Supplement dated February 1, 2000 to
Information Statement dated March 31, 1999

FannieMae®

This Supplement describes the financial condition of the Federal National Mortgage Association ("Fannie Mae") as of December 31, 1999 and contains unaudited financial information with respect to Fannie Mae for the quarter and year ended December 31, 1999. This Supplement should be read in conjunction with Fannie Mae's Information Statement dated March 31, 1999 (the "Information Statement"), and the Supplements dated May 14, 1999, August 13, 1999 and November 15, 1999 thereto (the "Prior Supplements"), which are hereby incorporated by reference. The Information Statement describes the business and operations of Fannie Mae and contains financial data as of December 31, 1998. The May 14, 1999, August 13, 1999 and November 15, 1999 Supplements describe the financial condition of Fannie Mae as of March 31, 1999, June 30, 1999 and September 30, 1999, respectively, and contain unaudited financial statements with respect to Fannie Mae for the quarters and year-to-date periods then ended. In addition, the Prior Supplements discuss certain other developments that may affect Fannie Mae. Fannie Mae also periodically makes available statistical information on its mortgage purchase and mortgage-backed securities volumes as well as other relevant information about Fannie Mae. Copies of Fannie Mae's current Information Statement, the Prior Supplements, this Supplement, any other supplements to the Information Statement and other available information can be obtained without charge from the Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (telephone: 202/752-7115).

In connection with its securities offerings, Fannie Mae may incorporate this Supplement by reference in one or more other documents describing the securities offered thereby, the selling arrangements therefor and other relevant information. Such other documents may be called an Offering Circular, a Prospectus or otherwise. This Supplement does not offer any securities for sale.

Fannie Mae is a federally chartered corporation. Its principal office is located at 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (202/752-7000). Its Internal Revenue Service employer identification number is 52-0883107.

Fannie Mae's securities are not required to be registered under the Securities Act of 1933. At the close of business on December 31, 1999, approximately 1.019 billion shares of Fannie Mae's common stock (without par value) were outstanding.

The delivery of this Supplement at any time shall not under any circumstances create an implication that there has been no change in the affairs of Fannie Mae since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

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SELECTED FINANCIAL DATA

Selected Financial Information

The following selected financial information for the three-month periods ended December 31, 1999 and 1998 and the year ended December 31, 1999 are unaudited and include, in the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation. Selected financial information for the year ended December 31, 1998 has been summarized or derived from the audited financial statements and other financial information in the Information Statement. Such information should be read in conjunction with the audited financial statements and notes to financial statements for the year ended December 31, 1998.

(Dollars and shares in millions, except per common share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
Income Statement Data:	1999	1998	1999	1998
Interest income	$ 9,569	$ 7,895	$ 35,495	$ 29,995
Interest expense	(8,263)	(6,919)	(30,601)	(25,885)
Net interest income	1,306	976	4,894	4,110
Guaranty fees	325	261	1,282	1,229
Fee and other income, net	45	71	191	275
Credit-related expenses	(19)	(50)	(127)	(261)
Administrative expenses	(206)	(185)	(800)	(708)
Income before federal income taxes and extraordinary item	1,451	1,073	5,440	4,645
Provision for federal income taxes	(413)	(174)	(1,519)	(1,201)
Income before extraordinary item	1,038	899	3,921	3,444
Extraordinary item, net of tax effect	—	(10)	(9)	(26)
Net income	1,038	889	3,912	3,418
Preferred stock dividends	(20)	(18)	(78)	(66)
Net income available to common stockholders	$ 1,018	$ 871	$ 3,834	$ 3,352
Earnings per common share:				
Basic:				
Earnings before extraordinary item	$ 1.00	$ .86	$ 3.75	$ 3.28
Extraordinary item	—	(.01)	—	(.02)
Net earnings	$ 1.00	$ .85	$ 3.75	$ 3.26
Diluted:				
Earnings before extraordinary item	$ .99	$ .85	$ 3.73	$ 3.26
Extraordinary item	—	(.01)	(.01)	(.03)
Net earnings	$ .99	$ .84	$ 3.72	$ 3.23
Cash dividends	$ .27	$ .24	$ 1.08	$ .96

Balance Sheet Data at December 31:	1999	1998
Mortgage portfolio, net	$522,780	$415,223
Investments	39,751	58,515
Total assets	575,167	485,014
Borrowings:		
Due within one year	226,582	205,413
Due after one year	321,037	254,878
Total liabilities	557,538	469,561
Stockholders' equity	17,629	15,453
Capital(1)	18,430	16,244

	Three Months Ended December 31,		Year Ended December 31,	
Other Data:	1999	1998	1999	1998
Average net interest margin	1.01%	.90%	1.01%	1.03%
Return on average common equity	25.5	25.0	25.2	25.2
Dividend payout ratio	27.0	28.3	28.9	29.5
Average effective guaranty fee rate	19.3	16.5	19.3	20.2
Credit loss ratio(2)	.006	.020	.011	.027
Ratio of earnings to combined fixed charges and preferred stock dividends(3)	1.17:1	1.15:1	1.17:1	1.18:1
Mortgage purchases	$ 36,156	$ 68,746	$195,210	$188,448
MBS issued	49,912	98,015	300,689	326,148
MBS outstanding at period end(4)	960,883	834,518		
Weighted-average diluted common shares outstanding	1,027	1,034	1,031	1,037

(1) Stockholders' equity plus general allowance for losses.

(2) Charge-offs and foreclosure expense as a percentage of average net portfolio and average net MBS outstanding (annualized).

(3) "Earnings" consists of (i) income before federal income taxes and extraordinary item and (ii) fixed charges. "Fixed charges" represents interest expense.

(4) Includes $281,714 million and $197,375 million of MBS held in portfolio at December 31, 1999 and 1998, respectively.

Other Financial Information

Additional information regarding Fannie Mae's earnings and other specific measures of Fannie Mae's performance for the quarter and year ended December 31, 1999 is presented below.

Net Income

Net income for the fourth quarter of 1999 was $1.038 billion, compared with net income of $889 million for the fourth quarter of 1998. Net income for 1999 increased $494 million to $3.912 billion, from $3.418 billion in 1998. The increase in net income was mainly attributable to an increase in net interest income, a decline in credit-related expenses, and an increase in guaranty fees.

Investment Portfolio

Net interest income was $1.306 billion in the fourth quarter of 1999, compared with $976 million in the fourth quarter of 1998. Fannie Mae recorded additional amortization of premiums on mortgages held in portfolio during the fourth quarter of 1998, which lowered net interest income in that quarter. Net interest income in 1999 increased to $4.894 billion from $4.110 billion in 1998. The increase in net interest income for the year was primarily a result of a 22 percent increase in the average net investment balance and a relatively stable net interest margin.

Fannie Mae's net interest margin averaged 101 basis points in the fourth quarter of 1999, compared with 90 basis points in the fourth quarter of 1998. The additional amortization of premiums on mortgages held in portfolio during the fourth quarter of 1998 also reduced the net interest margin in that quarter. The net interest margin averaged 101 basis points in 1999, compared with 103 basis points in 1998. The decline in the average net interest margin for the year was largely the result of the high level of refinancings of mortgages with wide spreads in the first half of 1999 and the repurchase of common shares.

Fannie Mae's net investment balance—mortgage loans held, less unamortized discount and deferred price adjustments, plus other investments—was $565 billion at the end of 1999, compared with $475 billion at the end of 1998.

Fannie Mae's net mortgage portfolio was $523 billion at the end of 1999, compared with $415 billion at the end of 1998.

MBS

Guaranty fee income was $325 million in the fourth quarter of 1999, compared with $261 million in the fourth quarter of 1998. Fannie Mae recorded additional amortization of prepaid or deferred guaranty fees in the fourth quarter of 1998, which lowered guaranty fee income and the average effective guaranty fee rate in that quarter. In 1999, guaranty fee income was $1.282 billion, compared with $1.229 billion in 1998. The increase in guaranty fee income for the year primarily resulted from a nine percent increase in average net MBS outstanding which was partially offset by a .9 basis point decrease in the average effective guaranty fee rate. The average effective guaranty fee rate declined during the year because of repayments of mortgages underlying MBS with higher fees, growth in the percentage of MBS outstanding with credit risk-sharing arrangements that decreased guaranty fees, increased credit quality of mortgages underlying MBS issuances, and competitive pricing for MBS guarantees.

Fannie Mae issued $50 billion of MBS in the fourth quarter of 1999, compared with $98 billion in the fourth quarter of 1998. MBS issues totaled $301 billion in 1999, compared with $326 billion in 1998.

MBS outstanding at the end of 1999 totaled $961 billion, compared with $835 billion at the end of 1998. MBS outstanding, net of MBS held in portfolio, was $679 billion at the end of 1999, compared with $637 billion at the end of 1998.

Fee and Other Income

Fee and other income totaled $45 million in the fourth quarter of 1999, compared with $71 million in the fourth quarter of 1998. The decrease was primarily a result of a decrease in other miscellaneous fees and multifamily fees. In 1999, fee and other income was $191 million, compared with $275 million in 1998. The decrease for the year was primarily the result of declines in multifamily fees and increases in net operating losses from tax advantaged investments, which more than offset an increase in technology fees. The increase in net operating losses from tax advantaged investments was more than offset by tax credits that reduce Fannie Mae's effective tax rate. Fannie Mae expects to continue to increase its holdings of tax advantaged investments, but the net operating losses expected to be generated from these investments should be more than offset by tax credits that reduce Fannie Mae's effective tax rate. Fee and other income includes transaction fees, technology fees, multifamily fees, as well as other miscellaneous items, and is net of operating losses and expenses from certain tax-advantaged investments.

Extraordinary Item

Debt called or repurchased in the fourth quarter of 1999 totaled $3 billion, compared with $26 billion in the fourth quarter of 1998. Debt called or repurchased in 1999 totaled $42 billion, compared with $77 billion in 1998.

There were no losses from the call or repurchase of debt in the fourth quarter of 1999, compared with $16 million ($10 million after tax) in the fourth quarter of 1998. Losses from the call or repurchase of debt were $14 million ($9 million after tax) in 1999, compared with $40 million ($26 million after tax) in 1998.

Foreclosures and Inventory of Acquired Properties

Fannie Mae acquired 3,871 conventional single-family properties through foreclosure in the fourth quarter of 1999, compared with 4,659 properties in the fourth quarter of 1998. Single family property acquisitions were 16,806 in 1999, compared with 20,703 in 1998. The inventory of single-family acquired properties totaled 7,104 properties at December 31, 1999, compared with 8,576 at December 31, 1998.

Credit-Related Expenses and Loan Charge-Offs

Total credit-related expenses, which include foreclosed property expenses and the provision for losses, were $19 million in the fourth quarter of 1999, compared with $50 million in the fourth quarter of 1998. Total credit-related expenses were $127 million in 1999, compared with $261 million in 1998.

The provision for losses was a negative $35 million in the fourth quarter of 1999 compared with a negative $20 million in the fourth quarter of 1998. In 1999, the provision for losses was a negative $120 million, compared with a negative $50 million in 1998. Foreclosed property expenses totaled $54 million in the fourth quarter of 1999, compared with $70 million in the fourth quarter of 1998. Foreclosed property expenses were $247 million in 1999, compared with $311 million in 1998.

In the fourth quarter of 1999, charge-off recoveries were $34 million, compared with $19 million in the fourth quarter of 1998. Charge-off recoveries were $123 million in 1999, compared with $49 million in 1998.

The allowance for losses was $804 million at December 31, 1999, compared with $802 million at December 31, 1998.

Administrative Expenses

Administrative expenses totaled $206 million in the fourth quarter of 1999, compared with $185 million in the fourth quarter of 1998. In 1999, administrative expenses were $800 million, compared with $708 million in 1998.

Income Taxes

Federal income tax expense, net of the tax benefit from extraordinary losses, was $413 million in the fourth quarter of 1999, compared with $168 million in the fourth quarter of 1998. The effective tax rate was 28 percent in the fourth quarter of 1999, compared with 16 percent in the fourth quarter of 1998. Federal income tax expense, net of the tax benefit from extraordinary losses, was $1.514 billion in 1999, compared with $1.187 billion in 1998. The effective federal income tax rate was 28 percent in 1999, compared with 26 percent in 1998. Federal income tax expense and the effective federal income tax rate in the fourth quarter and full year 1998 reflect the recording of additional low-income housing tax credits. The additional tax credits were a result of Fannie Mae using improved systems and information to refine the timing of the recognition of tax benefits associated with investments qualifying for low-income housing tax credits.

Capital

Fannie Mae's capital, defined as stockholders' equity plus the general allowance for losses, was $18.4 billion at December 31, 1999, compared with $16.2 billion at December 31, 1998.

During the year, Fannie Mae repurchased 10 million shares of common stock. As of December 31, 1999, Fannie Mae had approximately 1.019 billion shares of common stock outstanding.

As discussed in the Information Statement under "Management's Discussion and Analysis of Financial Condition and Results of Operation—Balance Sheet Analysis—Regulatory Capital Requirements," Fannie Mae is subject to capital standards. Fannie Mae met the applicable capital standards as of December 31, 1999.

CAPITALIZATION

The following table sets forth the capitalization of Fannie Mae as of December 31, 1999.

	Average Maturity	Average Cost (1)	Outstanding (Dollars in millions)
Debentures, notes, and bonds, net:			
Due within one year:			
Short-term notes	3 mos.	5.68%	$147,598
Global debt	6 mos.	6.28	9,656
Debentures	7 mos.	8.44	3,843
Medium-term notes (2)	7 mos.	5.83	64,596
Other (3)	—	5.66	889
Total due within one year			226,582
Due after one year:			
Global debt	6 yrs. 10 mos.	6.07	129,840
Debentures	5 yrs. 11 mos.	7.01	10,688
Medium-term notes (2)	5 yrs. 2 mos.	6.24	176,364
Other	16 yrs. 10 mos.	8.16	4,145
Total due after one year			321,037
Total debentures, notes, and bonds			$547,619
Stockholders' equity:			
Preferred stock, $50.00 stated value, 100 million shares authorized— 26 million shares outstanding			$ 1,300
Common stock, $.525 stated value, no maximum authorization— 1,129 million shares outstanding			593
Additional paid-in capital			1,585
Retained earnings			18,417
Accumulated other comprehensive income			(246)
			21,649
Less treasury stock, at cost— 110 million shares			4,020
Total stockholders' equity			$ 17,629

(1) Represents weighted-average cost, which includes the amortization of discounts, premiums, issuance costs, hedging results and the effects of currency and debt swaps.

(2) Medium-term notes may have maturities of one day or longer.

(3) Average maturity is indeterminate because the outstanding amount includes investment agreements that have varying maturities.

Fannie Mae issues debentures, notes and other debt obligations frequently. The amount of debentures, notes and bonds outstanding on any date subsequent to December 31, 1999 may differ from that shown in the table above.

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