of the 30-year, fixed-rate, prepayable mortgage while providing substantial profit to taxpayers

Key steps to ending conservatorship:

1. Set appropriate capital requirements
2. Limit government-granted benefits
3. Develop market-based compensation and governance policies
4. Clarify nature of ongoing government backstop

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With capital levels appropriate for pure mortgage guarantors/insurers, the GSEs can be a simple, low-risk, long-term solution for housing finance

FHFA's capital rule, finalized in 2020 and amended in 2022 and 2023, increased the capital requirements for the GSEs' guarantee business from an inadequate pre-crisis level of 0.45% to an overly conservative, impractical level of 4%

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1 Set Appropriate Capital Requirements

We do not believe bank standards are appropriate for the GSEs' guarantee business, which carries significantly fewer risks

	Banks	Reformed GSEs
Traditional Mortgages		
Credit Risk	Medium	Low
Interest Rate Risk	✓	✗
Liquidity Risk	✓	✗
Jumbo & Alternative Mortgage Products	✓	✗
Minimum Common Equity Requirement	**3.5% – 4.7%(1)**	**?**

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Source: Company filings and Pershing Square estimates.
(1) Equity requirements for banks based on 50% risk-weighting for residential mortgage assets applied to Tier 1 common equity ratio. On the low end, 7% is the minimum Tier 1 capital ratio required under Basel III. On the high end, 9.4% is the average required Tier 1 capital ratio of the 32 largest banks in the United States as of October 2024.

1 Set Appropriate Capital Requirements (Cont.)

The GSEs are credit insurance companies, and therefore insurance regulatory concepts are more relevant than bank standards in determining GSE capital requirements

"Insurance regulation is also more likely to see a stream of future premiums as a source of loss-absorbing capacity, and hence looks to be sure that pricing is sufficient to cover losses under all but the most catastrophic scenarios.

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"In MBA's proposal, with the Guarantors having only a minimal investment portfolio holding assets of short duration, insurance regulatory concepts may become more applicable than bank regulatory concepts."

- Mortgage Bankers Association, 4/20/2017

Unlike banks, the GSEs face low credit risk, do not take interest rate or liquidity risk, and do not guarantee jumbo and alternative mortgage products

Source: Mortgage Bankers Association white paper titled "GSE Reform: Creating a Sustainable, More Vibrant Secondary Mortgage Market", April 2017.

1 Set Appropriate Capital Requirements (Cont.)

Private mortgage insurance is a very high-risk business, and is also an inappropriate benchmark when setting capital levels for the GSEs

	Private Mortgage Insurers ("PMIs")	Reformed GSEs
Traditional Mortgages		
Credit Risk	**High**	**Low**
High LTV	✓	✗
Guarantee 80-100% LTV Tranche	✓	✗
Jumbo & Alternative Mortgage Products	✓	✗
Minimum Common Equity Requirement	**5.6%(1)**	**?**

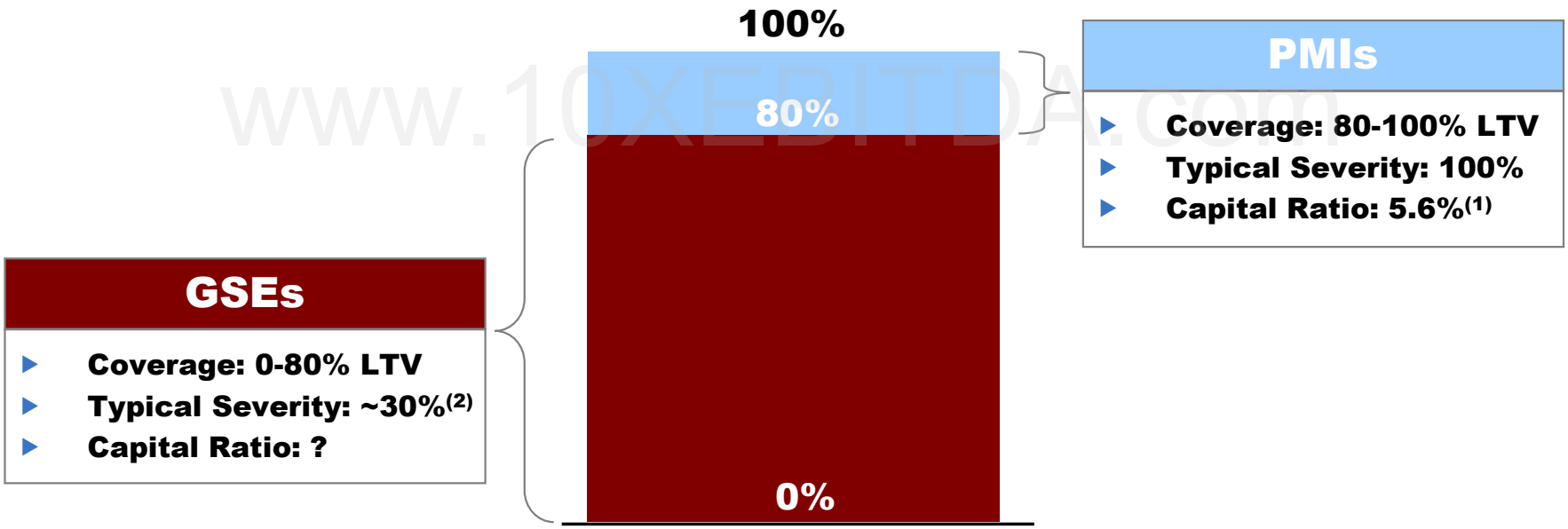
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Source: Company filings and Pershing Square estimates.
(1) Private mortgage insurers based on the minimum 5.6% of performing primary adjusted risk-in-force ratio required by the GSEs' September 2018 Private Mortgage Insurer Eligibility Requirements (PMIERs).

1 Set Appropriate Capital Requirements (Cont.)

The GSEs require significantly less capital than the PMIs because their guarantees are much safer

Illustrative Mortgage Guarantee Coverage as % of LTV



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Source: Company filings and Pershing Square estimates.
(1) Capital ratio for PMIs based on based on the minimum 5.6% of performing primary adjusted risk-in-force ratio required by the GSEs' September 2018 Private Mortgage Insurer Eligibility Requirements (PMIERs).
(2) Typical severity based on Urban Institute's analysis of GSE loans originated from 1994-2022.

1 Set Appropriate Capital Requirements (Cont.)

We do not believe the GSEs can earn an adequate return on capital to attract sustainable private investment at a 4% capital requirement unless g-fees are raised substantially

"To generate the large amount of private capital required to fund such a system, the Guarantor business model and expected returns through the cycle need to be attractive. That is, private investors in the Guarantors would have a reasonable expectation of a market rate of return on a risk-adjusted basis. To achieve this objective, investors would want to ensure that capital requirements are not too high, regulation and supervision is not too expensive, credit standards are sound and efforts to make housing more affordable do not impinge significantly on returns."

- Mortgage Bankers Association, 4/20/2017

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Source: Mortgage Bankers Association white paper titled "GSE Reform: Creating a Sustainable, More Vibrant Secondary Mortgage Market", April 2017.

1 Set Appropriate Capital Requirements (Cont.)

The current 4% capital requirement is too high and would increase the cost of mortgage financing at a time when home affordability is at record lows and mortgage rates are at multiyear highs

Fannie Mae Illustrative Return on Equity for New Single-Family MBS

	Same ROE as at 2.5% Capital	Higher ROE Required by Investors due to Higher Capital Needs			
G-Fee Required at 4% Capital (bps)	**83.0**	**86.0**	**89.0**	**92.0**	**95.0**
vs. Current: 65.0	***18.0***	***21.0***	***24.0***	***27.0***	***30.0***
Less:					
Normalized Credit Losses (bps)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
TCCA Fee (bps)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Illustrative PSPA Commitment Fee	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Administrative & Other Expenses, net (bps)	(13.7)	(13.7)	(13.7)	(13.7)	(13.7)
Pretax Income before Capital (bps)	**48.0**	**51.0**	**54.0**	**57.0**	**60.0**
Plus: Interest Income on Capital at 3% (bps)	12.0	12.0	12.0	12.0	12.0
Less: Income Taxes at 21.0% (bps)	(12.6)	(13.2)	(13.9)	(14.5)	(15.1)
Net Income on New MBS (bps)	**47.4**	**49.8**	**52.1**	**54.5**	**56.9**
Required Capital Held	4.0%	4.0%	4.0%	4.0%	4.0%
Return on Equity for New MBS	**11.9%**	**12.4%**	**13.0%**	**13.6%**	**14.2%**

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4% capital would require ~$270 billion to support the single-family guarantee business alone, >2x the capital held by both entities today. This would tie up ~$100bn+ of wasted capital that could be better deployed in other US businesses

1 Set Appropriate Capital Requirements (Cont.)

Potential increases in g-fees would cost the typical homebuyer significantly more in interest over the life of his or her mortgage

G-Fee Increase: Impact to Homebuyer

	Illustrative ROE Required by Investors				
	11.9%	**12.4%**	**13.0%**	**13.6%**	**14.2%**
Avg. U.S. Home Sales Price (Q3'24)	$501,100	$501,100	$501,100	$501,100	$501,100
Mortgage as % of Home Price	80%	80%	80%	80%	80%
Implied Mortgage Loan Amount	**$400,880**	**$400,880**	**$400,880**	**$400,880**	**$400,880**
Avg. Mortgage Rate - 30-Year Fixed	6.93%	6.93%	6.93%	6.93%	6.93%
Implied Cumulative Interest Paid	**$569,948**	**$572,871**	**$575,796**	**$578,725**	**$581,658**
Increase in G-Fees at 4.0% Capital	0.18%	0.21%	0.24%	0.27%	0.30%
Implied Incremental Interest	**$17,460**	**$20,382**	**$23,308**	**$26,237**	**$29,170**

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A post-conservatorship capital standard of 4% would in effect be a tax on American homebuyers to fund overly capitalized balance sheets at the GSEs

Note: Average U.S. single-family home sales price as per Federal Reserve Bank of St. Louis for the third quarter of 2024. National average mortgage rate as per Freddie Mac for the weekly average as of January 9, 2025.

1 Set Appropriate Capital Requirements (Cont.)

2.5% of equity capital is appropriate when benchmarked against the required capital levels for banks and private mortgage insurers

	Reformed GSEs	Banks	Private Mortgage Insurers ("PMIs")
Traditional Mortgages			
Credit Risk	Low	Medium	High
Interest Rate Risk	✗	✓	✗
Liquidity Risk	✗	✓	✗
High LTV	✗	✗	✓
Guarantee 80-100% LTV Tranche	✗	✗	✓
Jumbo & Alternative Mortgage Products	✗	✓	✓
Minimum Common Equity Requirement	**2.5%**	**3.5% – 4.7%(1)**	**5.6%(2)**

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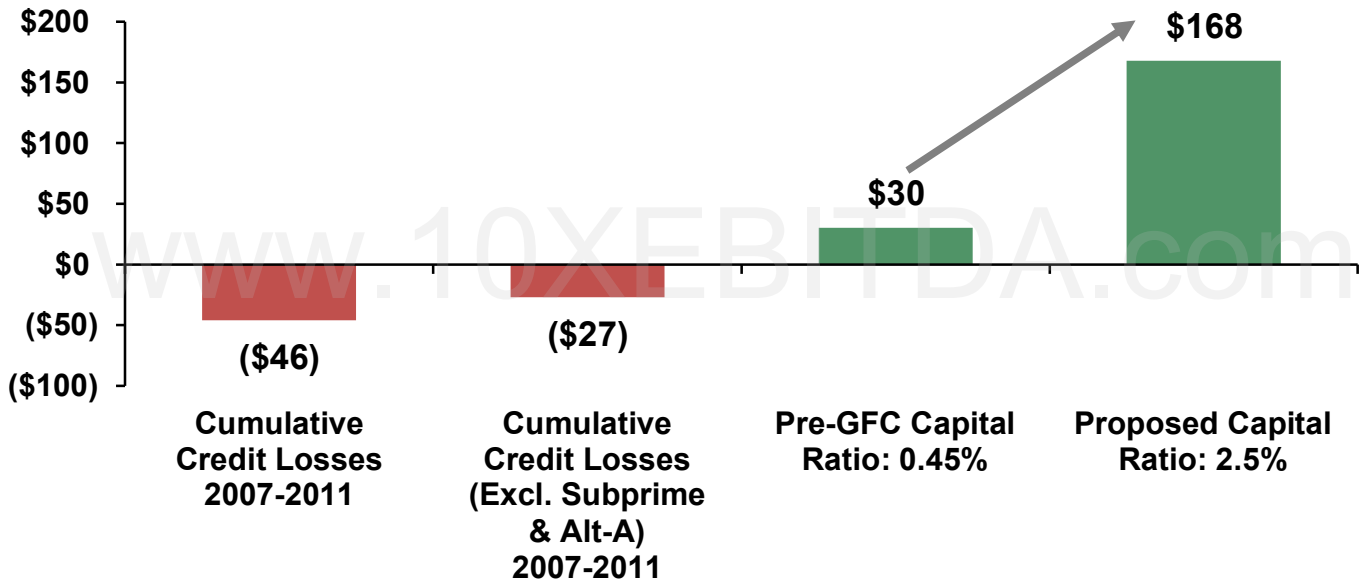
The GSEs' guarantee business should have a lower capital ratio than banks and PMIs to reflect the lower risks they incur

Source: Company filings and Pershing Square estimates.
(1) Equity requirements for banks based on 50% risk-weighting for residential mortgage assets applied to Tier 1 common equity ratio. On the low end, 7% is the minimum Tier 1 capital ratio required under Basel III. On the high end, 9.4% is the average required Tier 1 capital ratio of the 32 largest banks in the United States as of October 2024.
(2) Private mortgage insurers based on the minimum 5.6% of performing primary adjusted risk-in-force ratio required by the GSEs' September 2018 Private Mortgage Insurer Eligibility Requirements (PMIERs).

1 Set Appropriate Capital Requirements (Cont.)

2.5% of equity capital, or ~$170 billion, to support ~$6.7 trillion of single-family guarantees would provide the GSEs with a fortress balance sheet with more than 5.5 times as much capital as historical levels

Equity Requirement for Single-Family Guarantee Business ($ in billions)



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2.5% of equity capital would amount to 6.2 times the cumulative losses in the GSEs' single-family guarantee business during the financial crisis, based on our estimates of actual credit losses excluding the elevated losses from subprime and Alt-A MBS

Source: Company filings and Pershing Square estimates.
Note: Capital ratios are based on the combined Fannie and Freddie 2024 single-family guarantee portfolio of $6.7 trillion. Adjusted Cumulative Losses (2007-2011) represents Fannie and Freddie's cumulative fully-taxed net losses from 2007-2011, based on actual credit losses and excluding the elevated level of losses from subprime and Alt-A MBS.

1 Set Appropriate Capital Requirements (Cont.)

Analysts concur with our recommendation for a minimum capital requirement of 2.5%

"While GSE revenues and earnings are significantly higher now vs pre-GFC levels driven by much higher guarantee fees and meaningfully larger guarantee portfolios, required minimum capital levels have increased far more meaningfully, resulting in a sharp decline in run-rate ROEs. We believe that the only realistic way to solve for this is to remove the stability buffer and take the minimum capital level back to 2.5%. The other alternative is to increase guarantee fees, but we estimate that the increases would have to be in the 20-25 bp range (from the current 65 bp level), which is likely to be politically unacceptable since it would increase mortgage rates by an equivalent amount."

- Keefe, Bruyette & Woods (emphasis added), 1/5/2025

1 Set Appropriate Capital Requirements (Cont.)

The GSEs' enormous earnings power adds a substantial additional layer of protection to a fortress balance sheet

The GSEs' balance sheets do not reflect the ~$32bn in annual net revenue they will receive from g-fees on their existing ~$7 trillion of outstanding single-family MBS. This recurring, long-term cash flow stream has allowed the GSEs to successfully recapitalize after the suspension of the net worth sweep

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1 Set Appropriate Capital Requirements (Cont.)

The GSEs' balance sheet quality is enhanced by their contractual future revenue, as well as their ability to gain share in crisis

- **While they do not count towards capital, future contractual guarantee fees significantly enhance balance sheet strength**
  - Fannie and Freddie generated net single-family g-fees of $32bn in 2024(1)
  - The GSEs are contractually entitled to collect this revenue from the existing book of business until the underlying mortgages are fully repaid
  - We estimate future g-fees on the existing book are worth ~$101bn today(2)
- **The ability to write new business in a crisis provides further protection**
  - During a housing crisis, losses on the existing book of business are partially offset by higher market share and superior returns on new business
  - Other participants pull back during a crisis, while lending standards tighten
  - While difficult to quantify, we estimate this unique ability to write new business during a crisis is worth ~$17bn on a present value basis(3)

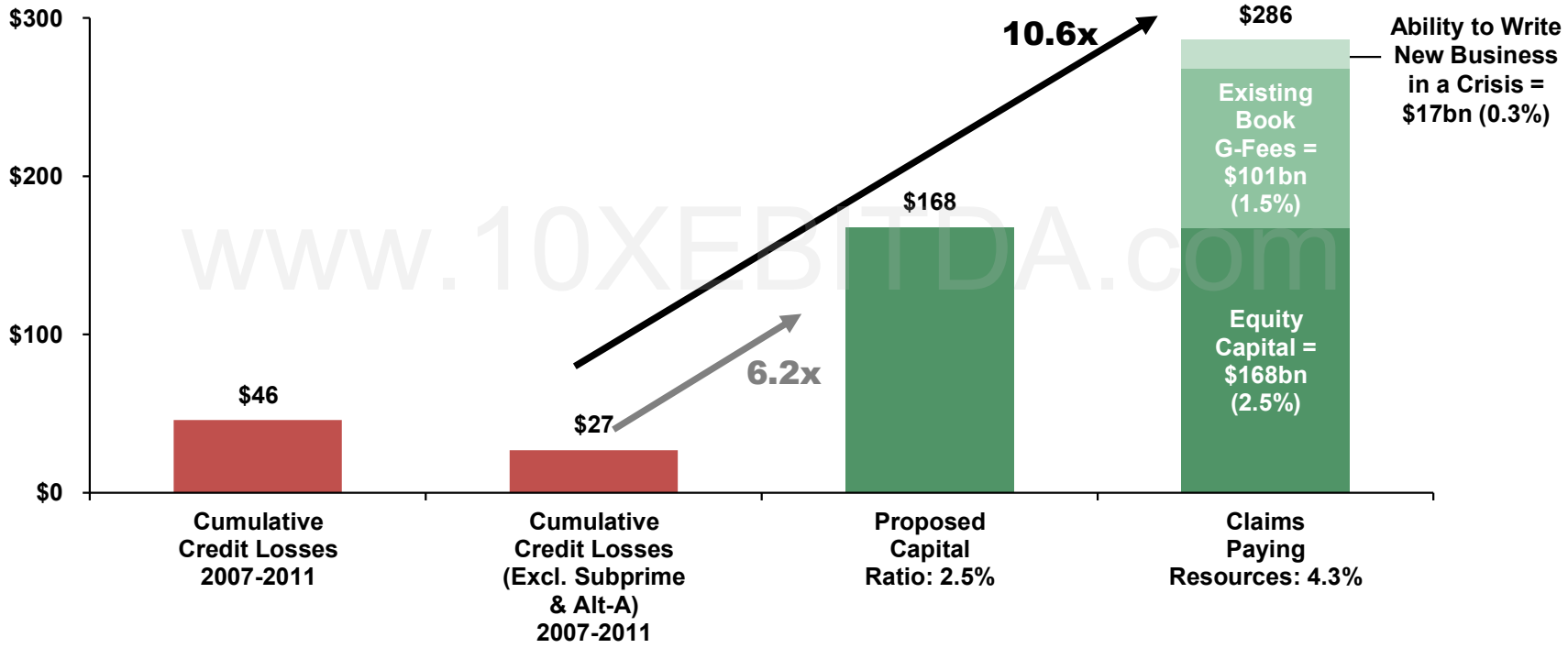
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(1) Represents estimated guarantee fee revenue less TCCA fees, which are a pass-through expense.
(2) Assumes average portfolio turnover of 14%, net g-fees in-line with 2024 levels of 48bps, and a discount rate equal to the current 30-year MBS yield of 6.1%.
(3) Assumes a 23% increase in the size of the single-family guarantee portfolio due to market share gains, similar to what occurred during the Global Financial Crisis, average portfolio turnover of 14%, net g-fees on new business in-line with 2024 levels of 55bps, and a discount rate equal to the GSEs' est. cost of equity capital of 8.0%.

1 Set Appropriate Capital Requirements (Cont.)

The GSEs' total Claims Paying Resources includes their equity capital, contractual g-fees on $6.7 trillion of assets, and ability to gain market share in a crisis

Proposed Capital and Claims Paying Resources for Single-Family Guarantee Business ($bn)



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2.5% of equity capital would imply Claims Paying Resources of $286bn, over 10 times the cumulative losses in the GSEs' single-family guarantee business during the financial crisis, based on our estimates of actual credit losses excluding subprime and Alt-A MBS

2 Limit Government-Granted Benefits

Government-granted benefits that do not serve a vital purpose for the mortgage market should be eliminated

- ☒ **Exemption from SEC registration of debt and MBS**
- ☒ **UST line of credit that authorizes up to $2.25bn of GSE obligations**
- ☒ **Exemption of GSE securities from Volcker rule (keep for GSE MBS only)**
- ☒ **Lack of exposure limits for banks investing in Fannie and Freddie debt securities (keep for GSE MBS only)**
- ☒ **Exemption from FSOC (Financial Stability Oversight Council) review for SIFI status(1)**

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(1) The proposed 2.5% capital ratio would be inclusive of any additional capital buffer required due to SIFI designation. Regardless of SIFI status, we believe required capital levels should be set at a level that balances the need to minimize the likelihood that the government is called upon for funds in a housing downturn, enables the GSEs to earn adequate returns to attract sufficient private capital, and keeps mortgage credit affordable and widely available.

2 Limit Government-Granted Benefits (Cont.)

Benefits that we believe should be preserved:

- ☑ **20% risk weighting for GSE MBS (vs. 50% for private label MBS)**
  - Appropriate in light of lower risk and higher liquidity of agency MBS; also raises demand for agency MBS and thus lowers mortgage costs
- ☑ **GSE MBS eligible for purchase by the Federal Reserve**
  - Raises demand for MBS and thus lowers mortgage costs
- ☑ **GSE MBS eligible as collateral for public deposits and for loans from Federal Reserve Banks and Federal Home Loan Banks**
  - Smaller lenders utilize Federal Home Loan Banks extensively
- ☑ **No requirement for information disclosure underlying securities ratings**
  - Facilitates the TBA market by making different MBS issuances more liquid and fungible

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3 Develop Market-Based Compensation & Governance

Compensation for Key Executives

- Salaries based on prevailing market rates
- Bonuses in the form of restricted stock with long-term vesting
- Compensation targets emphasize capital strength and operational risk management and controls, in addition to standard financial targets
- Current pay limits lead to high leadership turnover, with Fannie averaging a new CEO every three years and Freddie every two years since conservatorship began in September 2008

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Governance

- World-class, independent board of directors
- Compensation based on restricted stock with long-term vesting

4 Clarify Nature of Government Backstop

We do not believe that a direct, explicit government guarantee of Fannie and Freddie's MBS is necessary, feasible, or desirable

- **There are several complications with an explicit MBS guarantee**
  - ☒ Would likely require the U.S. government to consolidate the $7.6tn MBS of Fannie and Freddie, which would increase the national debt by 20%
  - ☒ Disruption to the Treasury market, as the MBS could be viewed as a secured US government obligation, while Treasuries could be viewed as unsecured
  - ☒ Would require an act of Congress
- **We do, however, believe it is important to achieve several objectives**
  - ✓ Clarify the nature of the relationship between the GSEs and the government
  - ✓ Ensure fair compensation to taxpayers in the extremely unlikely event that government support is required in a future financial crisis
  - ✓ Provide confidence to the MBS market that a government backstop is in place

We believe there is an elegant solution to achieve these objectives through administrative action, utilizing authorities already granted by Congress

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4 Clarify Nature of Government Backstop (Cont.)

The existing PSPAs should be modified to act as a government backstop, providing the same benefits as an explicit guarantee without the negative consequences

- **Treasury's total funding commitment under the PSPAs is $445bn[(1)]**
  - We believe the full $445bn would be available for future draws if the Senior Preferred Stock is deemed repaid
- **The size of Treasury's funding commitment makes it akin to an explicit guarantee from the perspective of an MBS investor**
  - Additional ~5.5% of GSE assets & guarantees after 2.5% first-loss private capital
- **Treasury would be paid a commitment fee in exchange for this support**
  - Priced as super-senior reinsurance that would only be drawn upon in the unlikely event the GSEs' private capital is fully exhausted in a catastrophic financial crisis
- **Terms of the Senior Preferred Stock would need to be modified**
  - Private capital raise is not feasible if Treasury can purchase a senior security with onerous terms at any time, which the GSEs have no ability to repay

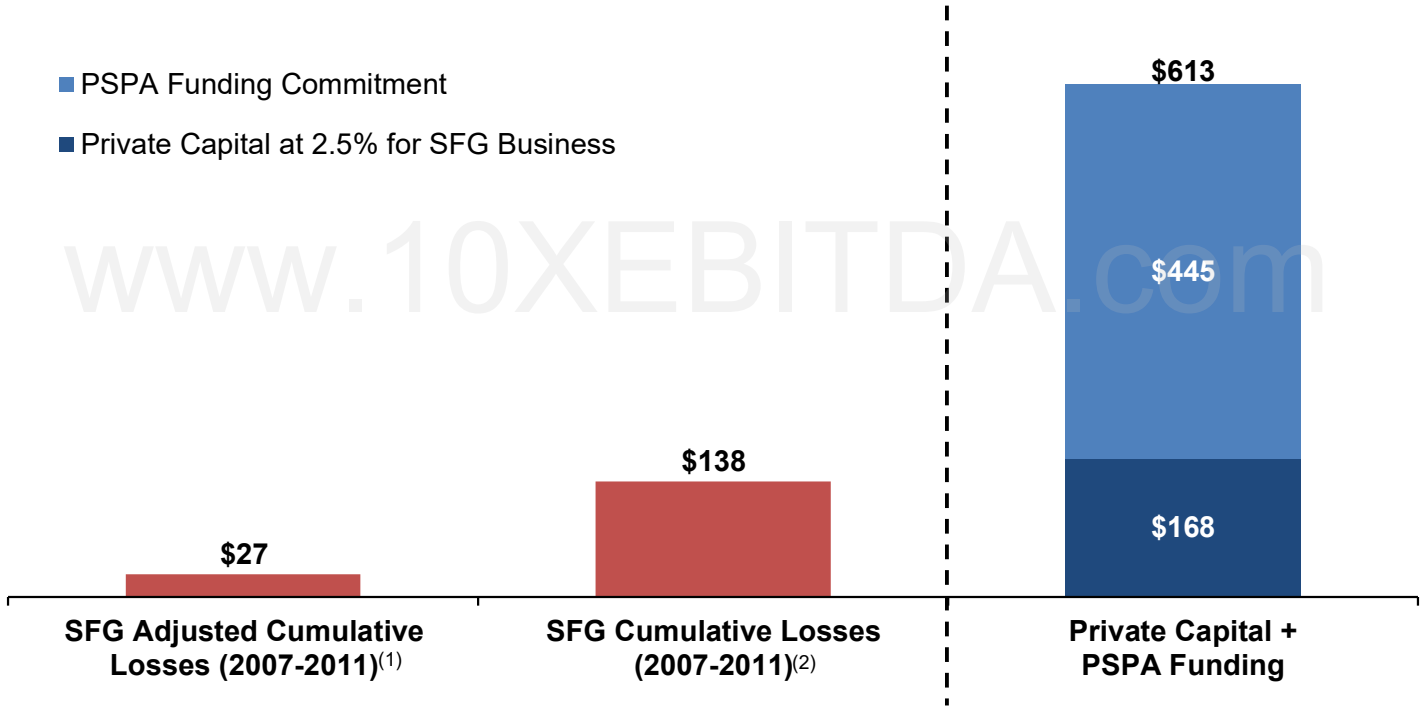
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(1) Consists of total draws of $119.8bn at Fannie and $71.6bn at Freddie, and remaining funding of $113.9bn at Fannie and $140.2bn at Freddie per public filings.

4 Clarify Nature of Government Backstop (Cont.)

Losses would need to exceed $600bn before both first-loss private capital and PSPA funding would be extinguished, or ~23x adjusted cumulative losses in the single-family guarantee segment during the Great Financial Crisis (i.e. 2007-2011)

Financial Crisis Losses vs. Potential New Capital Framework ($ in Billions)



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Source: Company filings and Pershing Square estimates.

(1) Fully-taxed net income of the single-family guarantee segments based on credit losses, excluding the elevated credit losses in the subprime and Alt-A loans and assumes credit losses for subprime and Alt-A loans occurred at a similar rate as non-subprime and Alt-A loans. Assumes similar levels of subprime and Alt-A loans for Freddie Mac as for Fannie Mae. Fully-taxed net income based on a 35% tax rate to remove the initial negative impact of the DTA valuation allowance and the subsequent positive impact of its reversal.

(2) Actual accounting losses in the single-family guarantee segments from 2007-2011 were $138bn, due to (i) provisions of $92bn and (ii) estimated subprime and Alt-A losses of $19bn.

4 Clarify Nature of Government Backstop (Cont.)

A major ratings agency has recently indicated that exiting conservatorship with the PSPAs in place would be credit neutral

"Current ratings reflect support provided by the U.S. Treasury Department under the Senior Preferred Stock Purchase Agreements (PSPAs) and Fitch's view of the GSEs' policy role in the U.S. housing market. The PSPAs require the U.S. Treasury to inject funds if either GSE's net worth drops below zero, up to the agreement limits. As of 3Q24, aggregate availability under the PSPAs exceeded $250 billion, with the housing GSEs' combined net worth at $147 billion, currently indicating strong U.S. government backing. Fitch expects the incoming Trump administration to potentially explore options for taking the GSEs out of conservatorship. If the GSEs were to exit conservatorship while maintaining the PSPAs or similar support, their ratings could remain aligned with the U.S. sovereign rating."

- Fitch Ratings, 1/8/25 (emphasis added)

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Source: https://www.fitchratings.com/research/non-bank-financial-institutions/fannie-freddie-conservatorship-exit-would-not-be-immediate-ratings-catalyst-08-01-2025.

4 Clarify Nature of Government Backstop (Cont.)

Probability of a draw, credit quality, and impact on mortgage costs are important factors to consider when setting the PSPA commitment fee

- **Substantial first-loss private capital makes a draw highly unlikely**
- **While there is no perfect comparable, we believe a commitment fee of ~25 basis points is conservative in light of available market benchmarks:**

Revolver Undrawn Fees[1]

Credit Rating	Undrawn Fee
≥AA- or Aa3	0.04%
A+ or A1	0.05%
A or A2	0.07%
A- or A3	0.09%
BBB+ or Baa1	0.11%
BBB or Baa2	0.12%
BBB- or Baa3	0.15%

Single-Name CDS Pricing[2]

Borrower	Credit Rating	Spread (bps)
Berkshire Hathaway	AA / Aa2	13.6
National Rural Utilities Coop.	A- / A2	20.4
Northrop Grumman	BBB+ / Baa1	22.8
Union Pacific	A- / A3	22.9
Johnson & Johnson	AAA / Aaa	23.1

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If the PSPA commitment fee is too onerous, g-fees and mortgage costs would have to increase to allow the GSEs to earn an appropriate ROE

(1) Average commitment fee grid for multiyear credit agreements signed in 2023 or 2024 by borrowers with at least an A- rating and a market cap of at least $100bn.
(2) CDS spread for five tightest names in the Markit CDX North America Investment Grade Index as of January 10, 2025.

Illustrative GSE Restructuring

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Illustrative GSE Restructuring: Overview

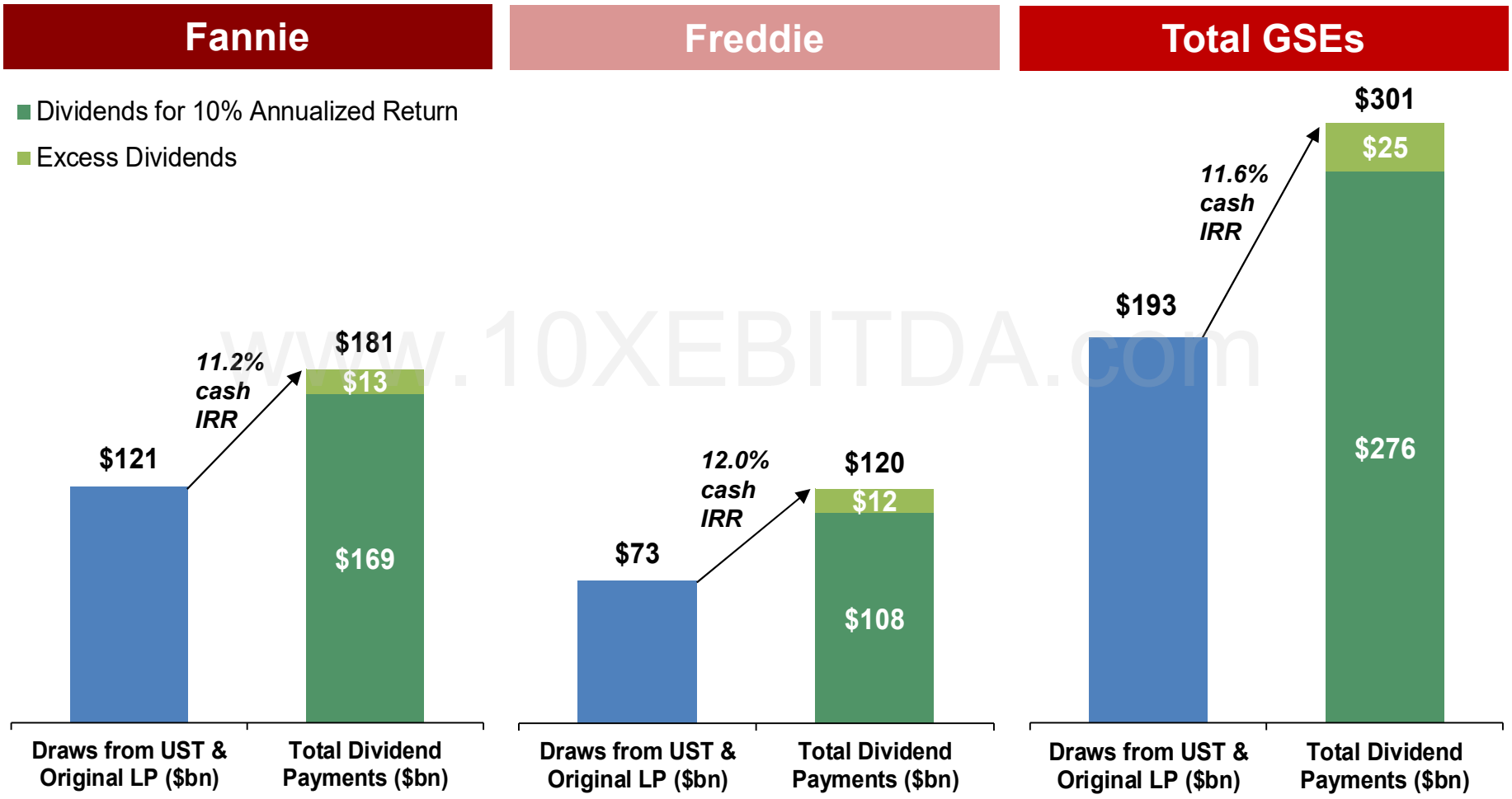
We believe a restructuring of Fannie and Freddie should occur in three consecutive phases

1. **Cleanup of existing capital structure**
   - US Treasury Senior Preferred deemed repaid following recoupment of principal plus an annualized return of 11.6%
   - Existing PSPAs amended to serve as backstop in exchange for commitment fee
   - US Treasury retains warrants for 79.9% of common stock
   - Existing junior preferred either left outstanding or converted to common on a negotiated basis
2. **New private capital raises**
   - "Re-IPO" of Fannie Mae by year-end 2026 to raise ~$5bn in common stock
   - "Re-IPO" of Freddie Mac by year-end 2027 to raise ~$15bn in common stock
3. **Monetization of U.S. Treasury stake once entities are fully capitalized**
   - UST sells down its common stock stakes over the five years after each IPO
   - Substantial common dividends paid to US Treasury during ownership periods

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UST Preferred has Been Repaid

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



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Source: Company filings and Pershing Square estimates. Original liquidation preference was $1 billion for each entity.

UST Preferred has Been Repaid (Cont.)

Former Trump administration officials have acknowledged that Treasury's Senior Preferred Stock has been repaid with interest

"So it's an 11.5% moment [the IRR on the Senior Preferred]. And it just shows that, you know, that there is an opportunity here also to protect the taxpayer. The taxpayer has actually been – in some ways, in many ways, repaid from the bailout of Fannie and Freddie. We gotta kind of turn the page and fix it to move on."

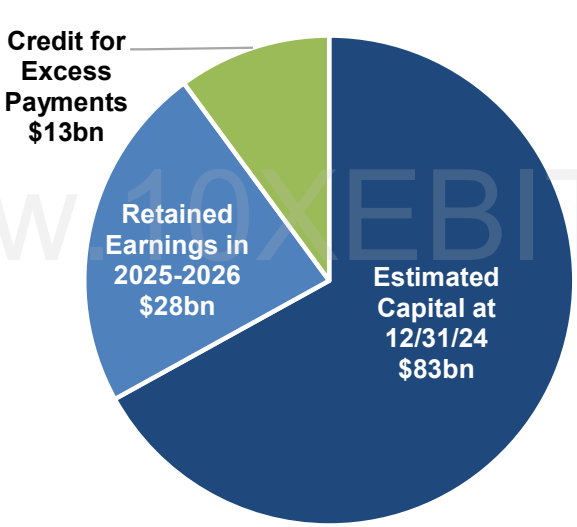
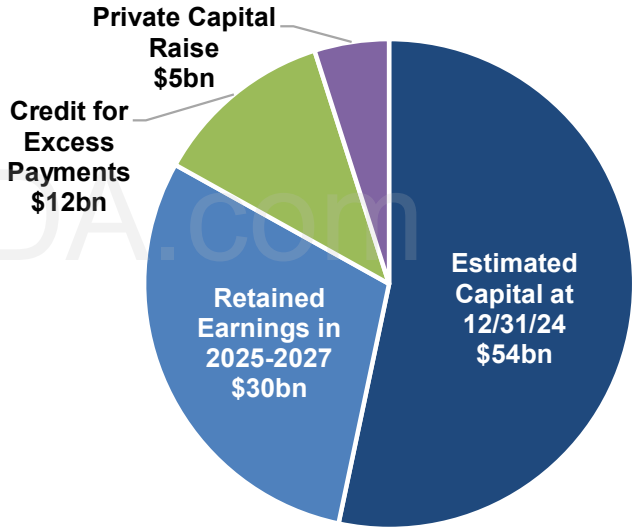
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- Craig Phillips, Counselor to the US Treasury Secretary from 2017 to 2019, in May 16, 2019 interview

Source: https://www.youtube.com/watch?v=ZJUB5-pBV08.

The GSEs Have Paid an Extra $25bn to Treasury

If the $25bn of excess payments were returned to Fannie and Freddie, Fannie would not need to raise any private capital, while Freddie's capital raise would be much smaller

	Fannie Capitalization at 12/31/26	Freddie Capitalization at 12/31/27
		
Assets & Guarantees	**~$4,650bn**	**~$4,050bn**
Total Capital	**$124bn**	**$102bn**
Capital Ratio	**2.7%**	**2.5%**

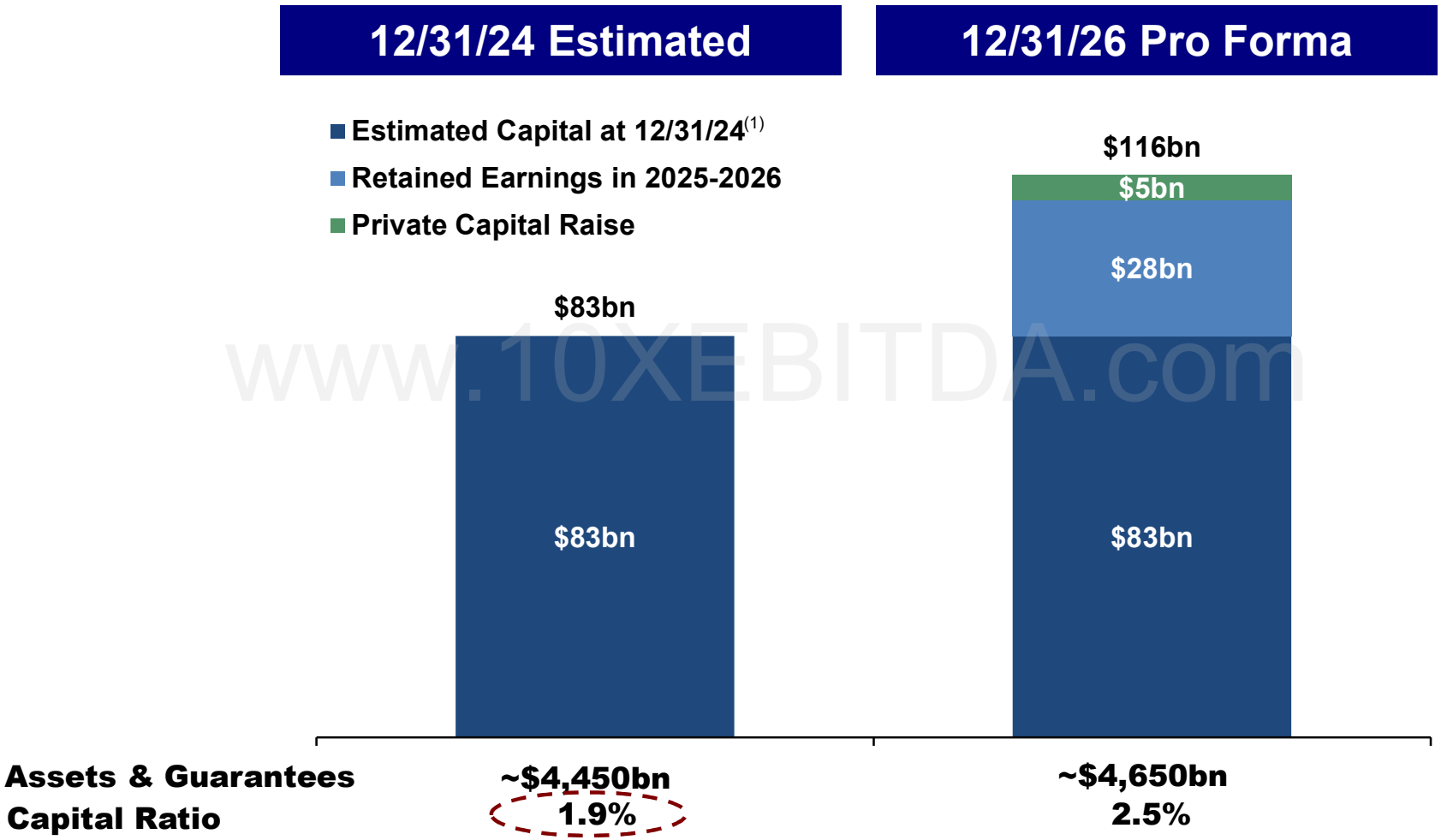
We do not, however, assume that the $25bn of excess payments are returned to Fannie and Freddie in our analysis

Source: Company filings and Pershing Square estimates.

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Pro Forma Capitalization: Fannie Mae

Given its current capital position, Fannie Mae should be ready to exit conservatorship by year-end 2026, and will only need to raise ~$5bn



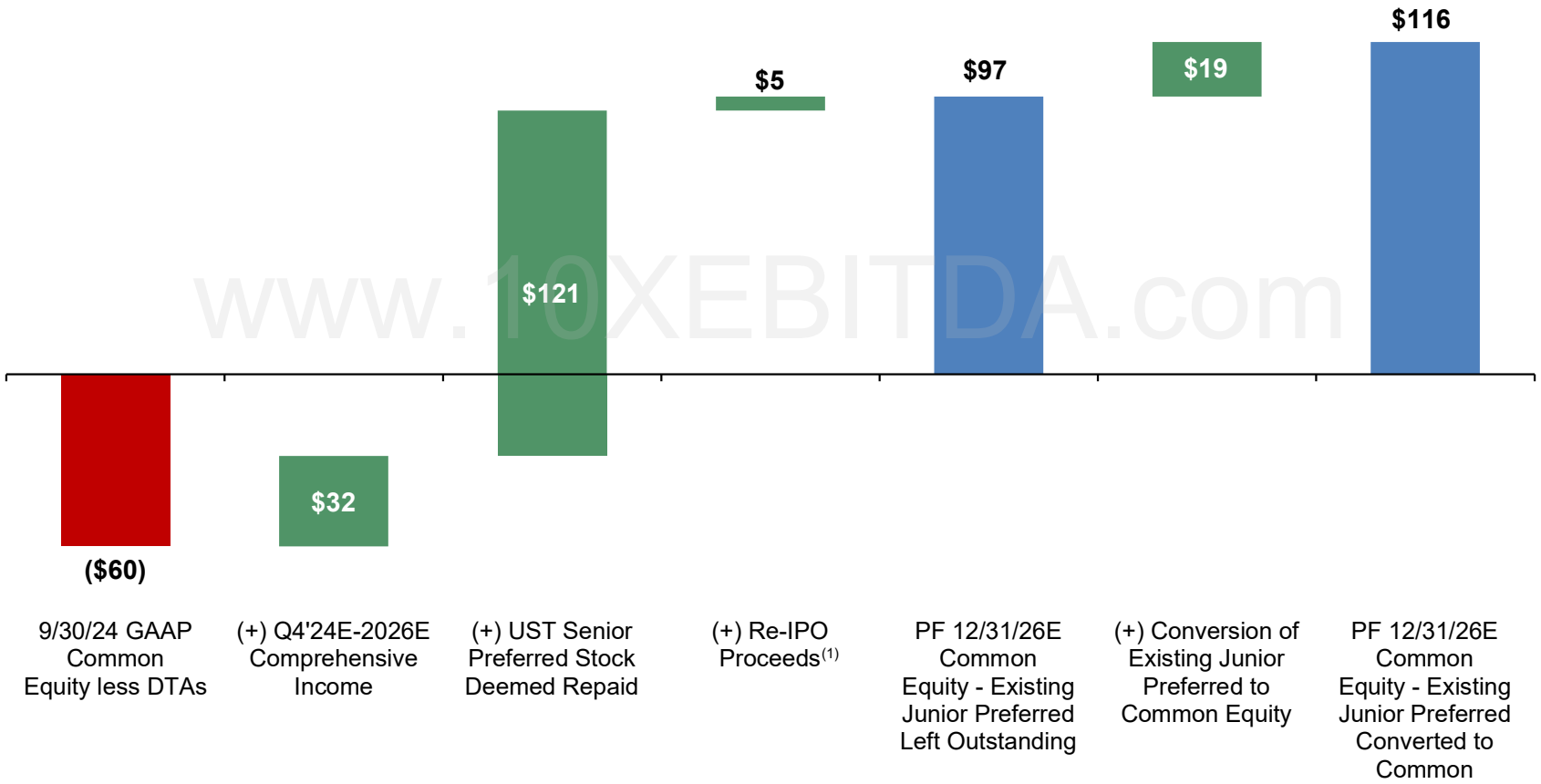
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(1) Calculated as GAAP stockholders' equity less deferred tax assets, net, as of 9/30/24, plus projected Q4'24 comprehensive income per Pershing Square estimates.

Common Equity Bridge: Fannie Mae

The GSE restructuring plan enables Fannie to achieve the capital level required to exit conservatorship by year-end 2026

Common Equity Bridge – Fannie Mae ($bn)

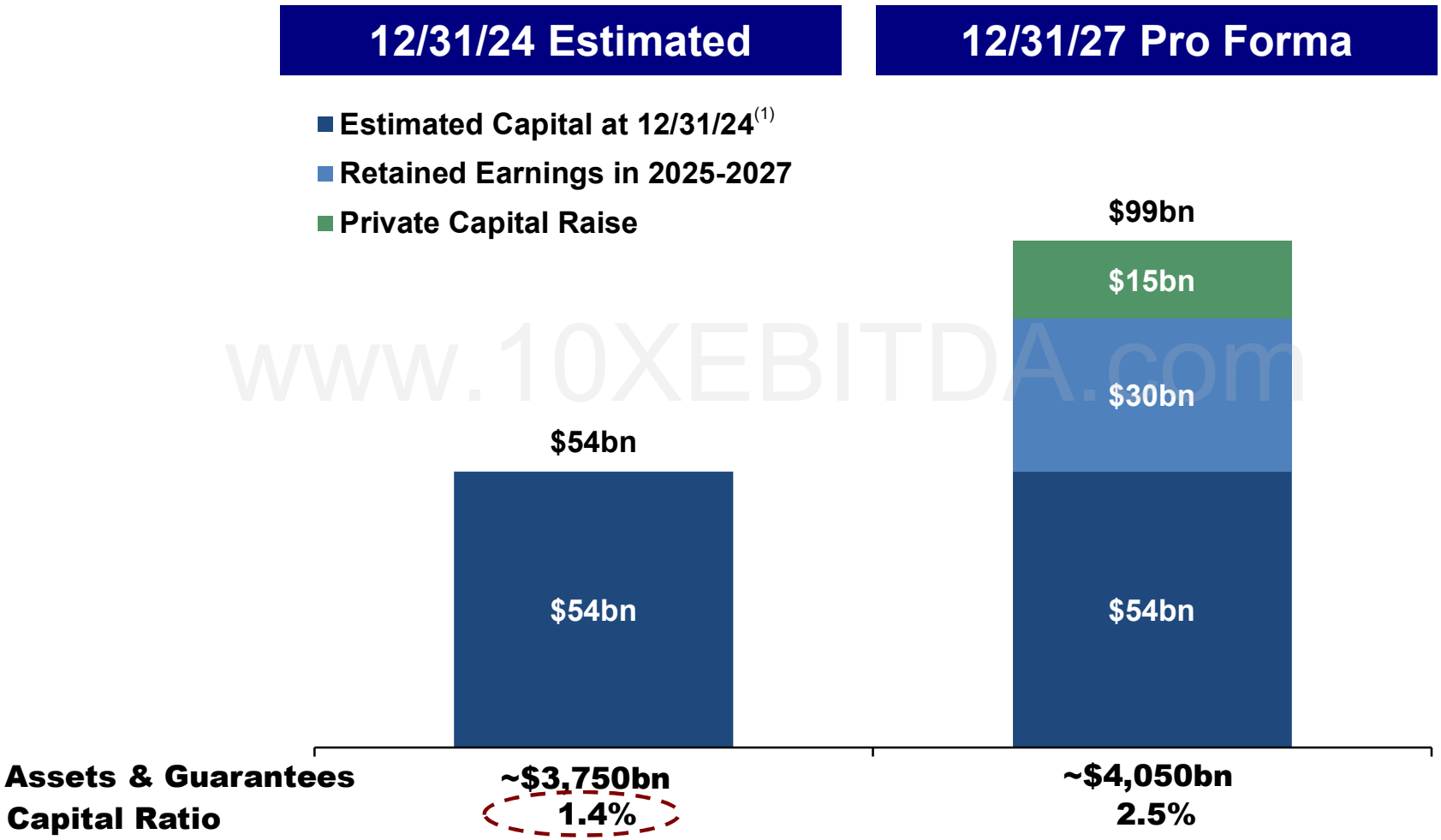


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Source: Company filings and Pershing Square estimates.
(1) Assumes underwriting fees and commissions of 50bps. Treasury's $18bn secondary sale of AIG shares in September 2012 included an underwriting spread of 37.5bps.

Pro Forma Capitalization: Freddie Mac

Following several years of robust growth in its guarantee book, Freddie Mac requires a larger capital raise of ~$15bn



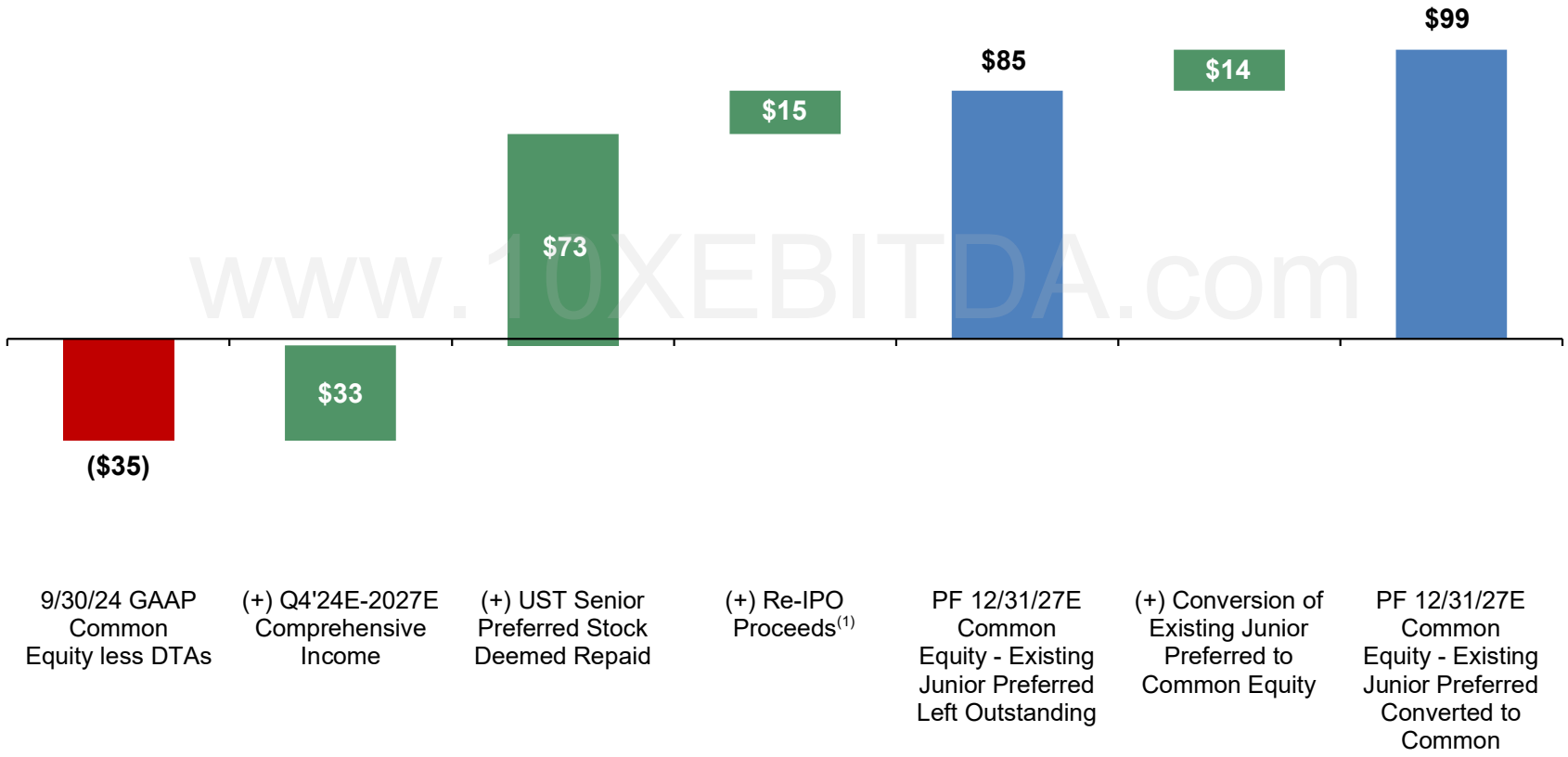
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(1) Calculated as GAAP stockholders' equity less deferred tax assets, net, as of 9/30/24, plus projected Q4'24 comprehensive income per Pershing Square estimates.

Common Equity Bridge: Freddie Mac

The GSE restructuring plan enables Freddie to achieve the capital level required to exit conservatorship by year-end 2027

Common Equity Bridge – Freddie Mac ($bn)



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Source: Company filings and Pershing Square estimates.
(1) Assumes underwriting fees and commissions of 50bps. Treasury's $18bn secondary sale of AIG shares in September 2012 included an underwriting spread of 37.5bps.

Cleanup Existing Capital Structure: Junior Preferred

We believe the existing junior preferred can be left outstanding, refinanced, or converted to common on a negotiated basis

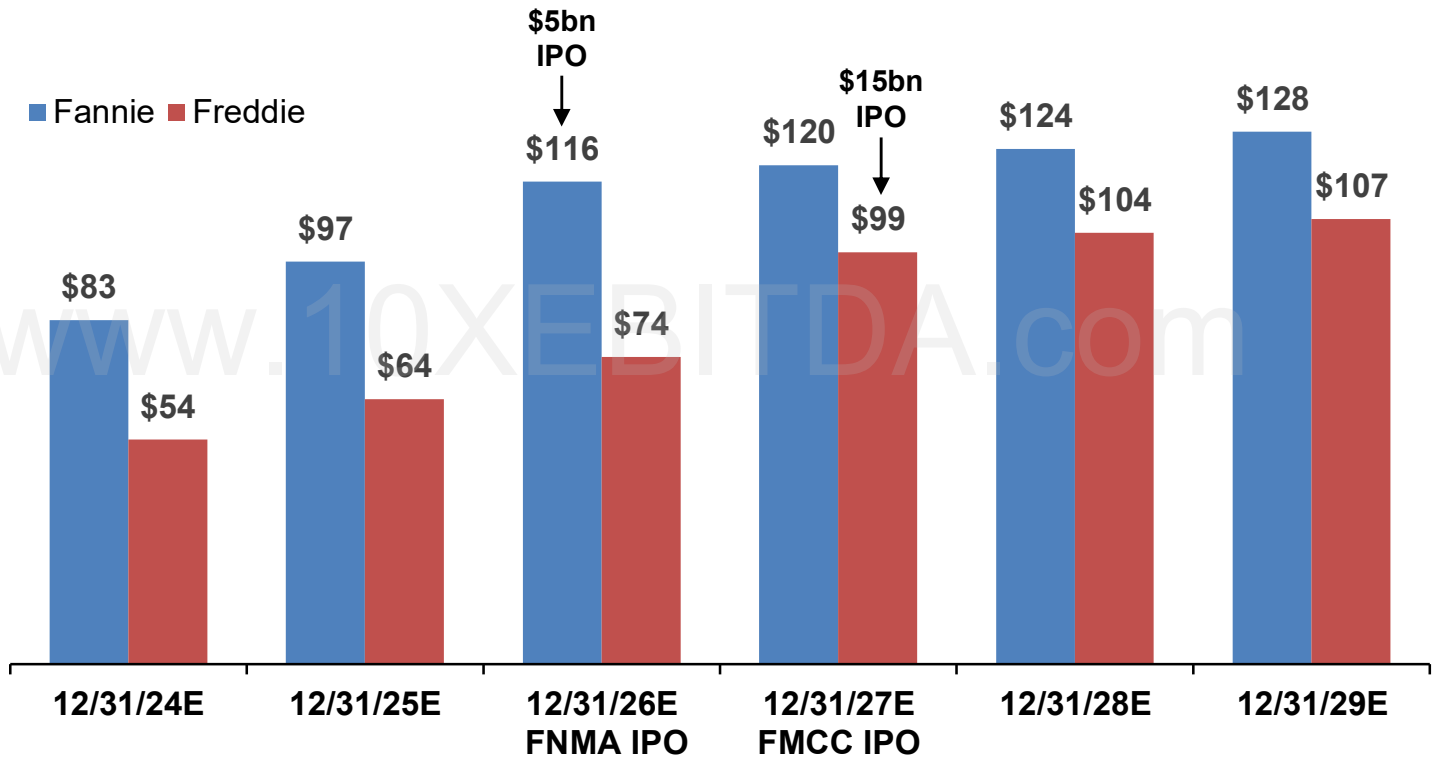
- **Non-cumulative, perpetual security**
  - No dividends in arrears for 2008 through present timeframe
  - Future dividends not payable in a given year unless common dividends are also paid
- **Can potentially be converted to common stock on a negotiated basis**
  - Maximum contractual recovery of par value; actual recovery may be slightly higher if converted to common stock
  - Opportunity to ensure all classes of stock are supportive of the restructuring
- **We have assumed that the existing junior preferred is converted to common at the IPO price of each entity for modeling purposes**

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New Private Capital Raises

We estimate that Fannie Mae can be fully recapitalized by year-end 2026, while Freddie Mac can be fully recapitalized one year later

Total Capital Held at Fannie and Freddie ($bn)



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Memo: % of Adjusted Total Assets

	12/31/24E	12/31/25E	12/31/26E FNMA IPO	12/31/27E FMCC IPO	12/31/28E	12/31/29E
Fannie	1.9%	2.1%	2.5%	2.5%	2.5%	2.6%
Freddie	1.4%	1.7%	1.9%	2.5%	2.5%	2.5%

Source: Company filings and Pershing Square estimates.

Timing of Private Capital Raises

We believe there are significant benefits to executing Fannie's smaller IPO first, followed by Freddie's larger IPO approximately one year later

- ✓ **Fannie's $5bn IPO is modestly sized for an entity of its scale**
- ✓ **Allows the market to observe one entity operating post-privatization while another remains in conservatorship**
- ✓ **Provides time for investors and research analysts to familiarize themselves with the reformed GSE business model**
- ✓ **Smaller IPOs are easier to execute, particularly for companies without public trading "comps"**
- ✓ **Enables Freddie to apply any learnings from Fannie's IPO to its own, larger capital raise**

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Fannie and Freddie's IPOs are Both Executable

Fannie's $5bn IPO is readily achievable given its scale and return profile. Freddie's larger IPO will benefit from the learnings from Fannie's capital raise

Company	Proceeds	Year of IPO	Year Founded
أرامكو السعودية saudi aramco	$29bn	2019	1933
Alibaba.com	$25bn	2014	1999
SoftBank (Telecom)	$24bn	2018	1984
AIA	$21bn	2010	1919
VISA	$20bn	2008	1958
GM General Motors	$18bn	2010	1908
NTT docomo	$18bn	1998	1952
Enel	$17bn	1999	1962
ICBC	$16bn	2007	1984
facebook	$16bn	2012	2004
FreddieMac	$15bn	2027	1970
Fannie Mae	$5bn	2026	1938

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Source: Bloomberg. The companies shown comprise the largest global IPOs in the last 50 years.
Note: Proceeds include overallotment. General Motors represents the IPO of GM Motors Co. in 2010.

Key Modeling Assumptions

We have made several illustrative modeling assumptions to estimate the long-term earnings power of the GSEs

- **Single-Family Guarantee Business**
  - G-fees of 65bps, in-line with latest pricing of 64bps for FNMA and 67bps for FMCC
    - FHFA as regulator should have the ability to adjust the guarantee fee level over time to ensure the entities are earning an appropriate return on capital
  - Market shares for each entity consistent with current levels
  - Commitment fee of 25bps per annum on the total undrawn PSPA funding commitments
    - Interest rate on *drawn amounts* can be set materially higher
  - Net credit losses and G&A expenses in-line with long-term historical levels
- **Investment assets growth of 2%, in-line with single-family guarantee book**
  - Solely utilized for temporary warehousing of mortgages prior to MBS issuances, and buyouts of non-performing loans from MBS trusts
- **Multifamily growth and economics in-line with recent history**
- **Payout 90% of net income as dividends after 2.5% capital threshold**

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Illustrative Financial Projections: Fannie Mae

We believe a low-double-digit return on capital balances the GSEs' utility-like status with the need to deliver a market return to investors

FNMA Illustrative Financial Projections

($ in millions, except per share data)	2027E	2028E	2029E	2030E	2031E	2035E
Single-Family Guarantees ($bn)	**$3,874**	**$3,951**	**$4,030**	**$4,111**	**$4,193**	**$4,539**
Growth	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Avg. Portfolio G-Fee (bps)	*60*	*61*	*61*	*62*	*63*	*65*
TCCA Fees (bps)	*(10)*	*(10)*	*(10)*	*(10)*	*(10)*	*(10)*
Net Credit Losses (bps)	*(8)*	*(10)*	*(10)*	*(10)*	*(10)*	*(10)*
G&A & Net Other Expenses (bps)	*(14)*	*(14)*	*(14)*	*(14)*	*(14)*	*(14)*
PSPA Commitment Fee (bps)	*(2)*	*(1)*	*(1)*	*(1)*	*(1)*	*(1)*
Single-Family Guarantee Pretax Income	**$10,281**	**$10,053**	**$10,617**	**$11,200**	**$11,801**	**$13,642**
bps	*27*	*25*	*26*	*27*	*28*	*30*
Investments & Multifamily Guarantees ($bn)	$648	$677	$709	$741	$769	$891
Investments & Multifamily Pretax Income	**$6,868**	**$7,106**	**$7,353**	**$7,611**	**$7,841**	**$8,840**
bps	*106*	*105*	*104*	*103*	*102*	*99*
Plus: Income on Retained Capital (3.0% Rate)	1,002	1,119	1,239	1,363	1,491	2,030
Less: Taxes at 21%	(3,812)	(3,838)	(4,034)	(4,236)	(4,438)	(5,148)
Net Income to Common	**$14,340**	**$14,439**	**$15,175**	**$15,937**	**$16,695**	**$19,365**
bps	*32*	*31*	*32*	*33*	*34*	*36*
Diluted Shares Outstanding	6,520	6,520	6,520	6,520	6,520	6,520
Diluted EPS	**$2.20**	**$2.21**	**$2.33**	**$2.44**	**$2.56**	**$2.97**
Growth	*0%*	*1%*	*5%*	*5%*	*5%*	*3%*
Memo: Return Metrics						
Consolidated Return on Capital	***11.9%***	***11.6%***	***11.8%***	***12.0%***	***12.2%***	***12.5%***
Return on Capital for New MBS Issuances	***11.9%***	***11.9%***	***11.9%***	***11.9%***	***11.9%***	***11.9%***

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Source: Pershing Square estimates. Assumes PSPA commitment fee begins at IPO.

Illustrative Financial Projections: Freddie Mac

We believe a low-double-digit return on capital balances the GSEs' utility-like status with the need to deliver a market return to investors

FMCC Illustrative Financial Projections

($ in millions, except per share data)	2027E	2028E	2029E	2030E	2031E	2035E
Single-Family Guarantees ($bn)	**$3,250**	**$3,315**	**$3,381**	**$3,449**	**$3,518**	**$3,808**
Growth	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Avg. Portfolio G-Fee (bps)	*61*	*62*	*62*	*63*	*64*	*65*
TCCA Fees (bps)	*(10)*	*(10)*	*(10)*	*(10)*	*(10)*	*(10)*
Net Credit Losses (bps)	*(8)*	*(10)*	*(10)*	*(10)*	*(10)*	*(10)*
G&A & Net Other Expenses (bps)	*(14)*	*(14)*	*(14)*	*(14)*	*(14)*	*(14)*
PSPA Commitment Fee (bps)	*0*	*(2)*	*(2)*	*(2)*	*(2)*	*(1)*
Single-Family Guarantee Pretax Income	**$9,316**	**$8,558**	**$8,994**	**$9,443**	**$9,906**	**$11,228**
bps	*29*	*26*	*27*	*27*	*28*	*29*
Investments & Multifamily Guarantees ($bn)	$546	$571	$596	$623	$646	$746
Investments & Multifamily Pretax Income	**$3,133**	**$3,232**	**$3,335**	**$3,442**	**$3,539**	**$3,959**
bps	*57*	*57*	*56*	*55*	*55*	*53*
Plus: Income on Retained Capital (3.0% Rate)	599	1,356	1,497	1,596	1,698	2,124
Less: Taxes at 21%	(2,740)	(2,761)	(2,903)	(3,041)	(3,180)	(3,635)
Net Income to Common	**$10,308**	**$10,386**	**$10,923**	**$11,440**	**$11,964**	**$13,676**
bps	*27*	*27*	*27*	*28*	*29*	*30*
Diluted Shares Outstanding	4,096	4,096	4,096	4,096	4,096	4,096
Diluted EPS	**$2.52**	**$2.54**	**$2.67**	**$2.79**	**$2.92**	**$3.34**
Growth		*1%*	*5%*	*5%*	*5%*	*3%*
Memo: Return Metrics						
Consolidated Return on Capital	***10.4%***	***10.0%***	***10.2%***	***10.3%***	***10.5%***	***10.6%***
Return on Capital for New MBS Issuances	***11.7%***	***11.7%***	***11.7%***	***11.7%***	***11.7%***	***11.7%***

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Source: Pershing Square estimates. Assumes PSPA commitment fee begins at IPO.

Common Stock Valuation: Fannie Mae

Using our base case modeling assumptions, we estimate that Fannie Mae shares could be worth ~$35 by year-end 2026 when fully recapitalized

FNMA Illustrative Valuation

2035E Dividend per Share	$2.23
Perpetuity Growth Rate	3.0%
Assumed Cost of Equity	8.0%
Implied Share Price - 12/31/34	**$44.63**
x2035E EPS	***15.0x***
Discount Factor to 12/31/26 at 8.0%	0.54
Plus: PV of Interim Dividends	$10.88
Implied Value per Share - 12/31/26	**$34.99**
x2027E EPS	***15.9x***
Multiple of Current Share Price	***5.6x***
Assumed IPO Discount	10%
IPO Price per Share at 12/31/26	**$31.81**
Memo: Current Share Price	*$6.21*

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Common Stock Valuation: Freddie Mac

Using our base case modeling assumptions, we estimate that Freddie Mac shares could be worth ~$39 by year-end 2027 when fully recapitalized

FMCC Illustrative Valuation

2035E Dividend per Share	$2.41
Perpetuity Growth Rate	3.0%
Assumed Cost of Equity	8.0%
Implied Share Price - 12/31/34	**$48.25**
x2035E EPS	***14.5x***
Discount Factor to 12/31/27 at 8.0%	0.58
Plus: PV of Interim Dividends	$10.68
Implied Value per Share - 12/31/27	**$38.84**
x2028E EPS	***14.6x***
Multiple of Current Share Price	***6.9x***
Assumed IPO Discount	15%
IPO Price per Share at 12/31/27	**$33.77**
Memo: Current Share Price	*$5.66*

Assumes 15% IPO discount for FMCC vs. 10% IPO discount for FNMA, reflecting significantly larger IPO size

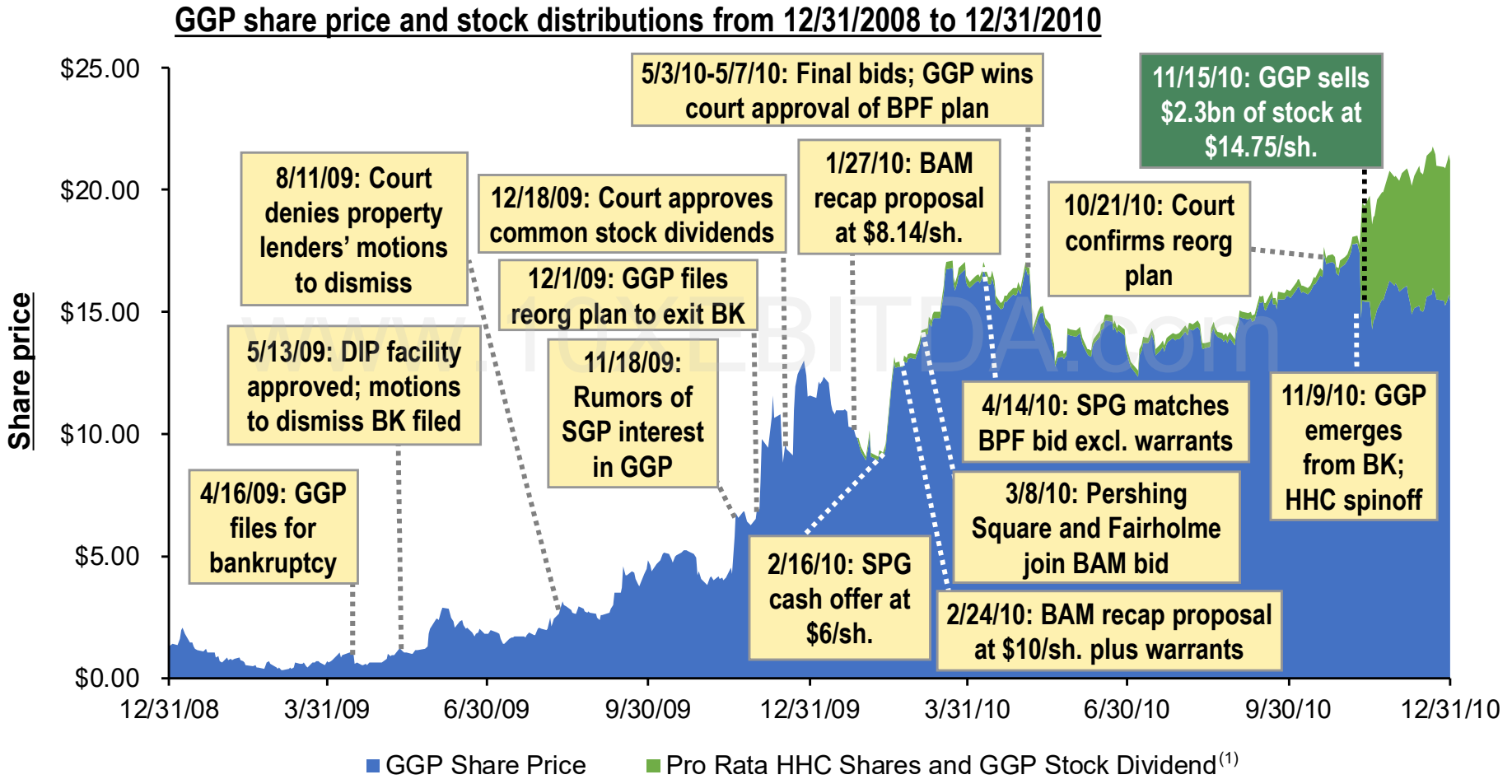
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How will Fannie and Freddie be able to IPO at more than $30 per share when the stocks currently trade at ~$6?

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Path to a "Re-IPO": GGP Case Study

GGP shares appreciated dramatically as key catalysts unfolded prior to exiting bankruptcy, culminating in a "re-IPO" at an attractive valuation



Source: Bloomberg, public filings. BAM = Brookfield Asset Management, SPG = Simon Property Group, BPF = BAM, Pershing Square and Fairholme.
Note: GGP is presented as an illustrative example of a company, that like Fannie and Freddie, was a public company that experienced financial distress, delisted from the NYSE, and was then able to restructure and re-list. There are significant differences between GGP and Fannie and Freddie, especially that Fannie and Freddie are GSEs in conservatorship. There is no guarantee that Fannie or Freddie can execute a strategy similar to GGP or that they would have similar results. GGP's share price is provided for illustrative purposes only and while GGP was an investment of the Pershing Funds, its share price over time is not an indication of past or future returns of the Pershing Square funds.
(1) Includes GGP stock dividend paid January 28, 2010 and pro rata HHC shares received in spinoff on November 9, 2010.

Fannie and Freddie Qualify for NYSE Listings

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]	✓	✓

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A NYSE listing comes with significant benefits including increased visibility, credibility, liquidity, and access to capital

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.

Trading Comparables for Fannie and Freddie

We believe Fannie and Freddie should be valued somewhere between P&C insurance companies and regulated utilities

	Property & Casualty Insurance	Regulated Utilities	Fannie and Freddie
Business Attributes			
Pricing	Volatile	Regulated	Regulated
Competitors	Many	Few, if any	Must be chartered by Congress
Underwriting Discretion	High	Duty to serve	Duty to serve
Geographic Diversification	Medium	Low	High
Financial Attributes(1)			
Tangible ROE	>20%	~11%	~11% to 12%
EPS Growth	~8%	~7%	~3%
Dividend Yield	~2%	~3.5%	~5%

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(1) See next page for supporting detail.

Comparable Company Valuations and Returns

We believe a mid-teens multiple of earnings is appropriate when benchmarked against P&C insurance and regulated utility companies

		Return on		Trading Multiples			Total Shareholder Return		
	Mkt Cap	Common Equity[1]		CY'25E	Market Cap /		EPS	Dividend	
Company	($bn)	Book	Tangible	P/E	BV	TBV	Growth[2]	Yield	TSR
P&C Insurance									
Progressive	$142.0	31.0%	31.0%	16.9x	5.23x	5.23x	3.2%	2.0%	5.3%
Chubb	108.2	13.9%	21.2%	11.4x	1.65x	2.76x	6.8%	1.4%	8.2%
Travelers	54.5	15.9%	17.3%	11.4x	1.97x	2.36x	10.2%	1.8%	12.0%
Allstate	49.8	26.1%	27.6%	9.8x	2.64x	3.18x	10.4%	2.0%	12.4%
P&C Median		**21.0%**	**24.4%**	**11.4x**	**2.30x**	**2.97x**	**8.5%**	**1.9%**	**10.1%**
Regulated Utilities									
Southern Co.	$90.2	13.9%	16.7%	19.1x	2.71x	3.25x	6.5%	3.5%	10.0%
Duke Energy	82.2	9.1%	15.2%	16.8x	1.71x	2.85x	6.3%	3.9%	10.3%
American Electric Power	50.7	11.4%	11.4%	16.2x	1.90x	1.91x	7.0%	3.8%	10.8%
PSEG Inc.	43.0	10.7%	10.7%	21.4x	2.67x	2.67x	7.6%	2.8%	10.4%
Xcel Energy	37.3	10.9%	10.9%	17.0x	1.93x	1.93x	8.0%	3.4%	11.4%
Consolidated Edison	31.3	8.7%	8.9%	16.0x	1.43x	1.45x	5.8%	3.7%	9.6%
Utility Median		**10.8%**	**11.2%**	**16.9x**	**1.92x**	**2.30x**	**6.8%**	**3.6%**	**10.3%**
50% P&C Median / 50% Utility Median		**15.9%**	**17.8%**	**14.1x**	**2.11x**	**2.63x**	**7.6%**	**2.7%**	**10.2%**
FNMA - Base Case[3]	**$246**	**12.5%**	**12.5%**	**15.0x**	**1.87x**	**1.87x**	**3.0%**	**5.0%**	**8.0%**
FMCC - Base Case[3]	**$159**	**10.6%**	**10.6%**	**14.5x**	**1.53x**	**1.53x**	**3.0%**	**5.0%**	**8.0%**

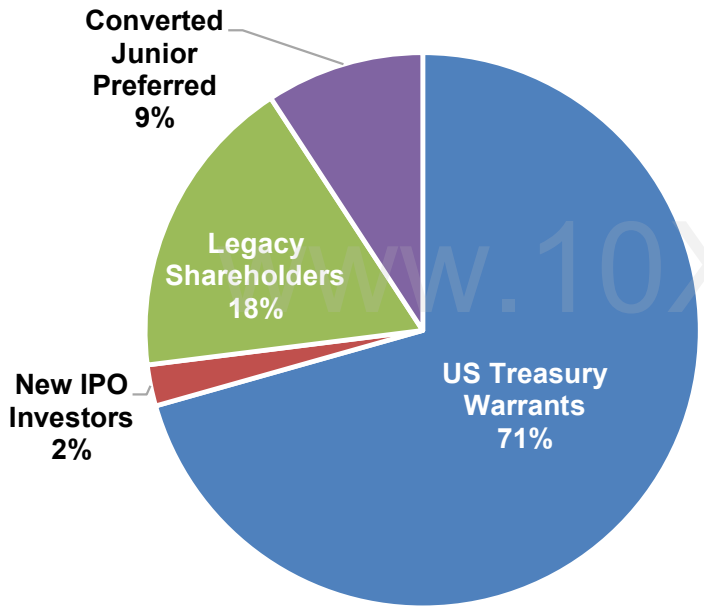
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Source: Capital IQ, Bloomberg, company filings, broker research.
(1) Returns on common equity and tangible common equity for insurance and utility companies are LTM 9/30/24 per broker research and Pershing Square estimates.
(2) Consensus EPS growth for CY 2026E for comparable companies; LT EPS growth in 2035E for FNMA and FMCC.
(3) FNMA and FMCC market caps are as of 12/31/27E PF. All other statistics represent run-rate figures in 2035E to demonstrate long-term returns and valuations.

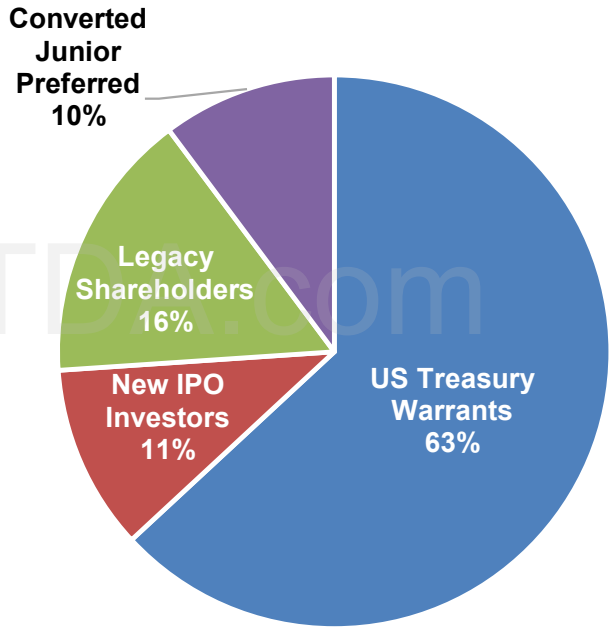
Pro Forma Common Share Ownership

Post-restructuring and a new capital raise, the American taxpayers will continue to own majority stakes in Fannie and Freddie

Fannie Ownership Post-IPO



Freddie Ownership Post-IPO



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We believe that Fannie and Freddie have widely distributed shareholder bases today. Both would be index-eligible and rank in the 100 largest S&P 500 companies, and would be indirectly owned by millions of Americans through index funds

Source: Company filings and Pershing Square estimates.
Note: See prior pages for base case IPO assumptions.

Value of Warrants to Taxpayers

We believe that Treasury's warrants could generate over $300 billion over time, providing a meaningful source of funds for other government priorities

Illustrative Monetization Path for Treasury ($bn)

	2027E	2028E	2029E	2030E	2031E	2032E	'27-'32E Total
Common Dividends Received							
Fannie Mae	$7	$6	$5	$3	$2	$0	$23
Freddie Mac	0	4	4	3	2	1	14
Total Common Dividends	**$7**	**$9**	**$9**	**$6**	**$4**	**$1**	**$37**
Proceeds from Stock Sales[1]							
Fannie Mae	$32	$33	$34	$35	$36	$0	$169
Freddie Mac	0	20	21	21	22	22	106
Total Proceeds from Stock Sales	**$32**	**$53**	**$54**	**$56**	**$58**	**$22**	**$275**
Total Return on UST Warrants	**$39**	**$62**	**$63**	**$62**	**$62**	**$24**	**$311**

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(1) Assumes 20% of UST shares are sold annually in the five years following each company's IPO. Assumes shares are sold at a 5% discount to the then-market price, which is estimated as ~15x forward earnings at the time of sale.

Thoughts on UST Senior Preferred

We believe the narrative around Treasury potentially "converting" its Senior Preferred Stock ("SPS") 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%
- **An attempt to convert the SPS into common would invite new litigation**
  - Precludes any new private capital raise as no investor will buy common stock in the companies with potentially existential litigation outstanding
  - Would delay a conservatorship exit well beyond the current administration's term
- **In the unlikely scenario that a re-IPO and exit from conservatorship 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 are confident that an SPS conversion would result in Treasury's stakes in Fannie and Freddie being worth substantially less

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Thoughts on UST Senior Preferred (Cont.)

An SPS conversion would severely impair the value of Treasury's stakes in Fannie and Freddie and preclude any new private capital raise

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

	SPS Deemed Repaid	SPS Converted to Common at IPO Price[1]				
Assumed Cost of Equity	8.0%	10.0%	12.0%	14.0%	16.0%	18.0%
Implied Long-Term P/E Multiple	15.0x	10.6x	8.2x	6.7x	5.7x	4.9x
Implied Market Cap at 12/31/26	**$228**	**$148**	**$115**	**$95**	**$80**	**$70**
Common Stock Ownership Mix						
Treasury	71%	96%	95%	94%	93%	92%
New Common Equity	2%	4%	5%	6%	7%	8%
Legacy Common Equity	18%	0%	0%	0%	0%	0%
Converted Junior Preferred[1]	9%	0%	0%	0%	0%	0%
Value of Treasury Common at 12/31/26	**$161**	**$143**	**$110**	**$89**	**$75**	**$64**
% Reduction vs. SPS Deemed Repaid		***(12%)***	***(32%)***	***(45%)***	***(54%)***	***(60%)***

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

(1) Scenarios in which the SPS is converted to common assume the junior preferred is left outstanding rather than converted to common to avoid model circularity.

Thoughts on UST Senior Preferred (Cont.)

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."

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"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

Source: https://www.supremecourt.gov/DocketPDF/19/19-422/154723/20200923140924837_19-422%2019-563%20tsac%20Vartanian.pdf.

Thoughts on UST Senior Preferred (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

Source: https://www.cato.org/sites/cato.org/files/pubs/pdf/working-paper-26_1.pdf.

The GSEs are Already Getting Ready to Exit

Freddie Mac
We make home possible®

Freddie Mac Appoints Craig Phillips EVP of Corporate Strategy and External Affairs

January 9, 2025

Financial services veteran to lead strategic planning and external outreach

McLEAN, VA (January 9, 2025) – Craig Phillips will join Freddie Mac as executive vice president, corporate strategy and external affairs, the company announced today. In this role, he will work with the chief executive officer, the president and the entire senior leadership team to support the dynamic evolution of the company's strategy. He also will oversee the company's external affairs effort, which includes industry engagement, regulatory and conservatorship affairs and initiatives, corporate communications, marketing and public relations.

Phillips has extensive private and public sector experience, having served in leadership roles at Morgan Stanley, Blackrock and the U.S. Department of Treasury. He will join effective January 14.

"There are few people as knowledgeable and well-respected in housing finance and financial services as Craig Phillips, and we are excited to add him to our team," said Diana Reid, CEO of Freddie Mac. "I expect Craig to hit the ground running, working closely with me to develop Freddie Mac's corporate strategy and leading engagement across a diverse array of stakeholders. In short, Craig Phillips will help Freddie Mac better serve its mission of providing liquidity, stability and affordability to the housing market every day and in every corner of the nation."

Most recently, Phillips was managing director and chief operating and growth officer of Grain Management, a private equity firm focused on telecommunications infrastructure. He was counselor to the secretary at the U.S. Department of Treasury between 2017 and 2019, serving in the capacity of Under Secretary for domestic finance.

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"Had we stopped the sweep of capital day one, by the time we got to the fourth year of the Trump administration, we easily could have done a secondary offering or two and fully capitalize the companies, or get very close it."

- Craig Phillips, Counselor to the US Treasury Secretary from 2017 to 2019, in May 27, 2021 interview

Source: https://www.situsamc.com/resources-insights/podcasts/hill-episode-10-craig-phillips-former-counselor-us-secretary-treasury.

We Believe the Time to Act is Now

- **Current robust economic and financial market conditions are ideal for successful private capital raise**
  - Unemployment remains near record lows
  - GDP growth trending at approximately 3%
  - National home prices have surpassed the 2006 peak(1)
  - Major stock market indices at or near all-time highs
- **Logical time for Treasury to monetize the rest of its investment**
  - Treasury's SPS has been repaid with more than its contractual return
  - Opportunity for Treasury to exercise its warrants and utilize the ~$300bn of future proceeds to fund key priorities
- **Consistent with mandate to simplify the government (i.e. DOGE)**
- **Four-year runway with a pro-business administration led by the consummate dealmaker**

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(1) Based on Freddie Mac House Price Index.

In the Wise Words of President-Elect Trump…

"Deals are my art form. Other people paint beautifully on canvas or write wonderful poetry. I like making deals, preferably big deals. That's how I get my kicks."

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- Donald J. Trump

Source: The Art of the Deal (1987).