Supplement dated February 1, 1999 to
Information Statement dated March 31, 1998

FannieMae

This Supplement describes the financial condition of the Federal National Mortgage Association ("Fannie Mae" or the "Corporation") as of December 31, 1998 and contains unaudited financial information with respect to the Corporation for the quarter and year ended December 31, 1998. This Supplement should be read in conjunction with the Corporation's Information Statement dated March 31, 1998 (the "Information Statement"), and the Supplements dated May 15, 1998, August 13, 1998 and November 13, 1998 thereto (the "Prior Supplements"), which are hereby incorporated by reference. The Information Statement describes the business and operations of the Corporation and contains financial data as of December 31, 1997. The May 15, 1998, August 13, 1998 and November 13, 1998 Supplements describe the financial condition of the Corporation as of March 31, 1998, June 30, 1998 and September 30, 1998, respectively, and contain unaudited financial statements with respect to the Corporation for the quarters and year-to-date periods then ended. In addition, the Prior Supplements discuss certain other developments that may affect the Corporation. 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 the Corporation'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, the Corporation 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.

The Corporation's securities are not required to be registered under the Securities Act of 1933. At the close of business on December 31, 1998, approximately 1.025 billion shares of the Corporation'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 the Corporation 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, 1998 and 1997 and the year ended December 31, 1998 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, 1997 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, 1997.

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

	Three Months Ended December 31,		Year Ended December 31,	
Income Statement Data:	1998	1997	1998	1997
Interest income	$ 7,895	$ 6,884	$ 29,995	$ 26,378
Interest expense	(6,919)	(5,848)	(25,885)	(22,429)
Net interest income	976	1,036	4,110	3,949
Guaranty fees	261	324	1,229	1,274
Fee and other income, net	71	29	275	125
Credit-related expenses	(50)	(77)	(261)	(375)
Administrative expenses	(185)	(167)	(708)	(636)
Income before federal income taxes and extraordinary item	1,073	1,145	4,645	4,337
Provision for federal income taxes	(174)	(339)	(1,201)	(1,269)
Income before extraordinary item	899	806	3,444	3,068
Extraordinary item, net of tax effect	(10)	(12)	(26)	(12)
Net income	889	794	3,418	3,056
Preferred stock dividends	(18)	(16)	(66)	(65)
Net income available to common stockholders	$ 871	$ 778	$ 3,352	$ 2,991
Earnings per common share:				
Basic:				
Earnings before extraordinary item	$ .86	$ .76	$ 3.28	$ 2.87
Extraordinary item	(.01)	(.01)	(.02)	(.02)
Net earnings	$ .85	$ .75	$ 3.26	$ 2.85
Diluted:				
Earnings before extraordinary item	$ .85	$ .75	$ 3.26	$ 2.84
Extraordinary item	(.01)	(.01)	(.03)	(.01)
Net earnings	$ .84	$ .74	$ 3.23	$ 2.83
Cash dividends	$ .24	$ .21	$ .96	$ .84
Balance Sheet Data at December 31,:	1998	1997		
Mortgage portfolio, net	$415,223	$316,316		
Investments	58,515	64,596		
Total assets	485,014	391,673		
Borrowings:				
Due within one year	205,413	175,400		
Due after one year	254,878	194,374		
Total liabilities	469,561	377,880		
Stockholders' equity	15,453	13,793		
Capital(2)	16,244	14,575		
	Three Months Ended December 31,		Year Ended December 31,	
Other Data:	1998	1997	1998	1997
Average net interest margin	.90%	1.17%	1.03%	1.17%
Return on average common equity	25.0	24.8	25.2	24.6
Dividend payout ratio	28.3	28.0	29.5	29.4
Average effective guaranty fee rate	16.5	22.7	20.2	22.7
Credit loss ratio(2)	.020	.036	.027	.041
Ratio of earnings to combined fixed charges and preferred stock dividends(3)	1.15:1	1.19:1	1.18:1	1.19:1
Mortgage purchases	$ 68,746	$ 22,477	$188,448	$ 70,465
MBS issued	98,015	47,400	326,148	149,429
MBS outstanding at period end(4)	834,518	709,582		
Weighted-average diluted common shares outstanding, in millions	1,034	1,046	1,037	1,056

(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 $197,375 million and $130,444 million of MBS held in portfolio at December 31, 1998 and 1997, respectively.

Other Financial Information

Additional information regarding the Corporation's earnings and other specific measures of Fannie Mae's performance for the quarter and year ended December 31, 1998 is presented below.

Net Income

Net income for the fourth quarter of 1998 was $889 million, compared with net income of $794 million for the fourth quarter of 1997. Net income for 1998 increased $362 million to $3.418 billion, from $3.056 billion in 1997. The increase in net income was due primarily to a record volume of mortgage purchases and mortgage-backed securities (MBS) issues, increased fee and other income, strengthened credit performance, and continued effective management of interest rate risk.

Investment Portfolio

Net interest income was $976 million in the fourth quarter of 1998, compared with $1.036 billion in the fourth quarter of 1997. Net interest income in 1998 increased to $4.110 billion from $3.949 billion in 1997. The increase in net interest income was a result of an 18% increase in the average mortgage portfolio balance, which was partially offset by a 14 basis point decline in net interest margin.

The Corporation's net interest margin averaged 90 basis points in the fourth quarter of 1998, compared with 117 basis points in the fourth quarter of 1997. The net interest margin averaged 103 basis points in 1998, compared with 117 basis points in 1997. The decline in the average net interest margin stemmed from several factors, including an increase in the refinancing of high-coupon mortgages, the recording of increased amortization of premiums on mortgages held in portfolio during the fourth quarter of 1998, and common share repurchases.

Both net interest income and the net interest margin in the fourth quarter reflect the effects of recording increased amortization in the fourth quarter of premiums and discounts on mortgages held in portfolio.

Fannie Mae's net investment balance—mortgage loans held, less unamortized discount and deferred fees, plus other investments—was $475 billion at the end of 1998, compared with $383 billion at the end of 1997.

Fannie Mae's net mortgage portfolio was $415 billion at the end of 1998, compared with $316 billion at the end of 1997.

MBS

Guaranty fee income decreased by $63 million to $261 million in the fourth quarter of 1998, compared with $324 million in the fourth quarter of 1997. In 1998, guaranty fee income was $1.229 billion, compared with $1.274 billion in 1997. The decrease in guaranty fee income primarily resulted from a decrease in the average effective guaranty fee rate, which was partially offset by an increase in average net MBS outstanding. The decline in the average effective guaranty fee rate was due to several factors, including the recording of additional amortization of prepaid or deferred guaranty fees in the fourth quarter of 1998, growth in the number of originated loans for which the default risk is shared by a third party, and competitive pricing in the market.

Fannie Mae issued $98 billion of MBS in the fourth quarter of 1998, compared with $47 billion in the fourth quarter of 1997. MBS issues totaled $326 billion in 1998, compared with $149 billion in 1997.

MBS outstanding at the end of 1998 totaled $835 billion, compared with $710 billion at the end of 1997. MBS outstanding, net of MBS held in portfolio, was $637 billion at the end of 1998, compared with $579 billion at the end of 1997.

Fee and Other Income

Fee and other income totaled $71 million in the fourth quarter of 1998, compared with $29 million in the fourth quarter of 1997. In 1998, fee and other income was $275 million, compared with $125 million in 1997. This increase resulted primarily from significant increases in fee income related to technology products and from fees on multifamily activities. Fee and other income includes multifamily fees, structured transaction fees, technology fees, other miscellaneous items, and income or operating losses from certain tax-advantaged investments.

Extraordinary Item

Debt called or repurchased in the fourth quarter of 1998 totaled $26 billion, compared with $9 billion in the fourth quarter of 1997. Debt called or repurchased in 1998 totaled $77 billion, compared with $31 billion in 1997.

Losses from the call or repurchase of debt were $16 million ($10 million after tax) in the fourth quarter of 1998, compared with $18 million ($12 million after tax) in the fourth quarter of 1997. Losses from the call or repurchase of debt were $40 million ($26 million after tax) in 1998, compared with $19 million ($12 million after tax) in 1997.

Foreclosures and Inventory of Acquired Properties

The Corporation acquired 4,659 conventional single-family properties through foreclosure in the fourth quarter of 1998, compared with 5,388 properties in the fourth quarter of 1997. Acquisitions were 20,703 in 1998, compared with 22,222 in 1997. The inventory of single-family acquired properties totaled 8,576 properties as of December 31, 1998, compared with 9,481 at December 31, 1997.

Credit-Related Expenses and Loan Charge-Offs

Total credit-related expenses, which include foreclosed property expenses and the provision for losses, were $50 million in the fourth quarter of 1998, compared with $77 million in the fourth quarter of 1997. Total credit-related expenses were $261 million in 1998, compared with $375 million in 1997.

The provision for losses was a negative $20 million in the fourth quarter of 1998. There was no provision for losses recorded in the fourth quarter of 1997. In 1998, the provision for losses was a negative $50 million, compared with a positive $100 million in 1997. Foreclosed property expenses totaled $70 million in the fourth quarter of 1998, compared with $77 million in the fourth quarter of 1997. Foreclosed property expenses were $311 million in 1998, compared with $275 million in 1997.

In the fourth quarter of 1998, charge-off recoveries were $19 million, compared with $2 million of losses in the fourth quarter of 1997. Charge-off recoveries were $49 million in 1998, compared with $77 million of losses in 1997.

The allowance for losses was $802 million at December 31, 1998, compared with $803 million at December 31, 1997.

Administrative Expenses

Administrative expenses totaled $185 million in the fourth quarter of 1998, compared with $167 million in the fourth quarter of 1997. In 1998, administrative expenses were $708 million, compared with $636 million in 1997.

Income Taxes

Federal income tax expense, net of the tax benefit from extraordinary losses, was $168 million in the fourth quarter of 1998, compared with $333 million in the fourth quarter of 1997. The effective tax rate was 16 percent in the fourth quarter of 1998, compared with 30 percent in the fourth quarter of 1997. Federal income tax expense, net of the tax benefit from extraordinary losses, was $1.187 billion in 1998, compared with $1.262 billion in 1997. The effective federal income tax rate was 26 percent in 1998, compared with 29 percent in 1997. The reduction in federal income tax expense and the effective tax rate reflect the recording of additional low-income housing tax credits in the fourth quarter of 1998. The additional tax credits were a result of the Corporation 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 $16.2 billion at December 31, 1998, compared with $14.6 billion at December 31, 1997.

During the year, Fannie Mae repurchased 17.3 million shares of common stock. As of December 31, 1998, Fannie Mae had approximately 1.025 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,'' the Corporation is subject to capital standards. The Corporation met the applicable capital standards as of December 31, 1998.

MANAGEMENT

On January 26, 1999, the Corporation announced that Anastasia D. Kelly, Senior Vice President and General Counsel, is resigning her position effective February 26, 1999 to accept a position as Executive Vice President and General Counsel of Sears, Roebuck and Company. The Corporation has not yet selected a replacement for Ms. Kelly.

CAPITALIZATION

The following table sets forth the capitalization of the Corporation as of December 31, 1998.

	Average Maturity	Average Cost(1)	Outstanding
			(Dollars in millions)
Debentures, notes, and bonds, net:			
Due within one year:			
Short-term notes	3 mos.	5.18%	$136,400
Global debt	8 mos.	5.30	2,986
Debentures	6 mos.	7.54	7,594
Medium-term notes(2)	6 mos.	5.41	57,977
Other(3)	—	5.23	456
Total due within one year			205,413
Due after one year:			
Global debt	6 yrs. 3 mos.	5.87	64,723
Debentures	5 yrs. 3 mos.	7.40	20,516
Medium-term notes(2)	5 yrs. 9 mos.	6.21	165,993
Other	17 yrs.	7.98	3,646
Total due after one year			254,878
Total debentures, notes, and bonds			$460,291
Stockholders' equity:			
Preferred stock, $50.00 stated value, 100 million shares authorized— 23 million shares issued			$ 1,150
Common stock, $.525 stated value, no maximum authorization— 1,129 million shares issued			593
Additional paid-in capital			1,533
Retained earnings			15,689
Accumulated other comprehensive income			(13)
			18,952
Less treasury stock, at cost— 104 million shares			3,499
Total stockholders' equity			$ 15,453

(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.

The Corporation issues debentures, notes and other debt obligations frequently. The amount of debentures, notes and bonds outstanding on any date subsequent to December 31, 1998 may differ from that shown in the table above.

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