

From our Chairman

Stephen B. Ashley
*Chairman
of the Board*



Dear Shareholders,

I'm writing to invite you to Fannie Mae's Annual Meeting of Shareholders that will take place on May 20, 2008 in New Orleans. Fannie Mae has committed \$40 billion in financing for housing and redevelopment in the Gulf region since Hurricane Katrina in 2005. Our meeting will be a great opportunity to see first-hand both the progress the city is making and how much remains to be done.

Further details about the meeting are available in the proxy statement for the 2008 Annual Meeting. You'll also find our 2007 Form 10-K within this Annual Report to Shareholders.

2007 was Fannie Mae's seventieth year of existence and it ended much like the year of our founding: a year of crisis for housing in America. Fannie Mae was created in 1938 to help America's housing market recover from the Great Depression. Today, we are helping housing to weather what many are calling its greatest crisis since the Depression.

Our company has undergone a remarkable transformation during the past three years, rebuilding everything from our accounting and controls to our corporate structure and governance. We also worked to make the company more flexible and responsive so that we can provide better service, reliability and value to our customers — the lenders and other partners who house America.

In overseeing this rebuilding, the Board wanted to ensure that the new Fannie Mae was built to last, even against the strongest of storms. We didn't know that our new house would be immediately tested by the storm that hit housing and the mortgage markets in the second half of 2007. The Board has overseen management's response to the crisis at every critical juncture and, overall, we believe management has provided the company and the markets with steady leadership through significant turbulence.

As the crisis deepened, many in Washington and across the country turned to the housing enterprises for leadership. Fannie Mae responded with a series of steps to minimize the impact on families and communities by preventing foreclosures, supporting counseling efforts and helping to stabilize the market by keeping affordable mortgage funds flowing to lenders and to home buyers — all aimed at easing the pain of the housing correction and speeding the recovery.

But as the largest source of mortgage financing in the country, Fannie Mae is directly impacted by the storm. The proof is in our disappointing financial results for 2007, which are discussed in detail in the letter to shareholders from President and Chief Executive Officer Dan Mudd.

The company has taken a number of steps to protect itself against ongoing disruptions in this very challenging market environment. At the same time, we did not and we will not retreat from the market. In fact, during 2007 — a year in which total single-family mortgage originations fell by 10 percent — Fannie Mae grew our total mortgage credit book of business by 14 percent and our guaranty fee income by 19 percent. At the same time, in our Capital Markets business, the size of our mortgage portfolio held steady.

In a sense, this current period has brought the company squarely back to its heritage and its mission: to provide stability, liquidity and affordability to America's housing market, in good times and bad. That's what we were created for and it's what we've been doing ever since — from the 1930s and the Depression to the growth of suburbia following World War II to the present day. We occupy a central position in one of the country's most critical markets — a position that we believe gives Fannie Mae the ability to create long-term value — for the country, for our customers and for our shareholders for many years to come.

Realizing that value will require a lot of hard work on our part. I am very appreciative of the patience demonstrated by our shareholders over the past several years as we rebuilt the company. And I thank you in advance for your continued ownership as we work to play our role in strengthening America's housing and mortgage markets.

Sincerely yours,

A handwritten signature in black ink that reads "Stephen B. Ashley". The signature is written in a cursive, slightly slanted style.

Stephen B. Ashley