

U.S. Housing and Mortgage Market Outlook

January/February 2011

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Housing Market in 2010: Lags the Recovery in the Rest of the Economy

Nineteen months after the recession ended, the housing market is still struggling to gain traction. After suffering four consecutive double-digit annual declines, including plunging nearly forty percent to a record low in 2009, homebuilding activity posted an increase in 2010, with single-family housing starts rising about six percent to 471,000 units (see Figure 1).

In 2009, we had expected home sales to trough and start their gradual recovery in 2010. However, the pullback in sales after the tax credits expired in 2010 was much more severe than we had anticipated. Total existing home sales slipped to a cycle low of 3.84 million annualized units in July 2010, while new home sales fell to a record low of 274,000 annualized units in August of that year.

Total existing home sales rebounded in the fourth quarter, ending 2010 on a strong note, jumping over 12 percent in December and gaining nearly 40 percent from the July cycle low. For all of 2010, total existing home sales fell about five percent to 4.91 million annualized units, reversing the gain in 2009 that was aided by the first-time homebuyer tax credit that boosted sales late in that year. New home sales continued to bounce along the bottom in the second half of 2010. For all of 2010, new home sales fell nearly 15 percent to 321,000 annualized units, the fifth straight annual decline to a record low going back 47 years.

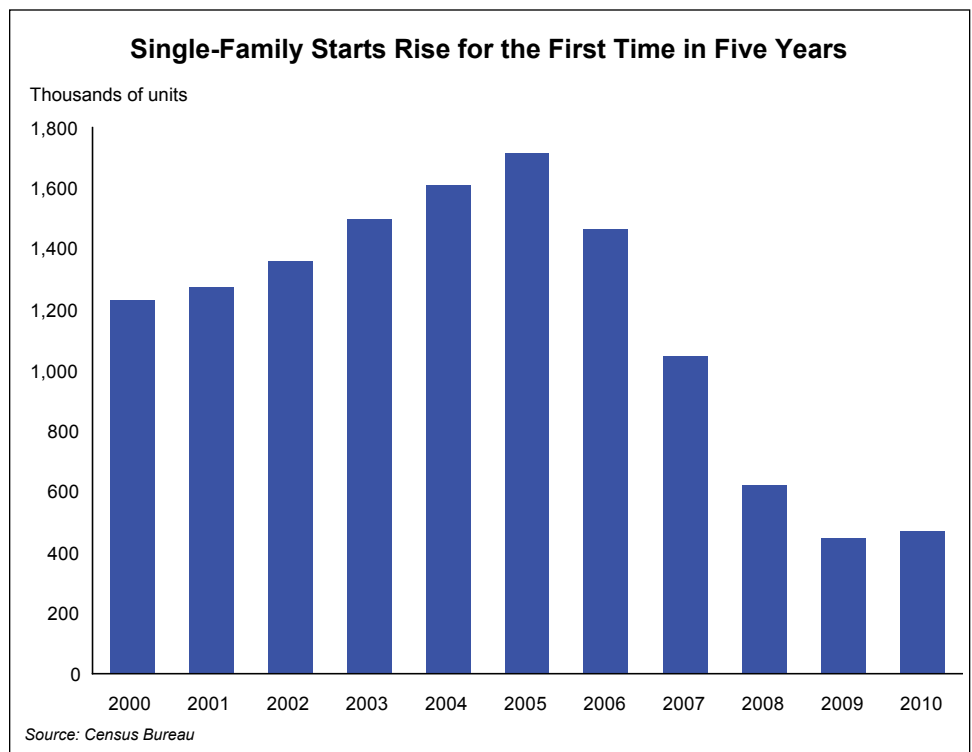


Figure 1

Compared to previous economic recoveries, the housing market in the current recovery experienced a rocky performance. The first-time homebuyer tax credit pulled forward sales into late 2009. For 2010, the extended and expanded homebuyer tax credit available for homebuyers who entered into binding contracts by the end of April helped spur sales in the second quarter, but sales dropped sharply in the third quarter (see Figure 2).

One positive sign in the housing market is that the excess supply of housing appears to have peaked. With little home building activity, the inventory of new homes is quite lean. The number of new single-family homes for sale at the end of 2010 was the lowest

recorded since 1967 (see Figure 3). For all of 2010, the number of new homes available for sale fell to 189,000 units, an annual record low going back to 1967. Given the slow pace of new home sales and the still-large inventory of vacant homes for sale, builders have been disciplined, perhaps reflecting a combination of both a lack of demand for new projects as well as continued tight lending standards for construction loans.

To gauge the amount of excess supply for the broad residential housing market, we use data from the Bureau of the Census Housing Vacancy Survey, which offers the most comprehensive measures of vacant homes for sale and for rent. The survey showed mixed results at the end of 2010. After showing signs of stabilization over the past year, the homeowner vacancy rate, which measures the share of owner-occupied housing units that are vacant and for sale, edged up to 2.7 percent in the fourth quarter of 2010 from 2.5 percent in the prior quarter. The rate has remained close to the record high of 2.9 percent reached two years ago and is still about one percentage point higher than its long-term average, consistent with a still-large excess supply of homes and ongoing softness in home prices.

In contrast, the rental vacancy rate, which measures the share of rental housing that are vacant and for rent, fell sharply to 9.4 percent in the fourth quarter of 2010 from 10.3 percent in the third quarter. The large drop, the biggest since 1966, sent the rental vacancy rate to its lowest level since the first quarter of 2003. However, the rate remains high by historical

Figure 2

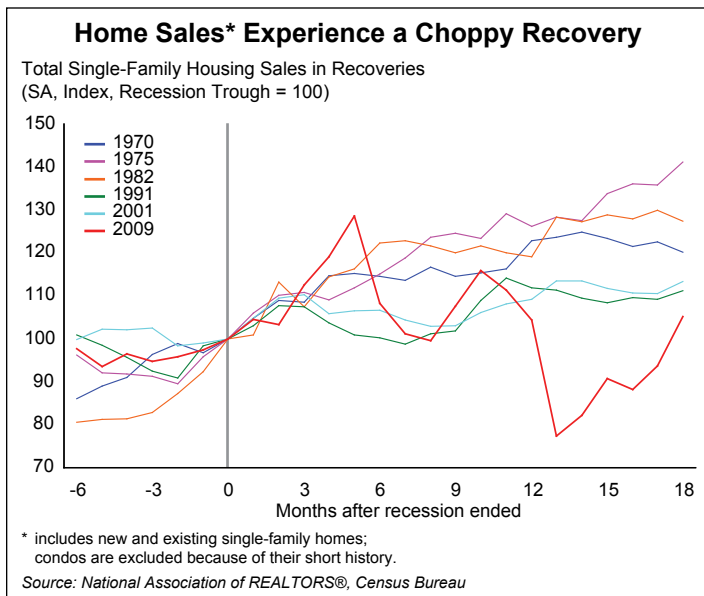


Figure 3

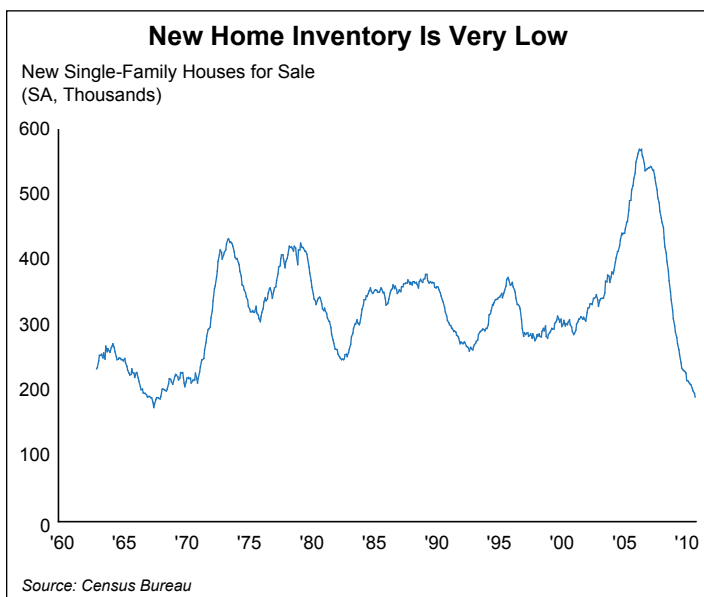
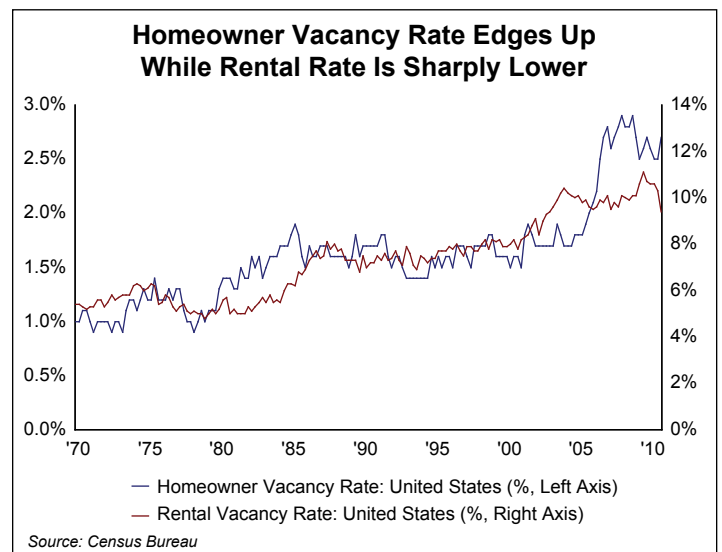


Figure 4



standards, only 1.7 percentage points below its peak in the third quarter of 2009 (see Figure 4). Overall, developments in vacancy rates over the past year indicate that the excess supply of housing is slowly being worked off.

There is still a significant amount of shadow supply, however, including portions of vacant homes that are held off the market, REOs that have not been put on the market, and seriously delinquent loans (those that are 90 days or more past due or in the foreclosure

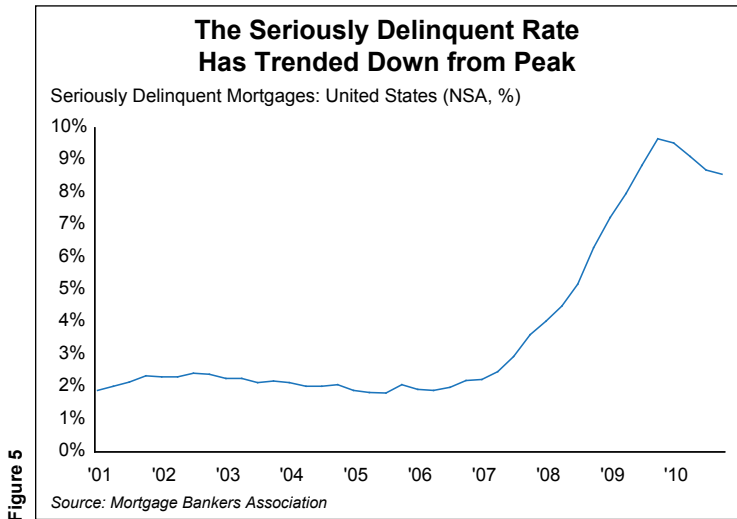


Figure 5

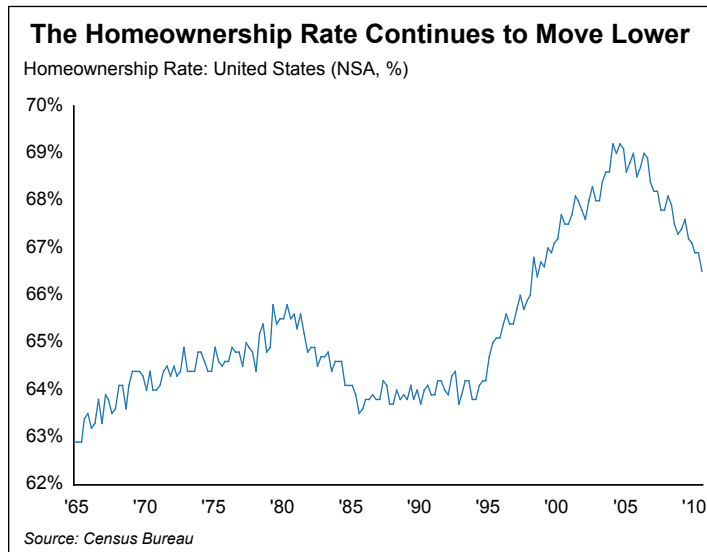


Figure 6

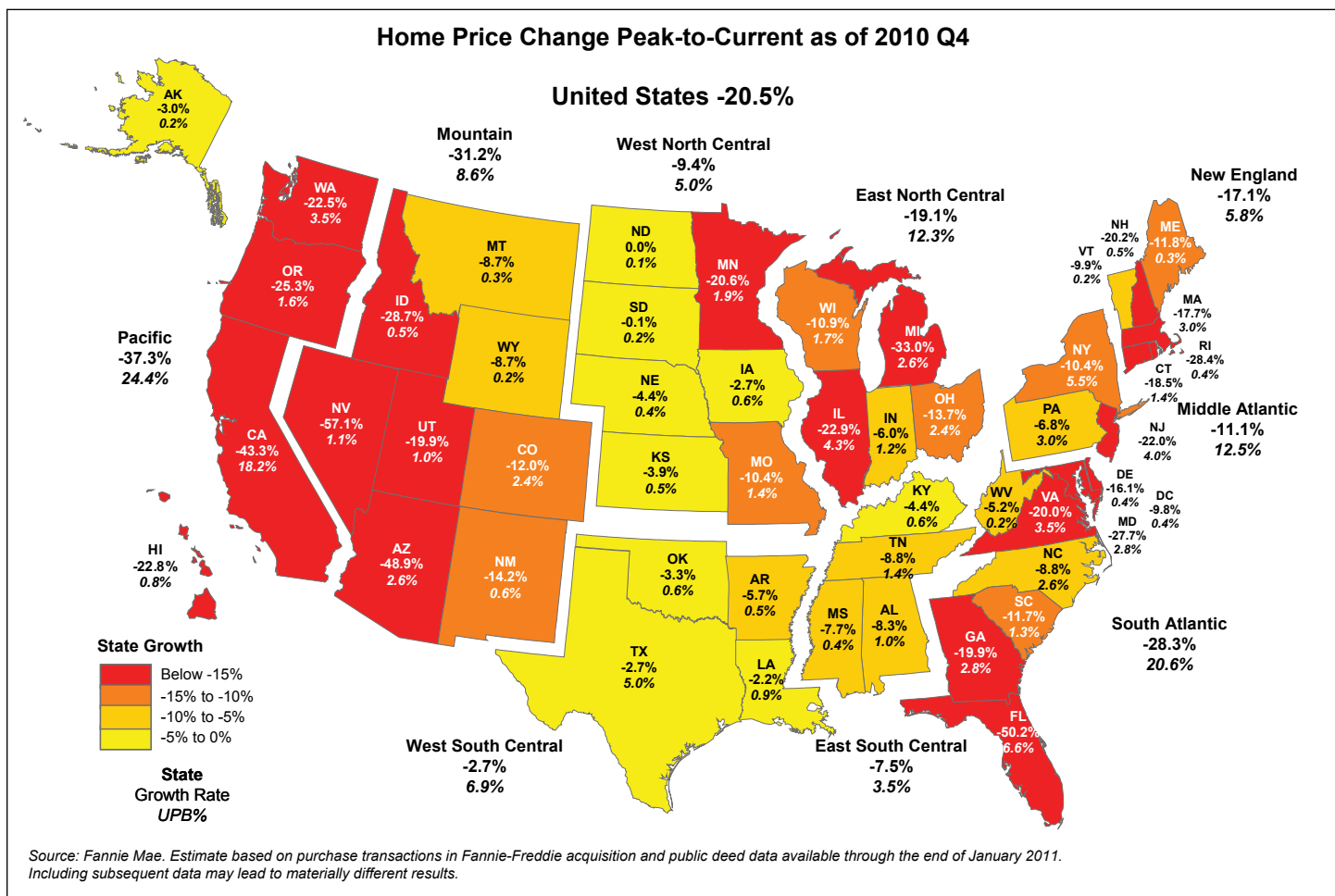


Figure 7

process). While the rate appeared to have peaked in 2009, it remained elevated during the fourth quarter of 2010 (see Figure 5), suggesting that there could still be about five million seriously delinquent loans.

The downtrend in the rental vacancy rate is consistent with the downward trend in the homeownership rate, which implies that a rising share of households have chosen renting over owning. In the fourth quarter of 2010, the homeownership rate fell to 66.5 percent, its lowest level in 12 years and down from a peak of 69.2 percent in late 2004 (see Figure 6). This rate is expected to decline further given the large amount of seriously delinquent loans in the market.

The elevated excess supply of housing and the large shadow supply have the potential to put further downward pressure on home prices. After the temporary boost from the tax credit during the spring and summer months, home prices experienced renewed declines. The CoreLogic Home Price Index fell in December for the sixth consecutive month. The S&P Case-Shiller Home Price Indices also posted a similar

trend (see Figure 7). We estimate that home prices on a national basis have declined by about 20.4 percent from their peak in the third quarter of 2006 (see Figure 8). On average, national home prices declined by approximately 3.1 percent in 2010 versus a 3.7 percent decline in 2009 (see Figure 9).

Housing Market in 2011: Modest Recovery from Depressed Levels

Homebuilding activity should continue to improve modestly for the second straight year. For all of 2011, we expect total housing starts to increase further by about 18 percent to 692,000. While this may seem like a strong increase, the levels of starts will remain anemic compared with their long-term average.

We believe that home sales will rebound this year, but a strong gain is unlikely, given the amount of excess supply and shadow supply that still needs to be worked off, and rising mortgage rates. Long-term interest rates have been under pressure of late; the yield on the 10-year Treasury note has risen from 2.5 percent in October 2010 to about 3.5 percent at the time of this writing. Stronger economic activity, together with concerns about the large federal budget deficit and rising inflation, is the likely culprit. We expect mortgage rates to steadily rise to about 5.5 percent by the end of 2011. The mortgage rate will still be low by historical standards. Combined with low home prices and projected rising income from continued improvement in the labor market, affordability conditions will remain supportive for home buying this year. For all of 2011, we project total home sales to increase by about seven percent.

Home prices are a lagging indicator of the housing market, and thus we expect them to be the last to improve. While we expect home prices to stabilize in 2011 and that the peak-to-trough home price decline on a national basis will range between 21 percent and 26 percent, regional home price performance will vary significantly depending upon macroeconomic conditions, e.g., employment and housing market conditions, including excess supply and shadow supply.

Sharper increases in mortgage rates are a source of concern if they are not accompanied by stronger-than-expected job growth. In addition, while lending standards for consumer loans have eased in the U.S. over the past year, according to the Federal Reserve Board survey of senior bank officers on bank lending

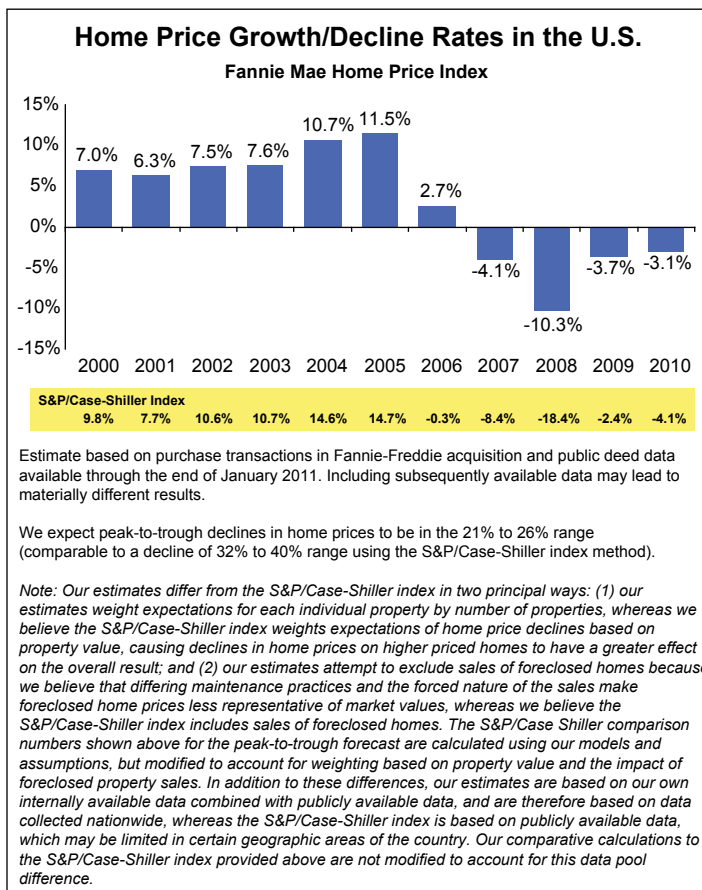


Figure 8

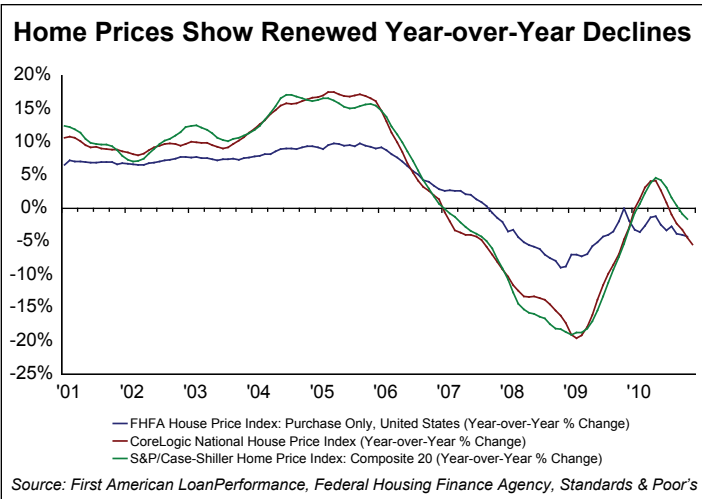


Figure 9

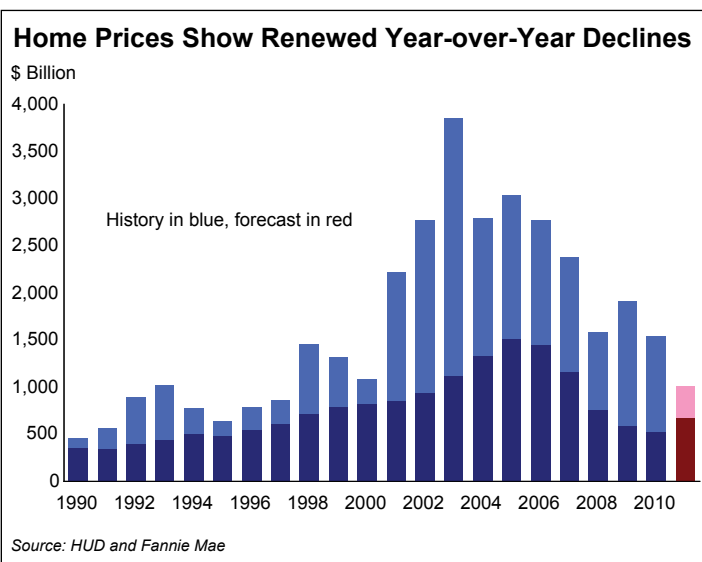


Figure 10

activity, those for mortgages were more stringent. Businesses' reluctance to hire, together with sharply rising mortgage rates and tighter lending standards for mortgages, is the main risk for the housing market this year.

Mortgage Originations in 2011: A Sharp Drop in Refinancing Will Substantially Reduce Mortgage Volume

Expected rising mortgage rates throughout this year will hurt refinance incentives. In addition, tight lending standards and lack of equity will remain a hurdle for homeowners who appear to be in the money to refinance (those who would save in monthly mortgage payments after paying refinance transaction costs). As a result, we expect the mortgage market to heavily favor the purchase market. Projected moderate increases in home sales, combined with expected moderate declines in home prices, should combine to push purchase mortgage originations up for the first time in four years.

For all of 2011, total mortgage originations should decline to \$1.03 trillion from a projected \$1.53 trillion in 2010 (see Figure 10). The refinance share is projected to decline to 35 percent, compared with an estimated 65 percent in 2010. Along with ongoing deleveraging of other consumer debt, mortgage debt outstanding is projected to decline this year by about two percent—the fourth consecutive annual drop.

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Fannie Mae Funding Liabilities and Debt Outstanding 2008 through January 31, 2011

Funding Liabilities and Debt Outstanding (in millions)	12/31/08	12/31/09	12/31/10	1/31/11
Federal Fund Borrowings	\$ -	\$ -	\$ -	\$ -
Other Short Term Funding Liabilities ¹	77	-	52	-
Total Federal Funds Purchased and Securities Sold under Agreements to Repurchase	\$ 77	\$ -	\$ 52	\$ -
Average maturity (in days)	-	-	11	-
Discount Notes	\$ 324,479	\$ 200,116	\$ 151,627	\$ 143,685
FX Discount Notes	402	401	386	334
Other Short Term Debt ²	7,661	50	-	-
Total Short Term Debt³	\$ 332,542	\$ 200,567	\$ 152,013	\$ 144,019
Average maturity (in days)	102	82	88	82
Benchmark Notes & Bonds ⁴	\$ 251,315	\$ 280,245	\$ 300,639	\$ 305,639
Callable Benchmark Notes ⁴	-	-	-	-
Subordinated Benchmark Notes	7,398	7,398	7,398	7,398
Callable Fixed Rate MTNs ^{5,6}	190,950	206,310	217,179	214,425
Noncallable Fixed Rate MTNs ^{5,6}	50,131	45,032	41,579	43,568
Callable Floating Rate MTNs ^{5,6}	1,530	3,871	2,625	2,625
Noncallable Floating Rate MTNs ^{5,6}	45,470	39,005	69,823	70,010
Other Long Term Debt ⁷	3,763	3,347	2,622	2,647
Total Long Term Debt^{8,9}	\$ 550,557	\$ 585,208	\$ 641,865	\$ 646,312
Average maturity (in months)	66	60	51	50
Total Federal Funds Purchased and Securities Sold under Agreements to Repurchase and Debt Outstanding	\$ 883,176	\$ 785,775	\$ 793,930	\$ 790,331
Average maturity (in months)	42	45	42	41

Fannie Mae Funding Liabilities and Debt Issuance 2008 through January 31, 2011

Funding Liabilities and Debt Issuance (in millions)	2008	2009	2010	2011
Federal Fund Borrowings	\$ 5,617	\$ 1,000	\$ 6,450	\$ -
Other Short Term Funding Liabilities ¹	60,888	5,822	5,930	-
Total Federal Funds Purchased and Securities Sold under Agreements to Repurchase	\$ 66,505	\$ 6,822	\$ 12,380	\$ -
Discount Notes	\$ 1,547,462	\$ 1,373,711	\$ 438,146	\$ 25,117
FX Discount Notes	2,583	1,060	615	57
Other Short Term Debt ¹⁰	8,661	50	-	-
Total Short Term Debt³	\$ 1,558,706	\$ 1,374,821	\$ 438,761	\$ 25,174
Benchmark Notes & Bonds	\$ 50,500	\$ 75,500	\$ 82,000	\$ 5,000
Callable Benchmark Notes	-	-	-	-
Subordinated Benchmark Notes	-	-	-	-
Callable Fixed Rate MTNs ⁶	150,255	187,983	306,560	11,445
Noncallable Fixed Rate MTNs ⁶	84,336	4,517	8,834	2,000
Callable Floating Rate MTNs ⁶	1,280	3,846	2,630	-
Noncallable Floating Rate MTNs ⁶	41,284	23,180	63,100	1,200
Other Long Term Debt ⁷	743	249	259	39
Total Long Term Debt⁸	\$ 248,399	\$ 295,275	\$ 463,383	\$ 19,684
Total Federal Funds Purchased and Securities Sold under Agreements to Repurchase and Debt Issued	\$ 1,873,610	\$ 1,676,918	\$ 914,524	\$ 44,858
Net Issuance Long Term Debt¹¹	\$ (18,363)	\$ 34,511	\$ 56,610	\$ 4,441

Please see the Endnotes on the following page for more detail.

Endnotes

Footnotes for Tables 1 and 2

- ¹ Other Short Term Funding Liabilities includes Benchmark repos, contingency repo lending, and other short term funding liabilities.
- ² Other Short Term Debt includes coupon bearing short term notes.
- ³ Short term debt consists of borrowings with an original contractual maturity of one year or less.
- ⁴ Outstanding Benchmark Notes & Bonds with expired call options are reported as Benchmark Notes & Bonds.
- ⁵ Outstanding MTNs with expired call options are reported as Noncallable MTNs.
- ⁶ MTNs include all long term non-Benchmark Securities such as globals, zero coupon securities, medium term notes, Final Maturity Amortizing Notes, and other long term debt securities.
- ⁷ Other Long Term Debt consists of long term foreign currency debt, investment agreements and other long term securities.
- ⁸ Long term debt consists of borrowings with an original contractual maturity of greater than one year.
- ⁹ Unamortized discounts and issuance costs of long term zero coupon securities are approximately \$14.8 billion at December 31, 2008, \$14.9 billion at December 31, 2009, \$11.8 billion at December 31, 2010, and \$11.7 billion at January 31, 2011.
- ¹⁰ Other Short Term Debt includes coupon bearing short term notes.
- ¹¹ Net Issuance Long Term Debt amounts represent the difference between long term debt issued and long term debt repaid during the period. For any period, a positive value indicates that the amount of long term debt issued was greater than the amount of long term debt repaid, and a negative value indicates that the amount of long term debt repaid was greater than the amount of long term debt issued.

General

Reported amounts represent the unpaid principal balance as of each reporting period or, in the case of the long term zero coupon bonds, at maturity. Unpaid principal balance does not reflect the effect of debt basis adjustments, including unamortized discounts, premiums, issuance costs and fair value adjustments.

Numbers may not foot due to rounding.

Debt Securities Index Reports

	January % of BIG	January Total ROR	Last 3 mos Total ROR	Last 6 mos Total ROR	YTD Total ROR	Last 12 mos Total Return		January % of Agg	January Total ROR	Last 3 mos Total ROR	Last 6 mos Total ROR	YTD Total ROR	Last 12 mos Total Return
Citigroup Fannie Mae Index:	2.25	0.12	-1.34	0.17	0.12	4.20	Barclays Capital Fannie Mae Index:	2.50	0.13	-1.24	0.12	0.13	3.68
1-10 Years	2.13	0.24	-0.98	0.40	0.24	3.93	1-10 Years	2.32	0.23	-0.94	0.31	0.23	3.38
10+ Years	0.12	-1.65	-6.54	-3.50	-1.65	6.76	10+ Years	0.18	-1.15	-4.95	-2.37	-1.15	6.16
Callable	0.26	0.11	-0.43	-0.01	0.11	2.18	Callable	0.70	0.18	-0.45	0.07	0.18	2.24
Noncallable	1.99	0.12	-1.48	0.21	0.12	4.61	Noncallable	1.80	0.12	-1.58	0.17	0.12	4.41
Globals*	2.13	0.11	-1.35	0.12	0.11	4.00	Globals	1.93	0.12	-1.35	0.11	0.12	3.95
Agency:	5.60	0.11	-1.22	0.42	0.11	4.75	Agency:	7.18	0.14	-1.21	0.10	0.14	3.42
Callable	0.36	0.14	-0.29	0.15	0.14	1.89	Callable	1.46	0.18	-0.43	0.03	0.18	1.86
Noncallable	5.24	0.11	-1.30	0.45	0.11	5.09	Noncallable	5.73	0.13	-1.40	0.12	0.13	3.85
Globals	4.70	0.14	-1.38	0.13	0.14	3.92	Globals****	5.24	0.15	-1.14	0.15	0.15	3.43
Citigroup Index**:	100.00	0.11	-1.56	0.07	0.11	4.88	Barclays Aggregate Index:	100.00	0.12	-1.53	0.20	0.12	5.06
U.S. Treasury	36.16	-0.05	-2.46	-0.68	-0.05	4.13	U.S. Treasury	33.50	-0.02	-2.51	-0.69	-0.02	4.20
GSE***	6.79	0.18	-1.26	0.35	0.18	4.58	Government-Related***	12.04	0.18	-1.83	-0.01	0.18	4.07
Credit	23.82	0.20	-1.66	1.00	0.20	7.05	Corporate	19.02	0.20	-1.53	1.25	0.20	7.46
MBS	33.01	0.20	-0.55	0.19	0.20	4.29	MBS	32.67	0.05	-0.68	0.07	0.05	4.04
ABS	0.22	0.35	-1.20	1.95	0.35	6.69	ABS	0.28	0.65	-1.00	0.40	0.65	4.78

* In July 2009 the definition of Globals changed due to a change in index methodology. Previously, if a bond was classified as the Eurodollar Index, then it was "Global." Currently, if a bond is cleared in DTC, Euroclear/Clearstream and/or other clearances, then it is "Global."

** Components of Broad (BIG) Index: Treasury, GSE, Corporate, Mortgage

*** Includes US agencies

**** Includes World Bank global issues

This data has been compiled from reports supplied by Citigroup and Barclays Capital and is reproduced here with their permission. The indexes are constructed according to rules developed by these firms and the index values are calculated by them.

Summary Breakdown of 2011 Debt Issuances

Includes all settled callable debt issues with maturities greater than one year.

Fannie Mae Callable Debt

Maturity/Call (Year)	January 2011 Par Amount (in thousands)	# Issues	YTD 2011 Par Amount (in thousands)	# Issues
2.00 NC 0.50	1,810,000,000	9	1,810,000,000	9
2.25 NC 0.50	300,000,000	2	300,000,000	2
2.50 NC 0.50	155,000,000	3	155,000,000	3
2.50 NC 1.00	50,000,000	1	50,000,000	1
2.75 NC 0.50	150,000,000	2	150,000,000	2
2.92 NC 0.42	425,000,000	11	425,000,000	11
3.00 NC 0.50	675,000,000	9	675,000,000	9
3.00 NC 1.00	3,390,000,000	23	3,390,000,000	23
3.01 NC 1.00	250,000,000	1	250,000,000	1
3.50 NC 0.50	350,000,000	3	350,000,000	3
3.50 NC 1.00	200,000,000	5	200,000,000	5
4.00 NC 0.50	350,000,000	5	350,000,000	5
5.00 NC 0.50	1,030,000,000	21	1,030,000,000	21
5.00 NC 1.00	660,000,000	15	660,000,000	15
5.50 NC 0.50	150,000,000	3	150,000,000	3
5.50 NC 0.75	75,000,000	2	75,000,000	2
6.92 NC 0.42	100,000,000	1	100,000,000	1
7.00 NC 0.50	100,000,000	2	100,000,000	2
10.00 NC 0.50	625,000,000	15	625,000,000	15
12.00 NC 0.50	50,000,000	1	50,000,000	1
15.00 NC 0.50	500,000,000	12	500,000,000	12
15.00 NC 1.00	50,000,000	1	50,000,000	1
Total	\$11,445,000,000	147	\$11,445,000,000	147

2011 Debt Redemptions

Callable Debt Redeemed (in billions)

January	\$	14.2
Total	\$	14.2

Summary Breakdown of 2011 Benchmark Notes Issuance

Fannie Mae Noncallable Benchmark Notes

Maturity	Jan 11 Par Amount	# Issues	YTD 2011 Par Amount	# Issues
2 Years	5,000,000,000	1	5,000,000,000	1
3 Years	5,000,000,000	1	5,000,000,000	1
5 Years				
TOTAL NEW ISSUANCE	10,000,000,000	2	10,000,000,000	2

Recent Benchmark Notes Transaction

Benchmark Securities	Size/Cusip	Lead-Managers	Co-Managers	Pricing Date and Spread	Geographic Distribution	Investor Type Distribution
2 year 0.750% 2/26/2013	\$5 billion 3135G0AK9	Barclays Capital Inc.; J.P. Morgan Securities Inc.; UBS Securities LLC	Aladdin Capital L.L.C.; CastleOak Securities; Citigroup Global Markets Inc.; Deutsche Bank Securities Inc.; FTN Financial Capital Markets; Goldman Sachs & Co.	January 13, 2011 +21.5 basis points 0.625% 12/31/2012 U.S. Treasury	U.S. 56.8% Asia 19.4% Europe 2.2% Other 21.6%	Fund Manager 49.6% Comm. Banks 5.1% Insurance 1.9% Central Banks 40.0% State & Local Gov't 2.9% Corporate/Pensions 0.5%
3 year 1.250% 2/27/2014	\$5 billion 3135G0AP8	Citigroup Global Markets Inc.; Deutsche Bank Securities Inc.; Goldman Sachs & Co.	Cabrera Capital Markets LLC; FTN Financial Capital Markets; Jefferies & Company, Inc.; Loop Capital Markets; J.P. Morgan Securities Inc.; RBC Capital Markets	January 28, 2011 +26.5 basis points 1.000% 1/15/2014 U.S. Treasury	U.S. 54.4% Asia 22.5% Europe 0.8% Other 22.3%	Fund Manager 42.8% Comm. Banks 7.0% Insurance 3.0% Central Banks 44.1% State & Local Gov't 2.2% Corporate/Pensions 0.5% Foundations/Non-profit 0.2% Retail 0.1% Other 0.1%

Fannie Mae Funding Liabilities and Debt Outstanding 2007 through December 31, 2010

Funding Liabilities and Debt Outstanding (in millions)	12/31/07	12/31/08	12/31/09	12/31/10
Federal Fund Borrowings	\$ -	\$ -	\$ -	\$ -
Other Short Term Funding Liabilities ¹	869	77	-	52
Total Federal Funds Purchased and Securities Sold under Agreements to Repurchase	\$ 869	\$ 77	\$ -	\$ 52
Average maturity (in days)	1	-	-	11
Discount Notes	\$ 235,358	\$ 324,479	\$ 200,116	\$ 151,627
FX Discount Notes	859	402	401	386
Other Short Term Debt ²	50	7,661	50	-
Total Short Term Debt³	\$ 236,267	\$ 332,542	\$ 200,567	\$ 152,013
Average maturity (in days)	74	102	82	88
Benchmark Notes & Bonds ⁴	\$ 256,823	\$ 251,315	\$ 280,245	\$ 300,639
Callable Benchmark Notes ⁴	-	-	-	-
Subordinated Benchmark Notes	9,000	7,398	7,398	7,398
Callable Fixed Rate MTNs ^{5,6}	207,504	190,950	206,310	217,179
Noncallable Fixed Rate MTNs ^{5,6}	77,331	50,131	45,032	41,579
Callable Floating Rate MTNs ^{5,6}	8,135	1,530	3,871	2,625
Noncallable Floating Rate MTNs ^{5,6}	5,761	45,470	39,005	69,823
Other Long Term Debt ⁷	4,580	3,763	3,347	2,622
Total Long Term Debt^{8,9}	\$ 569,134	\$ 550,557	\$ 585,208	\$ 641,865
Average maturity (in months)	68	66	60	51
Total Federal Funds Purchased and Securities Sold under Agreements to Repurchase and Debt Outstanding	\$ 806,270	\$ 883,176	\$ 785,775	\$ 793,930
Average maturity (in months)	48	42	45	42

Fannie Mae Funding Liabilities and Debt Issuance 2007 through December 31, 2010

Funding Liabilities and Debt Issuance (in millions)	2007	2008	2009	2010
Federal Fund Borrowings	\$ 13,065	\$ 5,617	\$ 1,000	\$ 6,450
Other Short Term Funding Liabilities ¹	25,324	60,888	5,822	5,930
Total Federal Funds Purchased and Securities Sold under Agreements to Repurchase	\$ 38,389	\$ 66,505	\$ 6,822	\$ 12,380
Discount Notes	\$ 1,499,540	\$ 1,547,462	\$ 1,373,711	\$ 438,146
FX Discount Notes	2,291	2,583	1,060	615
Other Short Term Debt ¹⁰	86,777	8,661	50	-
Total Short Term Debt³	\$ 1,588,608	\$ 1,558,706	\$ 1,374,821	\$ 438,761
Benchmark Notes & Bonds	\$ 37,000	\$ 50,500	\$ 75,500	\$ 82,000
Callable Benchmark Notes	-	-	-	-
Subordinated Benchmark Notes	-	-	-	-
Callable Fixed Rate MTNs ⁶	135,886	150,255	187,983	306,560
Noncallable Fixed Rate MTNs ⁶	8,438	4,336	4,517	8,834
Callable Floating Rate MTNs ⁶	8,275	1,280	3,846	2,630
Noncallable Floating Rate MTNs ⁶	4,176	41,284	23,180	63,100
Other Long Term Debt ⁷	138	743	249	259
Total Long Term Debt⁸	\$ 193,913	\$ 248,399	\$ 295,275	\$ 463,383
Total Federal Funds Purchased and Securities Sold under Agreements to Repurchase and Debt Issued	\$ 1,820,910	\$ 1,873,610	\$ 1,676,918	\$ 914,524
Net Issuance Long Term Debt¹¹	\$ (39,201)	\$ (18,363)	\$ 34,511	\$ 56,610

Please see the Endnotes on the following page for more detail.

Endnotes

Footnotes for Tables 1 and 2

- ¹ Other Short Term Funding Liabilities includes Benchmark repos, contingency repo lending, and other short term funding liabilities.
- ² Other Short Term Debt includes coupon bearing short term notes.
- ³ Short term debt consists of borrowings with an original contractual maturity of one year or less.
- ⁴ Outstanding Benchmark Notes & Bonds with expired call options are reported as Benchmark Notes & Bonds.
- ⁵ Outstanding MTNs with expired call options are reported as Noncallable MTNs.
- ⁶ MTNs include all long term non-Benchmark Securities such as globals, zero coupon securities, medium term notes, Final Maturity Amortizing Notes, and other long term debt securities.
- ⁷ For the first 9 months of 2007, Other Long Term Debt consists of long term foreign currency debt and other long term securities. For months beginning Oct 2007 and thereafter, Other Long Term Debt also includes investment agreements.
- ⁸ Long term debt consists of borrowings with an original contractual maturity of greater than one year.
- ⁹ Unamortized discounts and issuance costs of long term zero coupon securities are approximately \$10.8 billion at December 31, 2007, \$14.8 billion at December 31, 2008, \$14.9 billion at December 31, 2009 and \$11.8 billion at December 31, 2010.
- ¹⁰ For months beginning Oct 2007 and thereafter Other Short Term Debt includes coupon bearing short term notes. For the first 9 months of 2007, Other Short Term Debt includes coupon bearing short term notes and investment agreements. For 2007, the Other Short Term Debt issuance amount of \$86,777 million includes intra-days loans in the amount of \$86,727 million.
- ¹¹ Net Issuance Long Term Debt amounts represent the difference between long term debt issued and long term debt repaid during the period. For any period, a positive value indicates that the amount of long term debt issued was greater than the amount of long term debt repaid, and a negative value indicates that the amount of long term debt repaid was greater than the amount of long term debt issued.

General

On November 9, 2007, we filed current financial statements in our Form 10-Q for the third quarter of 2007. As a result, beginning with the data for October 2007, we implemented data reclassifications and other changes to better align the statistical information we present in our funding summary report with the financial information we report in our quarterly and annual filings with the SEC.

Reported amounts represent the unpaid principal balance as of each reporting period or, in the case of the long term zero coupon bonds, at maturity. Unpaid principal balance does not reflect the effect of debt basis adjustments, including unamortized discounts, premiums, issuance costs and fair value adjustments.

Numbers may not foot due to rounding.

Debt Securities Index Reports

	December % of BIG	December Total ROR	Last 3 mos Total ROR	Last 6 mos Total ROR	YTD Total ROR	Last 12 mos Total Return		December % of Agg	December Total ROR	Last 3 mos Total ROR	Last 6 mos Total ROR	YTD Total ROR	Last 12 mos Total Return
Citigroup							Barclays Capital						
Fannie Mae Index:	2.23	-0.92	-1.04	0.83	5.14	5.14	Fannie Mae Index:	2.56	-0.84	-1.02	0.69	4.67	4.67
1-10 Years	2.11	-0.72	-0.64	0.87	4.67	4.67	1-10 Years	2.37	-0.67	-0.67	0.73	4.20	4.20
10+ Years	0.12	-3.83	-6.54	-0.29	10.68	10.68	10+ Years	0.18	-2.97	-5.06	0.03	9.36	9.36
Callable	0.26	-0.41	-0.38	0.23	2.69	2.69	Callable	0.74	-0.37	-0.48	0.19	2.80	2.80
Noncallable	1.98	-1.00	-1.14	0.95	5.67	5.67	Noncallable	1.81	-1.05	-1.24	0.95	5.60	5.60
Globals*	2.11	-0.90	-1.04	0.79	4.91	4.91	Globals	1.99	-0.91	-1.07	0.77	5.00	5.00
Agency:	5.56	-1.05	-0.94	1.09	5.71	5.71	Agency:	7.23	-0.80	-0.98	0.62	4.36	4.36
Callable	0.36	-0.31	-0.26	0.31	2.34	2.34	Callable	1.49	-0.35	-0.46	0.13	2.35	2.35
Noncallable	5.20	-1.11	-1.00	1.17	6.15	6.15	Noncallable	5.74	-0.92	-1.12	0.75	4.93	4.93
Globals	4.67	-0.93	-1.09	0.77	4.78	4.78	Globals****	5.28	-0.75	-0.89	0.67	4.33	4.33
Citigroup							Barclays Aggregate						
Index**:	100.00	-1.16	-1.34	0.98	6.30	6.30	Index:	100.00	-1.08	-1.30	1.15	6.54	6.54
U.S. Treasury	36.35	-1.74	-2.57	0.04	5.81	5.81	U.S. Treasury	33.75	-1.80	-2.64	0.01	5.87	5.87
GSE***	6.75	-1.09	-1.12	1.05	5.53	5.53	Government-Related***	11.97	-1.02	-1.72	0.88	5.02	5.02
Credit	23.78	-1.03	-1.68	2.76	8.55	8.55	Corporate	18.79	-0.92	-1.61	3.03	9.00	9.00
MBS	32.89	-0.64	0.22	0.75	5.49	5.49	MBS	32.74	-0.55	0.24	0.87	5.37	5.37
ABS	0.22	-0.94	-1.26	2.65	7.42	7.42	ABS	0.27	-0.99	-1.48	0.99	5.85	5.85

* In July 2009 the definition of Globals changed due to a change in index methodology. Previously, if a bond was classified as the Eurodollar Index, then it was "Global." Currently, if a bond is cleared in DTC, Euroclear/Clearstream and/or other clearances, then it is "Global."

** Components of Broad (BIG) Index: Treasury, GSE, Corporate, Mortgage

*** Includes US agencies

**** Includes World Bank global issues

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2010 Debt Redemptions

Callable Debt Redeemed (in billions)

January	\$	12.0
February	\$	18.4
March	\$	25.8
April	\$	26.6
May	\$	18.4
June	\$	24.5
July	\$	39.4
August	\$	29.8
September	\$	32.4
October	\$	26.1
November	\$	21.1
December	\$	24.8
Total	\$	299.3

Summary Breakdown of 2010 Benchmark Notes Issuance

Fannie Mae Noncallable Benchmark Notes

<i>Maturity</i>	<i>Dec 10</i>		<i>YTD 2010</i>	<i># Issues</i>
	<i>Par Amount</i>	<i># Issues</i>	<i>Par Amount</i>	
2 Years			33,500,000,000	6
3 Years			35,000,000,000	6
5 Years			8,500,000,000	2
TOTAL NEW ISSUANCE			77,000,000,000	14

Benchmark Repo Lending Facility Auction Results

<i>Auction Date</i>	<i>REPO Maturity</i>	<i>CUSIP</i>	<i>Maturity</i>	<i>Amount Loaned (\$MM)</i>	<i>WAVG Yield</i>	<i># of Bids</i>
12/1/10	12/2/10	31398A4M1	10/26/2015	\$51,000,000	0.010	1
12/3/10	12/6/10	31398A4M1	10/26/2015	\$75,000,000	0.010	2
12/6/10	12/7/10	31398A4M1	10/26/2015	\$43,000,000	0.010	1
12/21/10	12/22/10	31398AUJ9	12/11/2013	\$55,000,000	0.010	1