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Recently, **Xxxx Xxxxx, VP for Ethics**, sat down with **Xxxx Xxxxxxxx, President and Chief Executive Officer**, to discuss our corporate goals and culture, the importance of our ethical values in times of uncertainty, and effective leadership. The following is an excerpt of their conversation.

VP for Ethics: One of our corporate goals this year is to be a recognized leader in our country's housing recovery efforts. Could you share with us what Xxxxx Xxx (company) is doing to achieve this goal and what you believe all employees need to do to make sure this goal is met?

President and CEO: One of the key priorities for the company right now is to make sure that we are instrumental in the Administration's efforts to get housing back on track and, therefore, get the economy moving. The primary vehicle for doing this is the Making Home Affordable Program. Clearly, through the refinance and modification initiatives we are working on, including as part of Making Home Affordable, Xxxxx Xxx (company) is taking a large leadership role and will continue to do so.

There are a number of activities going on right now in Single-Family, Multifamily, and Capital Markets to support the industry and help the market recover. Our efforts to provide stability and liquidity in the market through our business activities continue to be crucial, especially when the market is relying on Xxxxx Xxx (company) to make a lot of this happen.

Now, I would say to everybody in the company that if you are not directly working on Making Home Affordable or the related efforts of our businesses, that doesn't mean you are not playing an important role. We need everybody to focus on doing their part, not just the people on the front lines of Dallas or the business, but also the people who are working everyday to support these activities.

I would like to convey to people that it's not just what we do, but how we do it. Each and every day we are interacting with servicers, with customers, with the Administration. We all have a responsibility to set the right example in all of our work and to accomplish our goals the right way, without cutting any corners.

VP for Ethics: Since moving into the CEO role, you have said a couple of times that we need to continue to work toward creating a more open, inclusive, and performance based culture. Can you share your thoughts with us about the new corporate culture, and particularly on what openness and inclusiveness mean to you?

CEO: The foundation upon which you build any open, inclusive culture is having a solid, ethical base because if you don't have that you are not going to be able to begin to reshape the culture.

Second, looking at the culture survey that Xxxx Xxxx and her team completed, as well as some of the follow-up Engagement Sessions, employees are clearly looking for effective leadership. They're looking for clear direction, if not for the long term, at a minimum for the next 6 to 12 months to get housing back on track. When I look at effective leadership, I think it is important to step back and make sure that we have good managers, that our managers are equipped to be good managers, and that they are really working to develop their teams, to give them stretch assignments, and hold them accountable, so that they have opportunities to grow in their jobs, as well as grow into other opportunities.

HR is now rolling out the new Performance Management program, where we really want to make sure people have clear goals, know what they are accountable for, and get regular feedback on their goals, so that at the end of the year there are no surprises. They know whether they are on or off track.

Last, to have a truly open and inclusive culture, we all have to give our people opportunities, allow people to feel safe if they raise their hands, and allow everyone to offer up ideas that can make the company better.

So it is really three things. One is the baseline, which is the solid, ethical foundation upon which we build. The second part is giving people clear direction, good management, good leadership, and making clear what they're going to be held accountable for. And then, third, we must focus on creating an environment where everybody is trying to help the company move forward by offering ideas and raising their hands.

VP for Ethics: Given the unknowns we face, some employees may be asking, "Why should I work so hard? We don't know what the company will look like in the future. Is it even going to be here in 12 months?" What would you say to those who may be asking these questions?

CEO: That's a great question and I'm glad you asked it because I think it is a very important question. To me there are two ways of looking at life in this company right now. There's the glass half full, and the glass half empty. The glass half empty folks will look at it and say, "Well, I don't know what's going to happen. I don't know where we are going to be, so I'm just going to sit back and wait and see what happens." That's wrong in terms of what to do.

What I think we really ought to be looking at is the glass half full. We get to be leaders who are helping put housing on the road to recovery. There is no better time to reshape the company and the industry than during a crisis; if you want to look for opportunities to really stretch and grow, there's no better time to do it than right now.

So you can either look at it as, "Woe is me. What do I do? Let me wait and see what's going to happen." Or, you can see the opportunity out there for us to reshape our businesses, reshape how we engage with our partners, and do business very differently.

VP for Ethics: You mentioned raising your hand if you have a concern. As you know, some employees are hesitant to do that because they either fear retaliation or they wonder whether the company will respond to their concern. Can you share with us your thoughts about why it is important to raise concerns even if you are reluctant?

CEO: Well, first of all, as you know, **I will not tolerate any retaliation.** So people should feel very comfortable raising their hands, and if they have issues, they should reach out to **Ethics** so that their issues are addressed.

Let me give you an example of why I think it's important for people to raise their hands. I'll go back to one of the important stories over the past couple of years in the company, which relates to "Restatement and Getting Current." During that period - and Xxxx Xxxxx (VP) can tell you this as well - **it was very hard to get people to raise their hands.** As a result, we ran the risk of going down the wrong path.

One day, we were in a meeting with all the EVPs and SVPs that were involved, along with some non-officers. It turned out that one of the Level 5's, a staffer that was on one of the work streams, raised his hand and said, "That is wrong, you can't do it that way," and then proceeded to explain his concern. Because this employee had the courage to speak up, the senior leaders in the room agreed to change course. And, as a result, everyone walked out of the room and said, "Oh, wow, it's OK to raise your hand." And we started, at that point, to change the culture of Restatement.

So, why was that important? **We never would have gotten the work done in the best way without the employee raising a hand** and saying, "I have an issue with this," or "We have a problem over here," or "We need to think differently about doing things the way we are." We need that type of culture across the company. **We need that kind of environment where people feel very comfortable being able to raise their hands and say, "I think there's a different way, a better way, of doing this."**

VP for Ethics: Finally, can you give us some sense of the qualities you would expect to see in a leader with integrity?

CEO: Sure, I'd be happy to. First of all, **I think leaders with integrity are honest and straight with people. They are forthright with how they deal and engage with folks. They are respectful of others, not just of their opinions, but respectful of individuals. And, they really come to the table with no hidden agendas, so that whatever they are trying to accomplish, they are really very front and center with people, and very clear with people on what they are trying to do. And, I think having an appropriate dose of humility is important, because what you don't want is people feeling as though they can't engage because they're afraid of how something will be interpreted or viewed or acted on by someone else.**

So, I think those attributes - **honesty, forthrightness, respectfulness - and having no hidden agendas**, along with having an appropriate dose of humility, are really key.