MBSenger®
Updating the Investment Community on
Fannie Mae Mortgage Products and Programs **July 2007, Vol. 2 No.2**

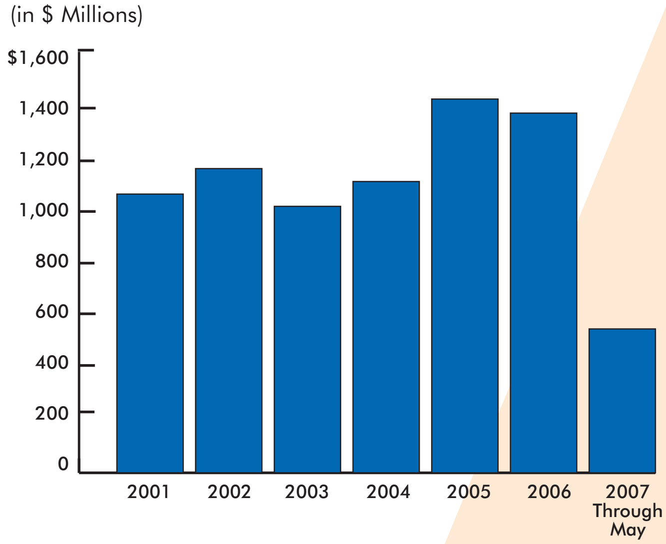
Fannie Mae MBS Backed by Relocation Loans

Fannie Mae MBS Backed by Relocation Loans

Some employers, who commonly relocate their employees in the normal course of business, enter into agreements with a lender to make mortgage loans to employees moving to a new job location. The mortgage loans are used to finance the purchase of a home at the new job location and are originated under a structured corporate relocation program. In general, these employees are highly mobile and expect to be relocated again in the future.

Fannie Mae has been a consistent issuer of MBS backed by pools of relocation loans in all interest rate environments. From 2001 through the end of 2006, we issued over $7.5 billion of MBS backed by relocation loans. In 2006, Fannie Mae issued $1.44 billion of relocation loan MBS. Through the end of May 2007, we have issued $571 million of MBS backed by relocation loans. A general economic downturn or corporate cost-cutting measures may affect future issuance. As of May 31, 2007, there are $5.3 billion Fannie Mae relocation loan MBS outstanding.

Annual Fannie Mae Relocation Loan MBS Issued



Fannie Mae relocation pools are identified by the following pool prefixes:

RE	Conventional Long-Term, Level-Payment Relocation Mortgages; Single-Family.
RI	Conventional Intermediate-Term, Level-Payment Relocation Mortgages; Single-Family; maturing or due in 15 years or less.
RX	Conventional Balloon, Level-Payment Relocation Mortgages; Single-Family; maturing or due in seven years or less.

A typical relocation loan MBS pool consists entirely of relocation loans. However, relocation loans along with cooperative share loans and certain significant buydown loans are considered "special feature mortgage loans" and as such have limits on the amounts of such loans that may be in TBA-eligible pools. If a fixed-rate pool contains more than 10% of relocation loans, the pool prefix will identify the pool as a "relocation loan pool" and the pool statistics portion of the prospectus supplement will show the percentage of relocation loans in the pool (See example below). Relocation loans also may be included in other pools. For additional information on these limits or identifying MBS pools containing relocation loans please refer to the "Special Feature Mortgage Loans" section of our June 1, 2007 Single-Family MBS Prospectus, which is available online at our web site.

FANNIE MAE
MORTGAGE-BACKED SECURITIES PROGRAM
SUPPLEMENT TO PROSPECTUS DATED JANUARY 01, 2006
FANNIE MAE POOL NUMBER RE-899116
CUSIP 31410V3Z1
POOL STATISTICS PAGE 3 OF 4

NON-STANDARD LOANS

Type	# Of Loans	% Of UPB	Aggregate UPB
RELOCATION	310	100.00	$75,732,626.72
INTEREST RATE BUYDOWN	17	6.44	4,878,357.67

Relocation loans can also be used as collateral for REMICs. In 2006, $440 million of the $1.39 billion long-term relocation loan MBS ("RE" prefix) issued that year was used as collateral for Fannie Mae REMICs.

FannieMae.

Credit Characteristics

Relocation loan borrowers tend to move frequently and demonstrate a high rate of repeat relocations, yet they have superior job stability. The loans are typically extended to mobile, well-educated and financially sophisticated managers and professionals at larger sized companies. The loans are predominately purchase money transactions and generally have higher loan-to-value ratios than a conventional loan counterpart.

Relocation loans often involve financial contributions by the employer, which can include subsidies to cover closing costs, interest rate buydowns or below market interest rates. Relocation mortgage rates may be originated at rates 25 to 50 basis points below market interest rates for similar conventional mortgages. The lender may also provide dedicated staff of home loan consultants, who are trained to address the needs of transferring employees who are buying or selling a home which can result in faster and cheaper loan processing.

Prepayment Patterns

Relocation loan MBS have historically prepaid faster than similar conventional products in most interest rate environments and may provide some level of extension protection in rising interest rate environments. However, they exhibit a different seasoning pattern in the first 12 months or so after origination as compared to conventional 30-year ("CL" prefix) or 15-year ("CI" prefix) fixed-rate MBS. They tend to prepay slower than their conventional counterparts during those initial 12 months with differentials of as much as 10 to 15 CPR having been observed. An employer is not likely to facilitate an employee's relocation unless both employer and employee anticipate tenure at the new location of a year or longer, so they may be significantly less responsive to refinancing opportunities early in the life of the loan. In addition, employer subsidies generally lower the borrower's monthly payment and reduce that borrower's sensitivity to rate-related refinancing during the period of the subsidy early in the life of the loan.

Commencing about 12 months after issuance, prepayments tend to speed up as the relocated employee moves to the next corporate project or position in a new location and a relocation loan MBS will experience increased turnover-related prepayments. If interest rates rise, prepayments tend to remain relatively faster after the first one or two years because of the inherent cycles of relocation among these borrowers, frequently two or more relocations in a five year period. In addition, a fall in interest rates may cause the employer to encourage the employee to refinance the loan through so-called "forced refinancing" clauses.

Pricing Indications

The following pricing indications were recently* observed for Fannie Mae long-term relocation loan MBS ("RE" prefix):

Coupon	Price versus Fannie Mae 30-year "CL" TBA MBS (32nds)
4.5%	+34
5.0%	+22
5.5%	+9
6.0%	+0.5

*Indications as of June 26, 2007. The 10-year Treasury yield on that date was 5.10%
Federal Reserve Statistical Release H.15 Release Date: *June 27, 2007*

Fannie Mae MBS backed by relocation loans have features that indicate relatively fast prepayment speeds in nearly all interest rate environments, primarily from turnover prepayments. The borrowers tend to be well-educated and financially aware. We have been a consistent issuer of the product and it has characteristics that may make it attractive to investors seeking a cushion against extension risk.

MBSenger is published by Fannie Mae's
Fixed-Income Marketing Group

Fannie Mae Fixed-Income Investor Helpline
(800) 237-8627

Wayne B. McLurkin
Director, Fixed-Income Marketing
(202) 752-7796
wayne_b_mclurkin@fanniemae.com