January 2008

- OFHEO announced that on March 1, 2008, it will remove the portfolio growth cap that it previously imposed on Fannie Mae.
- Fannie Mae’s Book of Business grew at a compound annualized rate of 9.0 percent in January.
- Fannie Mae MBS and Other Guarantees rose at a compound annualized rate of 11.1 percent during the month.

- Total Fannie Mae MBS Issuances were $49.1 billion in January.
- Net Retained Commitments were $6.3 billion in January.
- The conventional Single-Family Serious Delinquency Rate rose eight basis points in December to 0.98 percent (latest data available). The Multifamily Serious Delinquency Rate remained stable at 0.08 percent in December.
- The Effective Duration Gap on Fannie Mae’s portfolio averaged plus one month in January.

MORTGAGE MARKET HIGHLIGHTS

- According to the Mortgage Bankers Association’s Weekly Mortgage Applications Survey, the monthly average level of the conventional refinance applications index surged by 84 percent during January to the highest level recorded since March 2004.

Numbers may not sum due to rounding. See Endnotes and Glossary on Page 3
ADDITIONAL INFORMATION

Under Fannie Mae’s consent order issued by its regulator, OFHEO, Fannie Mae may not increase the size of its mortgage portfolio, as measured by unpaid principal balance (UPB), which does not reflect GAAP adjustments above a specified amount, except under certain circumstances at the discretion of OFHEO. Fannie Mae’s portfolio cap for the third quarter of 2007 was $735 billion. For the fourth quarter of 2007, the portfolio cap increased by 1 percent, and for each subsequent quarter, the portfolio cap increases by 0.5 percent, not to exceed 2 percent per annum. Except as described in the next sentence, compliance with the portfolio cap is determined by comparing the applicable portfolio cap to the cumulative average month-end portfolio balances since July 2007 (until the cumulative average becomes and remains a 12-month moving average). For purposes of this calculation, OFHEO’s interpretation of this requirement sets the July 2007 addition, any net increase in delinquent loan balances in the retained portfolio after September 30, 2007 will not be counted for purposes of determining Fannie Mae’s compliance with the portfolio cap. OFHEO announced on February 27, 2008 that it will remove this portfolio cap on March 1, 2008.

The size of our portfolio also may be constrained by market opportunities and regulatory capital requirements.

Numbers may not sum due to rounding.

See Endnotes and Glossary on Page 3 Page 2 of 3
The end balances and business activity in this report represent unpaid principal balances ("UPB"), which do not reflect market valuation adjustments, allowance for loan losses, impairments, unamortized premiums and discounts and the impact of consolidation of variable interest entities. Amounts and rates shown for the periods after September 2007 reflect definitional changes and may, therefore, not be comparable to amounts and rates shown for prior periods. Please see notes 3, 5, 6, 8, 10 and 11 and the Glossary below for more information about these changes.

1. Includes Federal funds purchased.

2. For October 2007, Federal funds purchased totaled $1.5 billion in October 2007.

3. The $2.2 billion reclassification is reflected in "Original Maturity < 1 Year." Federal funds purchased were reduced by $967 million primarily to exclude from the end balance advances to lenders, which were previously classified as loans.

4. Represents new Fannie Mae MBS reclassified from "Original Maturity > 1 Year." Federal funds purchased were reduced by $1.3 billion, primarily to reflect Fannie Mae MBS reclassification of Ginnie Mae wraps from "Other Fannie Mae Guarantees" to "Fannie Mae MBS." The effect of this adjustment has been excluded in calculating growth and liquidity rates for periods after September 2007.

5. For October 2007, "Total Fannie Mae MBS Liquidity" have been reduced by $3.2 billion, primarily to reflect Fannie Mae MBS reclassification of Ginnie Mae wraps from "Other Fannie Mae Guarantees" to "Fannie Mae MBS." The effect of this adjustment has been excluded in calculating growth and liquidity rates for periods after September 2007.

6. For October 2007, "Mortgage Loans" has been reduced by $967 million primarily to exclude from the end balance advances to lenders, which were previously classified as loans.

7. Represents new Fannie Mae MBS created from mortgage loans or non-Fannie Mae MBS securities previously held in the mortgage portfolio. These amounts, included in the end balance in table 4, have been transferred from mortgage loans or non-Fannie Mae MBS securities to Fannie Mae MBS, and may be included in sales.

8. Beginning with October 2007, "Liquid Investments" includes federal funds sold. Without this change, the end balance in October 2007 would have been $32.4 billion.

9. Reported amounts represent the UPB at each reporting period or, in the case of the long-term zero-coupon bonds, at maturity. UPB does not reflect the effect of debt basis adjustments, including discounts, premiums, and issuance costs.

10. Includes capitalized interest.

11. Includes conventional single-family loans three months or more past due or in foreclosure process as a percent of the total number of conventional single-family loans. These rates are based on conventional single-family mortgage loans and exclude reverse mortgages and non-Fannie Mae MBS securities held in our portfolio.

12. Loans without primary mortgage insurance and/or other credit enhancements.

13. Includes conventional single-family serious delinquency rate includes non-credit enhanced and credit enhanced loans.

14. Includes multifamily loans and securities 60 days or more past due and is calculated based on the UPB of delinquent multifamily loans owned by Fannie Mae or underlying Fannie Mae guaranteed securities, divided by the UPB of multifamily loans owned by Fannie Mae or underlying Fannie Mae guaranteed securities.

GLOSSARY & OTHER INFORMATION

General

Risk Disclosures. In addition to the interest rate risk disclosures provided in Table 8, Fannie Mae's most recent available information relating to subordinated debt, liquidity management, corporate risk ratings and credit risks is included in its most recent Form 10-K or Form 10-Q filed with the Securities and Exchange Commission.

Compounded Growth Rate. Monthly growth rates are compounded to provide an annualized rate of growth.

Total Book of Business. Sum of the Gross Mortgage Portfolio balance and Total Fannie Mae MBS and Other Guarantees balance, less Fannie Mae MBS held in the mortgage portfolio.

New Business Acquisitions. Sum of MBS issuances and Mortgage Portfolio purchases less Fannie Mae MBS purchases and securitizations of MBS holdings previously held in portfolio.

Portfolio Commitments. Represents mandatory commitments entered into during the month. Fannie Mae enters into forward commitments to purchase mortgage securities and mortgage loans, or to sell mortgage securities, for the mortgage portfolio. Purchase commitments typically require mandatory delivery and are subject to the payment of pre-trade fees for non-delivery.

Commitments to Purchase, Net. Represents mandatory commitments to purchase mortgage loans and mortgage commitments, net of mortgage securities for which a cash pair-off has been paid. Pair-offs occur when loans are not delivered against mandatory commitments.

Commitments to Sell, Net. Represents mandatory commitments to sell mortgage securities.

Net Retained Commitments. Represents mandatory commitments to purchase, less commitments to sell, net of mortgage loans for which a cash pair-off has been paid.

Mortgage Portfolio. End balance represents the unpaid principal balance ("UPB") of the mortgage portfolio that Fannie Mae holds for investment and liquidity purposes.

Purchases. Acquisition of mortgage loans and mortgage securities for the mortgage portfolio.

Sales. Sales of mortgage securities from the mortgage portfolio.

Securities. Represents the total amount of repayments, curtailments, payoffs, and foreclosures on mortgage loans and mortgage securities underlying the mortgage portfolio.

Annualized Liquidation Rate. The liquidation rate is calculated as liquidations divided by the prior period ending balance of the mortgage portfolio, annualized.

Fannie Mae Guaranteed Securities and Mortgage Loans. Consists of securities and mortgage loans for which Fannie Mae manages credit risk. This table excludes non-Fannie Mae securities held in the mortgage portfolio, which are shown in Table 5.

Purchases. Represents the total amount of repayments, curtailments, payoffs, and foreclosures on mortgage loans and mortgage securities underlying the mortgage portfolio.

Annualized Liquidation Rate. The liquidation rate is calculated as liquidations divided by the prior period ending balance of the mortgage portfolio, annualized.

Mortgage Portfolio Composition. Shows the primary components of Fannie Mae's mortgage portfolio and activity relating to Fannie Mae MBS held in the mortgage portfolio.

Non-Fannie Mae Agency Securities. Represents mortgage-related securities issued by Freddie Mac and Ginnie Mae.

Non-Fannie Mae Non-Agency Securities. These are commonly referred to as "private-label securities."

Liabilities. Includes investment in mortgage loans and securities as a source of liquidity for Fannie Mae and an investment vehicle for surplus capital. This balance includes high-quality securities that are short-term or readily marketable, such as commercial paper, asset-backed securities, federal funds sold, and corporate floating rate notes.

The balance shown includes cash equivalents but does not include cash balances or cash equivalents pledged as collateral that may be sold or repledged by the counterparty.

Job Activity. For more information about Fannie Mae's debt activity, please visit www.fanniemae.com/markets/debt/debt_activity.

Effective Duration Gap. The effective duration gap estimates the net sensitivity of the fair value of Fannie Mae's assets and liabilities to movements in interest rates. This statistic is expressed as a number of months, based on the daily average for the reported month. Beginning with June, the methodology has been updated such that a duration gap of zero implies that the change in the fair value of an interest rate move will be offset by an equal move in the fair value of liabilities, including debt and derivatives, resulting in no change in the fair value of the net assets. The calculation excludes any sensitivity of the guaranty business.

Market Value Sensitivity to Rate Level Shock (10bp). This measurement shows the estimated loss in pre-tax market value of Fannie Mae's assets and liabilities, expressed as a percentage of the after-tax fair value of Fannie Mae's net assets (calculated as described in Endnote (12) above), from an immediate adverse 50 basis point shift in the level of LIBOR rates. The measurement excludes any sensitivity of the guaranty business but the after-tax fair value of Fannie Mae's net assets includes an estimate of the fair value of the guaranty business. Fannie Mae tracks the daily average of this measurement for the reported month.

Market Value Sensitivity to Rate Slope Shock (20bp). This measurement shows the estimated loss in pre-tax market value of Fannie Mae's assets and liabilities, expressed as a percentage of the after-tax fair value of Fannie Mae's net assets (calculated as described in Endnote (12) above), from an immediate adverse 25 basis point change in the slope of the LIBOR yield curve. To calculate the "adverse" change in the slope of the LIBOR yield curve, the company calculates the effect of a 25 basis point change in slope that results in a steeper LIBOR yield curve and the effect of a 25 basis point change in slope that results in a flatter LIBOR yield curve and reports the more adverse of the two changes. The measurement excludes any sensitivity of the guaranty business but the after-tax fair value of Fannie Mae's net assets includes an estimate of the fair value of the guaranty business. Fannie Mae tracks the daily average of this measurement for the reported month.

Serious Delinquency Rates. A measure of credit performance and indicator of future defaults for the single-family and multifamily mortgage credit books. We classify single-family loans as seriously delinquent when a borrower has missed three or more consecutive monthly payments, and the loan has not been brought current or extinguished through foreclosure, payoff, or other resolution. A loan referred to foreclosure but not yet foreclosed is also considered seriously delinquent. We include all of the conventional single-family loans that we own and that back Fannie Mae MBS in our single-family delinquency rate, including those with substantial credit enhancement. We classify multifamily loans as seriously delinquent when payments 60 days or more past due.