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Minutes of the Board of Directors of Fannie Mae

Federal National Mortgage Association (Fannie Mae)

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**MINUTES OF
THE BOARD OF DIRECTORS
OF FANNIE MAE**

January 25, 2007
3:00 p.m.

The Board of Directors of Fannie Mae met telephonically on Thursday, January 25, 2007 at 3 p.m.

The following members of the Board participated: Mr. Ashley (Chair), Mr. Beresford, Mr. Duberstein, Ms. Gaines, Ms. Horn, Ms. Macaskill, Mr. Mudd, Mr. Pickett, Mr. Smith, Mr. Swygert and Mr. Wulff.

Mr. Brome of Cravath, Swaine & Moore LLP, as counsel to the non-management directors participated. Mr. Brossy of Semler Brossy and Associates also participated. Mss. Dunn, Wilkinson and McCoy and Mr. Greener of Fannie Mae participated.

Chairman Ashley called the meeting to order at 3:00 p.m.

Chairman Ashley informed the Board that the Audit, Compliance and Compensation Committees would each take action during the call, and would provide recommendations to the Board during the call. The Board would also be asked to take action on the recommendations during the call.

Audit Committee Actions

Chairman Ashley requested that Dennis Beresford, as Chair of the Audit Committee, lead a discussion of the proposed resolutions before the Committee with respect to the funding of the Annual Incentive Plan Pool for the Internal Audit Group and Ms. Hinrichs' compensation. Mr. Beresford explained that both of the proposed resolutions reflected the discussion by the Audit Committee in its

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January 10, 2007 meeting and asked if there were any further questions from the Committee. Upon motion duly made, seconded and approved, the Audit Committee approved the following resolution:

WHEREAS, the Audit Committee of the Board of Directors established certain 2006 Business Unit goals under the Annual Incentive Plan (the "AIP") for awards to Participants in the Internal Audit group; and

WHEREAS, the Committee has reviewed information relating to the achievement of these goals; it is therefore

RESOLVED, that the Committee determines that the achievement on the Business Unit goals for the Internal Audit group is in the range of meets to exceeds expectations; and it is further

RESOLVED, that the funds available for AIP Awards to Participants covered by Internal Audit group Business Unit goals shall be an amount that is 105% of target for these Participants.

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WHEREAS, in recommending Ms. Hinrichs' compensation, the Audit Committee has reviewed and given consideration to comparability data and recommendations prepared by Alan Johnson, the outside executive compensation consultant engaged by management;

WHEREAS, the Audit Committee has reviewed Ms. Hinrichs' performance for 2006 and the performance of the Internal Audit group against the Business Unit goals for 2006 under the Annual Incentive Plan (the "AIP"); and

WHEREAS, OFHEO has approved the proposed cash bonus and Restricted Stock award described below; it is therefore

RESOLVED, that the Audit Committee of the Board of Directors recommends that the Compensation Committee of the Board take the action described below with respect to Ms. Hinrichs' compensation:

- Adjust the annual salary paid to Ms. Hinrichs as of January 21, 2007, to the amount set forth on H.R. Document 2007-5;

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- Pay Ms. Hinrichs a cash bonus for 2006 performance under the AIP in the amount set forth on H.R. Document 2007-5;
- Grant Ms. Hinrichs Restricted Stock under the Fannie Mae Stock Compensation Plan of 2003 in the dollar amount, and vesting over the period, set forth on H.R. Document 2007-5.

[ACR07-7]

Compliance Committee Actions

Chairman Ashley asked that Ms. Gaines, as Chair-Elect of the Compliance Committee, lead a discussion of the proposed resolutions before the Compliance Committee. Ms. Gains indicated that the proposed resolutions before the Compliance Committee reflected the Committee's discussions in its January 10, 2007 meeting with respect to the pool under the Annual Incentive Plan for the Compliance and Ethics Group and Mr. Senhauser's compensation, and asked if there were any further questions from the Committee. Upon motion duly made, seconded and approved, the Compliance Committee approved the following resolutions:

WHEREAS, the Compliance Committee of the Board of Directors established certain 2006 Business Unit goals under the Annual Incentive Plan (the "AIP") for awards to Participants in the Compliance and Ethics group; and

WHEREAS, the Committee has reviewed information relating to the achievement of these goals; it is therefore

RESOLVED, that the Committee determines that the achievement on the Business Unit goals for the Compliance and Ethics Group is in the range of meets to exceeds expectations; and it is further

RESOLVED, that the funds available for AIP Awards to Participants covered by Compliance and Ethics group Business

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Unit goals shall be an amount that is 110% of target for these Participants.

[CLCR07-]

WHEREAS, in recommending Mr. Senhauser's compensation, the Compliance Committee has reviewed and given consideration to comparability data and recommendations prepared by Alan Johnson, the outside executive compensation consultant engaged by management;

WHEREAS, the Compliance Committee has reviewed Mr. Senhauser's performance for 2006 and the performance of the Compliance and Ethics group against the Business Unit goals for 2006 under the Annual Incentive Plan (the "AIP"); and

WHEREAS, OFHEO has approved the proposed cash bonus and Restricted Stock award described below; it is therefore

RESOLVED, that the Compliance Committee of the Board of Directors recommends that the Compensation Committee of the Board take the action described below with respect to Mr. Senhauser's compensation:

- Adjust the annual salary paid to Mr. Senhauser as of January 21, 2007, to the amount set forth on H.R. Document 2007-6;
- Pay Mr. Senhauser a cash bonus for 2006 performance under the AIP in the amount set forth on H.R. Document 2007-6;
- Grant Mr. Senhauser Restricted Stock under the Fannie Mae Stock Compensation Plan of 2003 in the dollar amount, and vesting over the period, set forth on H.R. Document 2007-6.

[CLCR07-]

Compensation Committee Actions

CEO Mudd left the meeting. Chairman Ashley asked that Ms. Macaskill, as Chair of the Compensation Committee, lead a discussion of the proposed

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resolutions before the Compensation Committee. Ms. Macaskill first indicated that the resolution before the Committee with respect to CEO Mudd's compensation reflected the Committee's discussions in its January 18, 2007 and January 19, 2007 meetings. Ms. Macaskill further noted that OFHEO had approved all of the proposed non-salary compensation recommendations for the approximately 25 OFHEO-designated executive officers, as required under the Capital Restoration Plan. Upon motion duly made, seconded and approved, the Compensation Committee approved the following resolution:

RESOLVED, that the Compensation Committee of the Board of Directors recommends that the independent members of the Board adopt the following resolution:

WHEREAS, in determining Mr. Mudd's compensation, the Compensation Committee and the Board of Directors have reviewed and given consideration to comparability data and recommendations prepared by Roger Brossy, the outside executive compensation consultant engaged by the Compensation Committee;

WHEREAS, the Compensation Committee has reviewed performance against the Corporate Goals for 2006 under the Annual Incentive Plan (the "AIP");

WHEREAS, the Compensation Committee and the Board have reviewed the performance of Mr. Mudd; and

WHEREAS, OFHEO has approved the proposed cash bonus and Restricted Stock award described below; it is therefore

RESOLVED, that the annual salary paid to Mr. Mudd shall be adjusted as of January 21, 2007, to the amount set forth on H.R. Document 2007-2;

RESOLVED, that Mr. Mudd shall be paid a cash bonus for 2006 performance under the AIP in the amount set forth on H.R. Document 2007-2;

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RESOLVED, that Mr. Mudd shall be awarded the grants of Restricted Stock under the Fannie Mae Stock Compensation Plan of 2003 in the dollar amounts, and vesting over the periods, set forth on H.R. Document 2007-2;

RESOLVED, that the number of Restricted Stock shares for each grant shall be determined by dividing the dollar amount set forth on H.R. Document 2007-2 by the average of the high and low selling prices of Fannie Mae common stock on today's date; and it is further

RESOLVED, that the following conditions shall apply to the \$2 million Restricted Stock grant (the "Designated Shares"):

Except as necessary to pay required withholding taxes, Mr. Mudd must hold (and may not dispose of or encumber) the Designated Shares until such time as he terminates employment with Fannie Mae. These Designated Shares shall not count toward Mr. Mudd's five times share ownership requirement.

[CCR07-08]

Mr. Mudd rejoined the meeting. Ms. Macaskill next indicated that additional proposed resolutions before the Committee with respect to the compensation for the Executive Vice Presidents, and Mr. Hisey, Mr. Senhauser and Ms. Senhauser reflected the Committee's discussions in its January 18, 2007 meeting and recommendations from the Compliance and Audit Committees. Upon motion duly made, seconded and approved, the Compensation Committee approved the following resolutions:

RESOLVED, that the Compensation Committee of the Board of Directors recommends that the Board adopt the following resolution:

WHEREAS, in determining the compensation of senior officers, the Compensation Committee and the Board of Directors have reviewed and given consideration to

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comparability data and recommendations prepared by Alan Johnson, the outside executive compensation consultant engaged by management;

WHEREAS, in recommending the compensation of Mr. Senhauser, the Compensation Committee has considered the recommendation of the Compliance Committee;

WHEREAS, the Compensation Committee has reviewed performance against the Corporate Goals for 2006 under the Annual Incentive Plan (the "AIP");

WHEREAS, the Compensation Committee and the Board of Directors have reviewed the performance of certain senior officers of Fannie Mae; and

WHEREAS, OFHEO has approved the proposed cash bonuses and Restricted Stock awards described below for the OFHEO-designated officers; it is therefore

RESOLVED, that the annual salaries paid to certain senior officers shall be adjusted as of January 21, 2007, to the amounts set forth on H.R. Document 2007-3;

RESOLVED, that certain senior officers shall be paid cash bonuses for 2006 performance under the AIP in the amounts set forth on H.R. Document 2007-3;

RESOLVED, that certain senior officers shall be awarded grants of Restricted Stock under the Fannie Mae Stock Compensation Plan of 2003 in the dollar amounts, and vesting over the periods, set forth on H.R. Document 2007-3; and it is further

RESOLVED, that the number of Restricted Stock shares shall be determined by dividing the dollar amounts set forth on H.R. Document 2007-3 by the average of the high and low selling prices of Fannie Mae common stock on today's date.

[CCR07-09]

WHEREAS, in determining the senior vice presidents' compensation, comparability data and recommendations prepared by Alan Johnson, the outside executive

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compensation consultant engaged by management, have been reviewed and taken into consideration;

WHEREAS, performance against the applicable Corporate Goals or Business Unit goals for 2006 under the Annual Incentive Plan (the "AIP") have been considered;

WHEREAS, in determining the compensation of Ms. Hinrichs, the Compensation Committee has considered the recommendation of the Audit Committee; and

WHEREAS, OFHEO has approved the proposed cash bonuses and Restricted Stock awards described below for the OFHEO-designated officers; it is therefore

RESOLVED, that the annual salaries paid to certain senior vice presidents shall be adjusted as of January 21, 2007, to the amounts set forth on H.R. Document 2007-4;

RESOLVED, that certain senior vice presidents shall be paid cash bonuses for 2006 performance under the AIP in the amounts set forth on H.R. Document 2007-4;

RESOLVED, that certain senior vice presidents shall be awarded grants of Restricted Stock under the Fannie Mae Stock Compensation Plan of 2003 in the dollar amounts, and vesting over the periods, set forth on H.R. Document 2007-4; and it is further

RESOLVED, that the number of Restricted Stock shares shall be determined by dividing the dollar amounts set forth on H.R. Document 2007-4 by the average of the high and low selling prices of Fannie Mae common stock on today's date.

[CC07-10]

Board Actions

CEO Mudd left the meeting. Chairman Ashley turned to the full Board for its consideration of the recommendations received from the Compensation Committee with respect to CEO Mudd's compensation, and upon motion duly made, seconded and approved, approved the following resolution:

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WHEREAS, in determining Mr. Mudd's compensation, the Compensation Committee and the independent members of the Board of Directors have reviewed and given consideration to comparability data and recommendations prepared by Roger Brossy, the outside executive compensation consultant engaged by the Compensation Committee;

WHEREAS, the Compensation Committee has reviewed performance against the Corporate Goals for 2006 under the Annual Incentive Plan (the "AIP");

WHEREAS, the Compensation Committee and the Board have reviewed the performance of Mr. Mudd; and

WHEREAS, OFHEO has approved the proposed cash bonus and Restricted Stock award described below; it is therefore

RESOLVED, that the annual salary paid to Mr. Mudd shall be adjusted as of January 21, 2007, to the amount set forth on H.R. Document 2007-2;

RESOLVED, that Mr. Mudd shall be paid a cash bonus for 2006 performance under the AIP in the amount set forth on H.R. Document 2007-2;

RESOLVED, that Mr. Mudd shall be awarded the grants of Restricted Stock under the Fannie Mae Stock Compensation Plan of 2003 in the dollar amounts, and vesting over the periods, set forth on H.R. Document 2007-2;

RESOLVED, that the number of Restricted Stock shares for each grant shall be determined by dividing the dollar amount set forth on H.R. Document 2007-2 by the average of the high and low selling prices of Fannie Mae common stock on today's date; and it is further

RESOLVED, that the following conditions shall apply to the \$2 million Restricted Stock grant (the "Designated Shares"):

Except as necessary to pay required withholding taxes, Mr. Mudd must hold (and may not dispose of or encumber) the Designated Shares until such time as he terminates employment with Fannie Mae. These Designated Shares shall not count toward Mr. Mudd's five times share ownership requirement.

[BR07-...]

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CEO Mudd rejoined the meeting. Chairman Ashley next turned to the full Board for its consideration of the recommendations received from the Compensation Committee with respect to compensation for the Executive Vice Presidents, Mr. Hisey, Mr. Senhauser and Ms. Senhauser, and upon motion duly made, seconded and approved, approved the following resolution:

WHEREAS, in determining the compensation of senior officers, the Compensation Committee and the Board of Directors have reviewed and given consideration to comparability data and recommendations prepared by Alan Johnson, the outside executive compensation consultant engaged by management;

WHEREAS, in recommending the compensation of Mr. Senhauser, the Compensation Committee has considered the recommendation of the Compliance Committee;

WHEREAS, the Compensation Committee has reviewed performance against the Corporate Goals for 2006 under the Annual Incentive Plan (the "AIP");

WHEREAS, the Compensation Committee and the Board of Directors have reviewed the performance of certain senior officers of Fannie Mae; and

WHEREAS, OFHEO has approved the proposed cash bonuses and Restricted Stock awards described below; it is therefore

RESOLVED, that the annual salaries paid to certain senior officers shall be adjusted as of January 21, 2007, to the amounts set forth on H.R. Document 2007-3;

RESOLVED, that certain senior officers shall be paid cash bonuses for 2006 performance under the AIP in the amounts set forth on H.R. Document 2007-3;

RESOLVED, that certain senior officers shall be awarded grants of Restricted Stock under the Fannie Mae Stock Compensation Plan of 2003 in the dollar amounts, and vesting over the periods, set forth on H.R. Document 2007-3; and it is further

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RESOLVED, that the number of Restricted Stock shares shall be determined by dividing the dollar amounts set forth on H.R. Document 2007-3 by the average of the high and low selling prices of Fannie Mae common stock on today's date.

[BR07-]

Mr. Duberstein abstained from voting on Mr. Mudd's compensation.

Adjournment

Chairman Ashley adjourned the meeting at 3:16 p.m.

Secretary

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