Supplement dated May 12, 1995 to
Information Statement dated March 31, 1995

Federal National Mortgage Association

This Supplement describes the financial condition of the Federal National Mortgage Association (''Fannie Mae'' or the ''Corporation'') as of March 31, 1995 and contains unaudited financial statements with respect to the Corporation for the quarter ended March 31, 1995. This Supplement should be read in conjunction with the Corporation's Information Statement dated March 31, 1995 (the ''Information Statement''), which is hereby incorporated by reference. The Information Statement describes the business and operations of the Corporation and contains financial data as of December 31, 1994. 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, any supplements thereto and other available information, including the Corporation's Proxy Statement dated March 27, 1995, 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 conjunction 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, Prospectus, Guide to Debt Securities or otherwise. This Supplement does not itself constitute an offer to sell or a solicitation of an offer to purchase such securities.

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 April 28, 1995, approximately 272,687,000 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

The following selected financial data for the three months ended March 31, 1995 and 1994 are unaudited and include, in the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation. Operating results for the three months ended March 31, 1995 are not necessarily indicative of the results expected for the entire year.

(Dollars in millions, except per share amounts)

	Three Months Ended March 31,	
Income Statement Data:	**1995**	**1994**
Interest income	$ 4,986	$ 3,973
Interest expense	4,278	3,309
Net interest income	708	664
Guaranty fees	267	270
Gain on sales of mortgages, net	2	2
Miscellaneous income, net	35	59
Provision for losses	(35)	(40)
Foreclosed property expenses	(51)	(60)
Administrative expenses	(129)	(124)
Income before federal income taxes and extraordinary item	797	771
Provision for federal income taxes	(245)	(253)
Income before extraordinary item	552	518
Extraordinary gain (loss), net of tax effect	3	(8)
Net income	$ 555	$ 510
Per share:		
Earnings before extraordinary item	$ 2.02	$ 1.89
Net earnings	2.03	1.86
Cash dividends	0.68	0.60

	March 31,	
Balance Sheet Data:	**1995**	**1994**
Mortgage portfolio, net	$222,480	$196,823
Total assets	274,717	231,908
Borrowings:		
Due within one year	111,178	83,835
Due after one year	147,475	132,595
Total liabilities	264,810	223,431
Stockholders' equity	9,907	8,477

	Three Months Ended March 31,	
Other Data:	**1995**	**1994**
Net interest margin	1.15%	1.26%
Return on average equity	22.9	24.8
Return on average assets	.8	.9
Ratio of earnings to fixed charges(1)	1.19:1	1.23:1
Dividend payout ratio	33.4%	32.1%
Equity to assets ratio	3.6	3.7
Mortgage purchases	$ 6,346	$ 19,166
MBS issued	13,070	52,805
MBS outstanding at March 31	533,262	507,376
Capital at March 31(2)	10,729	9,305

(1) For the purpose of calculating the ratio of earnings to fixed charges, "earnings" consists of income before federal taxes and fixed charges. "Fixed charges" represents interest expense.

(2) Stockholders' equity plus allowance for losses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1995

Results of Operations

In the first quarter of 1995, Fannie Mae again reported record earnings. Net income grew $45 million or 9 percent from the $510 million earned in the first quarter of 1994, primarily due to increases in net interest income, lower foreclosed property expenses, and a gain on the early retirement of debt versus a loss in the first quarter of 1994.

Net interest income in the first three months of 1995 increased 7 percent compared with the first three months of 1994, primarily as a result of 20 percent growth in the average investment portfolio, which was offset, in part, by a decline in net interest margin.

The following table presents an analysis of net interest income for the three months ended March 31, 1995 and 1994.

Net Interest Income and Average Balances

(Dollars in millions)

	Three Months Ended March 31,	
	1995	**1994**
Interest income:		
Mortgage portfolio	$ 4,328	$ 3,731
Investments and cash equivalents	658	242
Total interest income	4,986	3,973
Interest expense(1):		
Short-term debt	948	398
Long-term debt	3,330	2,911
Total interest expense	4,278	3,309
Net interest income	708	664
Tax equivalent adjustment(2)	50	29
Net interest income tax equivalent basis	$ 758	$ 693
Average balances:		
Interest-earning assets(3):		
Mortgage portfolio, net	$221,411	$193,775
Investments and cash equivalents	43,193	26,329
Total interest-earning assets	$264,604	$220,104
Interest-bearing liabilities(1):		
Short-term debt	$ 65,302	$ 44,479
Long-term debt	186,797	160,516
Total interest-bearing liabilities	252,099	204,995
Interest-free funds	12,505	15,109
Total interest-bearing liabilities and interest-free funds	$264,604	$220,104
Average interest rates(2):		
Interest-earning assets:		
Mortgage portfolio, net	7.85%	7.72%
Investments and cash equivalents	6.19	3.74
Total interest-earning assets	7.58	7.25
Interest-bearing liabilities(1):		
Short-term debt	5.93	3.48
Long-term debt	7.13	7.25
Total interest-bearing liabilities	6.82	6.44
Investment spread	.76	.81
Interest-free return(4)	.39	.45
Net interest margin	1.15%	1.26%

(1) Classification of interest expense and interest-bearing liabilities as short-term or long-term is based on effective maturity or repricing date, taking into consideration the effect of interest rate swaps.

(2) Reflects pro forma adjustments to permit comparison of yields on tax-advantaged and taxable assets.

(3) Includes average balance of nonperforming loans of $2.0 billion and $1.4 billion for the three months ended March 31, 1995 and 1994, respectively.

(4) Consists primarily of the return on that portion of the investment portfolio funded by equity and non-interest-bearing liabilities.

The following rate/volume analysis shows the relative contribution of asset and debt growth and interest rate changes to changes in net interest income for the three months ended March 31, 1995 and 1994.

Rate/Volume Analysis

(Dollars in millions)

	Increase (Decrease)	Attributable to Changes in (1) Volume	Attributable to Changes in (1) Rate
First Quarter 1995 vs. First Quarter 1994			
Interest income:			
Mortgage portfolio	$ 597	$539	$ 58
Investments and cash equivalents	416	205	211
Total interest income	1,013	744	269
Interest expense:			
Short-term debt	550	236	314
Long-term debt	419	469	(50)
Total interest expense	969	705	264
Net interest income	$ 44	$ 39	$ 5

(1) Combined rate/volume variances, a third element of the calculation, are allocated to the rate and volume variances based on their relative size.

Guaranty fee income decreased by $3 million, or 1 percent, to $267 million, compared with first quarter 1994. This change resulted from a reduction in the average guaranty fee rate from 22.6 basis points in the first quarter of 1994 to 22.0 basis points in the first quarter of 1995, the effect of which was offset, in part, by a 2 percent increase in average net Mortgage-Backed Securities ("MBS") outstanding when compared with the first quarter of 1994.

In the first three months of 1995, miscellaneous income decreased 41 percent to $35 million versus $59 million in the first three months of 1994, as a result of lower REMIC fees. Net REMIC fees decreased by $17 million to $19 million in the first quarter of 1995. The Corporation defers and recognizes as income over the life of the REMIC a portion of REMIC fees to match expected future administrative costs. In the first quarter of 1995 the Corporation recognized additional deferred fees due to lower expected REMIC processing costs as a result of technology improvements and the associated transfer of administrative processes from external to internal sources. The Corporation expects that miscellaneous income in 1995 will be slightly lower than the $145 million earned in 1994.

Administrative expenses for the quarter ended March 31, 1995 increased to $129 million, compared with $124 million during the same period in 1994, primarily due to increased staffing, technology-related expenses and affordable housing initiatives. Compensation expense was $77 million in the first quarter of 1995, compared with $71 million in the first quarter of 1994. The ratio of administrative expenses to the average mortgage portfolio plus average MBS outstanding was .073 percent in the first quarter of 1995 and .074 percent in the first quarter of 1994. The ratio of administrative expenses to revenues (net interest income, guaranty fees, and miscellaneous income) was 12.8 percent for the first quarter of 1995, compared with 12.5 percent for the first quarter of 1994.

The effective federal income tax rates for the first three months of 1995 and 1994 were 31 percent and 33 percent, respectively. The decrease primarily reflected an increase in tax-advantaged investments.

The Corporation had extraordinary gains of $4 million ($3 million after tax) in the first quarter of 1995 compared with losses of $12 million ($8 million after tax) in the first quarter of 1994 from the

repurchase or call of debt. For the remainder of 1995, the Corporation believes that repurchases of debt will not have a significant impact on earnings, although such transactions may be completed from time to time.

Credit Data

The following table shows the Corporation's serious delinquencies for conventional loans in portfolio and underlying MBS at March 31, 1995 and 1994, and conventional properties acquired and total net charge-offs for the quarters ended March 31, 1995 and 1994.

	Delinquency Rate (1)		Number of Properties Acquired		Net Charge-offs (Dollars in millions)	
	March 31, 1995	March 31, 1994	March 31, 1995	March 31, 1994	March 31, 1995	March 31, 1994
Single-family	.57%	.56%	3,350	3,122	$37	$39
Multifamily	1.20	2.57	42	11	2	14
Total					$39	$53

(1) Single-family serious delinquencies consist of those loans in the portfolio or underlying MBS for which the Corporation has the primary risk of loss that are 90 or more days delinquent, in relief, or foreclosure. Multifamily serious delinquencies are those loans in the portfolio or underlying MBS that are 60 days or more delinquent for which the Corporation has primary risk of loss. The single-family and multifamily percentages are based on the number of such single-family loans and dollar amount of such multifamily loans, respectively, in the portfolio and underlying MBS.

Charge-offs in the first quarter of 1994 included $25 million related to the January 17, 1994 Northridge, California earthquake, of which $15 million related to single-family loans and $10 million related to multifamily loans.

The increases in single-family properties acquired and single-family charge-offs, excluding earthquake-related charge-offs, primarily reflected the continued weak economic conditions in California.

First quarter 1995 multifamily REO acquisitions included 39 properties from a portfolio that transferred from lender risk to Fannie Mae risk. Sufficient collateral was received on this transaction to cover anticipated losses and therefore no charge-offs were recorded for these multifamily REO acquisitions.

The inventory of single-family properties was 6,568 as of March 31, 1995, compared with 5,522 as of March 31, 1994. The inventory of multifamily properties was 60 as of March 31, 1995, compared with 53 as of March 31, 1994.

Total credit-related expenses, which include foreclosed property expenses and the provision for losses, were $86 million in the first quarter of 1995, compared with $100 million in the first quarter of 1994. The decrease was primarily due to higher gains on property sales in the first quarter of 1995, which offset foreclosed property expenses, compared with the same period in 1994. The sum of net charge-offs and foreclosed property expenses in the three months ended March 31, 1995 was $90 million, compared with $113 million in the same period in 1994.

The allowance for losses decreased to $823 million at March 31, 1995 from $828 million at December 31, 1994. The Corporation's loss coverage ratio was 5.3 times the previous twelve months' charge-offs at March 31, 1995. Management expects this coverage to decline somewhat over the next few years as the large volume of loans from the early 1990s reach their peak credit loss years and as the Corporation continues to execute more preforeclosure sales, which accelerates loss recognition but generally reduces the overall loss significantly.

Balance Sheet Analysis

Mortgage Portfolio

The Corporation purchased $6.3 billion of mortgages at an average yield of 8.84 percent in the first three months of 1995, compared with $19.2 billion of mortgages at an average yield of 6.81 percent in the first three months of 1994. The decrease in mortgage purchases in 1995 was primarily due to the higher level of interest rates and the reduction in the number of mortgages offered for sale in the secondary market.

Mortgage loan repayments during the first quarter of 1995 totaled $3.8 billion, compared with $10.8 billion in the first quarter of 1994. The decrease in loan repayments was primarily due to the lower level of refinancing activity. Sales from portfolio totaled $0.2 billion for the first three months of 1995, compared with $1.2 billion for the first three months of 1994.

As of March 31, 1995, the net mortgage portfolio totaled $222.5 billion with a yield (before deducting the allowance for losses) of 7.86 percent, compared with $220.5 billion at 7.80 percent as of December 31, 1994. The increase in yield was primarily due to lower prepayments of higher coupon mortgages and an increase in conventional mortgage purchase yields as interest rates increased. The portfolio growth during the first quarter of 1995 was generated by the purchase of a combination of whole loans, MBS, and REMIC tranches. By selectively accessing these markets, the Corporation expects to achieve continued portfolio growth.

At March 31, 1995, the Corporation had mandatory delivery commitments and lender option commitments outstanding to purchase $2.2 billion and $1.5 billion of mortgage loans, respectively, compared with $1.4 billion and $1.6 billion, respectively, of such commitments outstanding at December 31, 1994.

Financing and Other Activities

During the first three months of 1995, the Corporation issued $203.7 billion of debt at an average cost of 6.07 percent and redeemed $201.4 billion at an average cost of 5.91 percent. Debt issued in the first three months of 1994 totaled $119.5 billion at an average cost of 3.52 percent, and debt redeemed was $104.3 billion at an average cost of 3.52 percent. The average cost of debt outstanding at March 31, 1995 and December 31, 1994 was 6.87 percent and 6.78 percent, respectively.

The following table presents the amount of callable debt and the notional amount of callable swaps issued and outstanding at March 31, 1995, December 31, 1994 and March 31, 1994.

(Dollars in billions)	Three months ended March 31, 1995	Year ended December 31, 1994	Three months ended March 31, 1994
Issued during the period	$ 2.5	$ 22.2	$ 6.8
Percentage of total long-term debt issued(1)	29%	45%	71%
Outstanding at end of period	$103.0	$101.9	$95.8
Percentage of total long-term debt outstanding(1)	54%	55%	58%

(1) Includes the notional amount of callable swaps, and excludes long-term debt with a repricing frequency of one year or less.

The shift during recent quarters from callable to noncallable debt reflected both market conditions and routine mortgage portfolio restructuring. The increase in interest rates during 1994 caused the duration of the mortgage portfolio's assets to extend relative to that of its liabilities, and the issuance of noncallable long-term debt helps to lengthen the duration of the liabilities funding the mortgage portfolio. For the remainder of 1995, the Corporation expects the proportion of debt issued that is callable will increase compared with the first quarter of 1995. This expectation is based on

projected market conditions (which can change quickly and considerably), as well as expected mortgage portfolio restructuring activity.

The Corporation uses interest rate swaps and other off-balance-sheet financial instruments in its financing activities to manage interest rate risk and to reduce the cost of debt issuance. The Corporation does not engage in trading or other speculative use of such off-balance-sheet financial instruments. Counterparty risk is the primary risk associated with these instruments. The Corporation reduces that risk by dealing only with institutions that meet certain credit guidelines, and by requiring collateral in certain circumstances.

The Corporation uses interest rate swaps primarily to extend or adjust the effective maturity of certain debt obligations. Under these swaps, the Corporation generally pays a fixed rate and receives a floating rate based on a notional principal amount. Asset swaps are used to achieve a specific investment objective at a desired yield. The notional amount of interest rate swap agreements outstanding, the weighted-average interest rates receivable and payable under the agreements, and the weighted-average remaining life of the swaps at March 31, 1995 and December 31, 1994 are presented in the following table.

(Dollars in millions)	Notional Amount (1)	Weighted-Average Interest Rate Receivable (2)	Weighted-Average Interest Rate Payable (2)	Weighted-Average Remaining Life
March 31, 1995				
Interest rate swaps:				
Debt	$96,552	6.26%	6.61%	57 mos
Asset	1,742	6.56	5.68	23
	$98,294			
December 31, 1994				
Interest rate swaps:				
Debt	$86,358	5.81%	6.50%	50 mos
Asset	1,517	6.37	5.96	25
	$87,875			

(1) The notional amount only indicates the amount on which swap payments are being calculated and does not represent the amount at risk of loss.

(2) The weighted-average interest rate receivable and payable is as of the date indicated. Some of the swaps are floating rate, so these rates may change as prevailing interest rates change.

The contract amounts of other off-balance-sheet financial instruments, which include short sales of Treasury securities and credit enhancements, were $2.8 billion at March 31, 1995, compared with $3.8 billion at December 31, 1994.

The exposure to credit loss for interest rate swaps and other off-balance-sheet financial instruments can be estimated by calculating the cost, on a present value basis, to replace at current market rates all those off-balance-sheet financial instruments outstanding for which the Corporation was in a gain position. The Corporation's net exposure at March 31, 1995 was $1.2 billion, compared with $3.0 billion at December 31, 1994. At March 31, 1995 and December 31, 1994, the Corporation had collateral with a market value of $0.4 billion and $1.2 billion, respectively, pledged from counterparties to offset credit risk. The exposure to credit loss can be expected to fluctuate significantly due to changes in interest rates.

The Corporation's shareholders' equity at March 31, 1995 was $9.9 billion, compared with $9.5 billion at December 31, 1994, and $8.5 billion at March 31, 1994. During the first quarter of 1995, the Corporation repurchased 0.4 million shares at a cost of $30 million. On April 18, 1995, the Board of Directors approved a dividend on the Corporation's common stock of 68 cents per share for

the quarter ended March 31, 1995. As of March 31, 1995, there were 273 million shares of common stock outstanding.

As discussed in the Information Statement under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Balance Sheet Analysis—Regulatory Capital Requirements," the Corporation is subject to capital standards. The Corporation met the applicable capital standards as of March 31, 1995. Management expects that continued growth in retained earnings will ensure continued compliance with the applicable standards.

Mortgage-Backed Securities

The Corporation issued $13.1 billion of MBS during the first three months of 1995, compared with $52.8 billion in the first three months of 1994. The decrease in MBS issued during the first quarter of 1995 compared with the first quarter of 1994 was primarily due to a reduction in the refinance activity in a higher rate environment and, in part, a greater percentage of adjustable-rate mortgages being originated, which many lenders desire to hold in their portfolio. REMIC issuances decreased to $1.0 billion in the first quarter of 1995 from $32.7 billion in the first quarter of 1994. This decline reflected the lower volume of fixed-rate MBS in a higher interest rate environment. In addition, higher interest rates caused a substantial amount of outstanding REMICs to become available for sale and reduced opportunities for dealers to create profitable new REMIC structures.

The following table summarizes MBS activity for the three months ended March 31, 1995 and 1994.

Summary of MBS Activity

(Dollars in millions)

Three Months Ended March 31,	Issued				Outstanding (1)		
	Lender Originated (1)						
	Lender Risk	Fannie Mae Risk	Fannie Mae Originated	Total	Lender Risk (2)	Fannie Mae Risk (3)	Total (4)
1995	$2,365	$10,456	$ 249	$13,070	$58,129	$475,133	$533,262
1994	1,454	49,033	2,318	52,805	57,073	450,303	507,376

(1) This table classifies lender originated MBS issued and MBS outstanding based on primary default risk category; however, Fannie Mae bears the ultimate risk of default on all MBS. MBS outstanding includes MBS that have been pooled to back Megas, SMBS, or REMICs.

(2) Included in lender risk are $29.0 billion and $32.1 billion at March 31, 1995 and 1994, respectively, on which the lender or a third party agreed to bear default risk limited to a certain portion or percentage of the loans delivered and, in some cases, the lender has pledged collateral to secure that obligation.

(3) Included are $5.0 billion at March 31, 1995 and $6.0 billion at March 31, 1994, which are backed by government insured or guaranteed mortgages.

(4) Included are $46.3 billion and $25.4 billion at March 31, 1995 and 1994, respectively, of Fannie Mae MBS in portfolio.

New Accounting Standards

In the first quarter of 1995, the Corporation adopted Financial Accounting Standard No. 114, "Accounting by Creditors for Impairment of a Loan" ("FAS 114"), as amended by Financial Accounting Standard No. 118 "Accounting by Creditors for Impairment of a Loan Income Recognition and Disclosures." FAS 114 requires loans that will not be repaid in accordance with their contractual terms to be measured using a discounted cash flow methodology or the fair value of the collateral.

FAS 114 did not have a material impact on the Corporation.

During 1995, the Financial Accounting Standards Board issued Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("FAS 121"). This standard requires that an impairment loss be recognized if the fair value of the asset is less than the carrying amount.

Management does not expect this standard to have a material impact on the Corporation.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors
Fannie Mae:

We have reviewed the accompanying condensed balance sheet of Fannie Mae (Federal National Mortgage Association) as of March 31, 1995 and the related condensed statements of income and cash flows for the three-month periods ended March 31, 1995 and 1994. These condensed financial statements are the responsibility of Fannie Mae's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of Fannie Mae as of December 31, 1994 (presented herein in condensed form) and the related statements of income and cash flows for the year then ended (not presented herein); and in our report dated January 11, 1995, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 1994, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

KPMG PEAT MARWICK LLP

Washington, D.C.
April 11, 1995

FANNIE MAE

INTERIM FINANCIAL STATEMENTS

CONDENSED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended March 31,	
	1995	1994
	(Dollars in millions, except per share amounts)	
Interest income	$ 4,986	$ 3,973
Interest expense	4,278	3,309
Net interest income	708	664
Guaranty fees	267	270
Gain on sales of mortgages, net	2	2
Miscellaneous income, net	35	59
Provision for losses	(35)	(40)
Foreclosed property expenses	(51)	(60)
Administrative expenses	(129)	(124)
Income before federal income taxes and extraordinary item	797	771
Provision for federal income taxes	(245)	(253)
Income before extraordinary item	552	518
Extraordinary gain (loss)—early extinguishment of debt (net of tax effect)	3	(8)
Net income	$ 555	$ 510
Per share:		
Earnings before extraordinary item	$ 2.02	$ 1.89
Net earnings	2.03	1.86
Cash dividends	0.68	0.60

CONDENSED BALANCE SHEETS

(Unaudited)

	March 31, 1995	December 31, 1994
	(Dollars in millions)	
Assets		
Mortgage portfolio, net	$222,480	$220,525
Investments	46,107	46,335
Other assets	6,130	5,648
Total assets	$274,717	$272,508
Liabilities		
Debentures, notes, and bonds, net		
Due within one year	$111,178	$112,602
Due after one year	147,475	144,628
Other liabilities	6,157	5,737
Total liabilities	264,810	262,967
Stockholders' equity	9,907	9,541
Total liabilities and stockholders' equity	$274,717	$272,508

See Notes to Interim Financial Statements

FANNIE MAE

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
	1995	1994
	(Dollars in millions)	
Net cash provided (used) by operating activities	$ 1,932	$ (22)
Cash flows from investing activities:		
Purchases of mortgages	(6,274)	(19,122)
Proceeds from sales of mortgages	241	1,213
Mortgage principal repayments	4,221	11,228
Net decrease (increase) in investments	228	(7,224)
Net cash used by investing activities	(1,584)	(13,905)
Cash flows from financing activities:		
Cash proceeds from issuance of debt	202,208	125,150
Cash payments to retire debt	(202,142)	(110,411)
Other	(209)	(99)
Net cash (used) provided by financing activities	(143)	14,640
Net increase in cash and cash equivalents	205	713
Cash and cash equivalents at beginning of period	231	977
Cash and cash equivalents at end of period	$ 436	$ 1,690

NOTES TO INTERIM FINANCIAL STATEMENTS

(Unaudited)

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1995 are not necessarily indicative of the results that may be expected for the year ending December 31, 1995. The unaudited interim financial statements should be read in conjunction with the audited financial statements and notes to financial statements that are presented in the Information Statement dated March 31, 1995.

Commitments and Contingencies

The Corporation had outstanding commitments to purchase mortgages and to issue MBS as shown below:

	March 31, 1995 (Dollars in billions)
Commitments to purchase mortgages:	
Mandatory delivery	$ 2.2
Lender option(1)	0.7
Average net yield on mandatory delivery	8.39%
Commitments to issue MBS:	
Mandatory delivery(1)	$ 0.1
Lender option(1)	2.5
Master commitments:	
Mandatory delivery(2)	82.3
Lender option	34.4

(1) Excludes commitments attached to master commitments, which are included in the total for master commitments.

(2) Under a mandatory master commitment, a lender must either deliver under an MBS contract at a specified guaranty fee or enter into a mandatory portfolio commitment with the yield established upon executing the portfolio commitment.

The Corporation also guarantees timely payment of principal and interest on outstanding MBS as summarized below:

	March 31, 1995 (Dollars in billions)
MBS outstanding, net of $46.3 billion of MBS held in portfolio	$486.9
Amount for which the Corporation has primary foreclosure loss risk(1):	
Conventional	470.1
Government insured or guaranteed	5.0

(1) The Corporation, however, assumes the ultimate risk of loss on all MBS.

COMPUTATION OF EARNINGS PER SHARE

(Unaudited)

	Three Months Ended March 31,	
	1995	**1994**
	(In millions, except per share data)	
Earnings Per Share:		
Average common shares outstanding	272.7	273.3
Effect of common stock equivalents	1.0	1.2
Average fully diluted shares outstanding	273.7	274.5
Income before extraordinary item	$ 552	$ 518
Net income	555	510
Earnings per share before extraordinary item	$ 2.02	$ 1.89
Net earnings per share	2.03	1.86

MANAGEMENT

On April 13, 1995, the Corporation announced that Stephen B. Ashley has been nominated for election to its Board of Directors. He has been nominated to fill the seat that will be vacated by Eli Broad when Mr. Broad's term expires at the Corporation's annual meeting of stockholders on May 18, 1995.

Mr. Ashley, age 55, has been Chairman and Chief Executive Officer since January 1991 and was President and Chief Executive Officer from January 1975 to December 1990 of Sibley Mortgage Corporation, a mortgage banking company. Mr. Ashley also is a past President of the Mortgage Bankers Association. He serves as a director of The Genesee Corporation and of Hahn Automotive Warehouse, Inc. His principal residence is in Livonia, New York.

On April 28, 1995, the President of the United States announced his intention to reappoint William M. Daley, Thomas A. Leonard, John R. Sasso and José H. Villarreal to the Board of Directors after their present terms expire on May 18, 1995, the date of the Corporation's annual meeting of stockholders.

FannieMae