

**Supplement dated August 13, 1996 to  
Information Statement dated February 22, 1996**



This Supplement describes the financial condition of the Federal National Mortgage Association ("Fannie Mae" or the "Corporation") as of June 30, 1996 and contains unaudited financial statements with respect to the Corporation for the quarter and six months ended June 30, 1996. This Supplement should be read in conjunction with the Corporation's Information Statement dated February 22, 1996 (the "Information Statement") and the Supplement dated May 15, 1996 thereto (the "May 15 Supplement"), 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, 1995. The May 15 Supplement describes the financial condition of the Corporation as of March 31, 1996 and contains unaudited financial statements with respect to the Corporation for the quarter ended March 31, 1996. 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 May 15 Supplement, 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 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 or otherwise. This Supplement does not itself constitute an offer 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 July 31, 1996, approximately 1,065 million 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-month and six-month periods ended June 30, 1996 and 1995 are unaudited and include, in the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation. Certain amounts in 1995 have been reclassified to conform with the current presentation. Operating results for the periods ended June 30, 1996 are not necessarily indicative of the results expected for the entire year.

(Dollars in millions, except per common share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
<b>Income Statement Data:</b>				
Interest income .....	\$ 5,832	\$ 5,162	\$ 11,590	\$10,149
Interest expense .....	4,949	4,441	9,821	8,719
Net interest income .....	883	721	1,769	1,430
Guaranty fees .....	296	267	584	534
Miscellaneous income, net .....	18	23	37	59
Provision for losses .....	(50)	(35)	(95)	(70)
Foreclosed property expenses .....	(52)	(49)	(105)	(100)
Administrative expenses .....	(138)	(135)	(273)	(264)
Income before federal income taxes and extraordinary item .....	957	792	1,917	1,589
Provision for federal income taxes .....	(281)	(214)	(566)	(447)
Income before extraordinary item .....	676	578	1,351	1,142
Extraordinary loss, net of tax effect .....	(8)	(5)	(29)	(3)
Net income .....	<u>\$ 668</u>	<u>\$ 573</u>	<u>\$ 1,322</u>	<u>\$ 1,139</u>
Preferred stock dividends .....	(11)	—	(13)	—
Net income available to common stockholders .....	<u>\$ 657</u>	<u>\$ 573</u>	<u>\$ 1,309</u>	<u>\$ 1,139</u>
Per common share:				
Earnings before extraordinary item .....	\$ .61	\$ .53	\$ 1.23	\$ 1.04
Net earnings .....	.61	.52	1.20	1.04
Cash dividends .....	.19	.17	.38	.34
<b>June 30,</b>				
<b>Balance Sheet Data:</b>				
Mortgage portfolio, net .....	\$269,179	\$231,339		
Investments .....	49,574	48,340		
Total assets .....	326,910	287,274		
Borrowings:				
Due within one year .....	141,833	126,429		
Due after one year .....	166,552	144,508		
Total liabilities .....	315,159	276,951		
Stockholders' equity .....	11,751	10,323		
<b>Other Data:</b>				
Net interest margin .....	1.18%	1.13%	1.19%	1.14%
Return on average common equity .....	24.0	22.7	23.9	23.1
Return on average assets (1) .....	.81	.82	.81	.83
Ratio of earnings to fixed charges (2) .....	1.19:1	1.18:1	1.20:1	1.18:1
Ratio of earnings to combined fixed charges and preferred stock dividends (2) .....	1.19:1	1.18:1	1.19:1	1.18:1
Dividend payout ratio .....	31.1%	32.4%	31.4%	32.6%
Equity to assets ratio .....	3.6	3.6	3.5	3.6
Mortgage purchases .....	\$ 17,480	\$ 14,071	\$ 35,342	\$20,417
MBS issued .....	45,981	21,330	84,351	34,400
MBS outstanding at period end .....	621,285	543,669		
Capital at period end (3) .....	12,523	11,141		

(1) The return on average assets for the years included in the Information Statement were rounded to the nearest full percentage point. If rounded in a manner consistent with the return on average assets numbers set forth in this table, the return on average assets for the years ended December 31, 1995, 1994, 1993, 1992 and 1991 would have been shown in the Information Statement as .75, .88, .97, 1.00, and .98 percent, respectively.

(2) "Earnings" consists of (i) income before federal taxes and extraordinary item and (ii) fixed charges. "Fixed charges" represents interest expense. There was no preferred stock outstanding in 1995.

(3) Stockholders' equity plus allowance for losses.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS FOR THE THREE-MONTH AND  
SIX-MONTH PERIODS ENDED JUNE 30, 1996**

**Results of Operations**

In the second quarter of 1996, Fannie Mae again reported record earnings as net income increased \$95 million to \$668 million or 17 percent over the results for the second quarter of 1995. For the first six months of 1996, net income increased \$183 million or 16 percent to \$1.322 billion compared with \$1.139 billion for the first half of 1995. The growth in net income for the three-month and six-month periods ended June 30, 1996 was attributable mainly to increases in net interest income and guaranty fees, which in both periods was partially offset by an increase in federal income tax expense.

Net interest income in the second quarter of 1996 increased 22 percent compared with the second quarter of 1995 as a result of 17 percent growth in the average investment portfolio and a 5 basis point increase in the net interest margin. Net interest income in the first six months of 1996 increased 24 percent compared with the first six months of 1995 as a result of 18 percent growth in the average investment portfolio and a 5 basis point increase in the net interest margin. Management believes that the net interest margin for 1996 will average slightly higher than the 116 basis point average net interest margin in 1995.

The following table presents an analysis of net interest income for the three-month and six-month periods ended June 30, 1996 and 1995.

## Net Interest Income and Average Balances

(Dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
Interest income:				
Mortgage portfolio .....	\$ 5,051	\$ 4,432	\$ 9,978	\$ 8,761
Investments and cash equivalents .....	781	730	1,612	1,388
Total interest income .....	5,832	5,162	11,590	10,149
Interest expense (1):				
Short-term debt .....	842	995	1,827	1,943
Long-term debt .....	4,107	3,446	7,994	6,776
Total interest expense .....	4,949	4,441	9,821	8,719
Net interest income .....	883	721	1,769	1,430
Tax equivalent adjustment (2) .....	61	53	118	102
Net interest income tax equivalent basis .....	\$ 944	\$ 774	\$ 1,887	\$ 1,532
Average balances:				
Interest-earning assets (3):				
Mortgage portfolio, net .....	\$264,761	\$226,292	\$260,450	\$223,852
Investments and cash equivalents .....	56,352	47,012	57,613	45,102
Total interest-earning assets .....	\$321,113	\$273,304	\$318,063	\$268,954
Interest-bearing liabilities (1):				
Short-term debt .....	\$ 63,569	\$ 66,457	\$ 67,967	\$ 65,880
Long-term debt .....	241,830	193,752	234,887	190,274
Total interest-bearing liabilities .....	305,399	260,209	302,854	256,154
Interest-free funds .....	15,714	13,095	15,209	12,800
Total interest-bearing liabilities and interest-free funds .....	\$321,113	\$273,304	\$318,063	\$268,954
Average interest rates (2):				
Interest-earning assets:				
Mortgage portfolio, net .....	7.69%	7.87%	7.72%	7.86%
Investments and cash equivalents .....	5.60	6.33	5.65	6.26
Total interest-earning assets .....	7.33	7.60	7.35	7.59
Interest-bearing liabilities (1):				
Short-term debt .....	5.19	6.05	5.28	5.99
Long-term debt .....	6.82	7.11	6.83	7.12
Total interest-bearing liabilities .....	6.48	6.84	6.48	6.83
Investment spread .....	.85	.76	.87	.76
Interest-free return (4) .....	.33	.37	.32	.38
Net interest margin (5) .....	1.18%	1.13%	1.19%	1.14%

- (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 \$2.2 billion for the three- and six-month periods ended June 30, 1996 and \$1.9 billion for the three- and six-month periods ended June 30, 1995.
- (4) Consists primarily of the return on that portion of the investment portfolio funded by equity and non-interest-bearing liabilities.
- (5) Net interest income, on a tax equivalent basis, as a percentage of the average investment portfolio.

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-month and six-month periods ended June 30, 1996 and 1995.

### Rate/Volume Analysis

(Dollars in millions)

	Second Quarter 1996 vs. Second Quarter 1995			First Six Months 1996 vs. First Six Months 1995		
	Increase (Decrease)	Attributable to Changes in (1)		Increase (Decrease)	Attributable to Changes in (1)	
		Volume	Rate		Volume	Rate
Interest income:						
Mortgage portfolio . . . . .	\$ 619	\$737	\$(118)	\$1,217	\$1,406	\$(189)
Investments and cash equivalents . . .	<u>51</u>	<u>135</u>	<u>(84)</u>	<u>224</u>	<u>359</u>	<u>(135)</u>
Total interest income . . . . .	<u>670</u>	<u>872</u>	<u>(202)</u>	<u>1,441</u>	<u>1,765</u>	<u>(324)</u>
Interest expense:						
Short-term debt . . . . .	(153)	(42)	(111)	(116)	60	(176)
Long-term debt . . . . .	<u>661</u>	<u>822</u>	<u>(161)</u>	<u>1,218</u>	<u>1,530</u>	<u>(312)</u>
Total interest expense . . . . .	<u>508</u>	<u>780</u>	<u>(272)</u>	<u>1,102</u>	<u>1,590</u>	<u>(488)</u>
Net interest income . . . . .	<u>\$ 162</u>	<u>\$ 92</u>	<u>\$ 70</u>	<u>\$ 339</u>	<u>\$ 175</u>	<u>\$ 164</u>

(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 increased by \$29 million to \$296 million when compared with the second quarter of 1995. This change resulted from an increase in the average guaranty fee rate to 22.3 basis points in the second quarter of 1996 from 21.9 basis points in the second quarter of 1995 and a 9 percent increase in average net Mortgage-Backed Securities ("MBS") outstanding. For the first half of 1996, guaranty fee income increased by \$50 million to \$584 million.

In the second quarter of 1996, miscellaneous income declined 22 percent to \$18 million versus \$23 million in the second quarter of 1995, primarily as a result of lower REMIC fees. Net REMIC fees decreased by \$15 million to \$6 million in the second quarter of 1996 versus the second quarter of 1995. For the first half of 1996, miscellaneous income declined 37 percent to \$37 million versus \$59 million in the first half of 1995. The decline in miscellaneous income for the first half of 1996 versus the first half of 1995 was primarily a result of lower REMIC fees and an increase in net operating losses on affordable housing investments. Net REMIC fees were \$10 million for the first half of 1996 compared with \$40 million for the first half of 1995. In the first half of 1995, the Corporation recognized additional deferred REMIC fees due to lower expected REMIC processing costs. Net operating losses on affordable housing investments were \$21 million for the first half of 1996 compared with \$13 million for the first half of 1995.

Administrative expenses for the quarter ended June 30, 1996 were \$138 million, compared with \$135 million during the same period in 1995. For the six months ended June 30, 1996, administrative expenses were \$273 million, compared with \$264 million for the same period in 1995. The ratio of administrative expenses to the average mortgage portfolio plus average MBS outstanding was .070 percent for the three-month and six-month periods ended June 30, 1996, compared with .076 and .074 percent, respectively, for the comparable periods in 1995. The ratio of administrative expenses to revenues (net interest income, guaranty fees and miscellaneous income) was 11.5 percent for the second quarter of 1996, compared with 13.4 percent for the second quarter of 1995, and was 11.4 percent for the first half of 1996, compared with 13.1 percent for the first half of 1995.

The effective federal income tax rate was 29 percent for both the three and six months ended June 30, 1996, compared with 27 percent and 28 percent for the three and six months ended June 30, 1995, respectively.

In the second quarter of 1996, the Corporation had an extraordinary loss of \$12 million (\$8 million after tax) from the repurchase or call of debt compared with a loss of \$8 million (\$5 million after tax) in the second quarter of 1995. An extraordinary net loss of \$44 million (\$29 million after tax) was reported in the first half of 1996 from the repurchase or call of debt compared with a loss of \$4 million (\$3 million after tax) from repurchases or calls in the first half of 1995. For the remainder of 1996, 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.

### Line of Business Reporting

The following tables set forth the Corporation's financial information by line of business for the three months and six months ended June 30, 1996 and 1995. Significant changes from period to period were due to the same factors discussed under "Results of Operations."

Three months ended June 30,	1996				1995			
	Portfolio Investment	Credit Guaranty	Fee-based Services	Total	Portfolio Investment	Credit Guaranty	Fee-based Services	Total
	(Dollars in millions)							
Net interest income	\$ 773	\$ 103	\$ 7	\$ 883	\$ 626	\$ 88	\$ 7	\$ 721
Guaranty fees	(180)	476	—	296	(155)	422	—	267
Miscellaneous, net	6	(2)	14	18	3	(7)	27	23
Provision for losses	—	(50)	—	(50)	—	(35)	—	(35)
Foreclosed property expenses	—	(52)	—	(52)	—	(49)	—	(49)
Administrative expenses	(32)	(89)	(17)	(138)	(34)	(91)	(10)	(135)
Federal income taxes	(158)	(122)	(1)	(281)	(110)	(96)	(8)	(214)
Extraordinary item—early extinguishment of debt	(8)	—	—	(8)	(5)	—	—	(5)
Net income	<u>\$ 401</u>	<u>\$ 264</u>	<u>\$ 3</u>	<u>\$ 668</u>	<u>\$ 325</u>	<u>\$ 232</u>	<u>\$ 16</u>	<u>\$ 573</u>

Six months ended June 30,	1996				1995			
	Portfolio Investment	Credit Guaranty	Fee-based Services	Total	Portfolio Investment	Credit Guaranty	Fee-based Services	Total
	(Dollars in millions)							
Net interest income	\$1,555	\$ 198	\$ 16	\$1,769	\$1,237	\$ 177	\$ 16	\$1,430
Guaranty fees	(357)	941	—	584	(307)	841	—	534
Miscellaneous, net	14	(4)	27	37	8	1	50	59
Provision for losses	—	(95)	—	(95)	—	(70)	—	(70)
Foreclosed property expenses	—	(105)	—	(105)	—	(100)	—	(100)
Administrative expenses	(63)	(176)	(34)	(273)	(64)	(175)	(25)	(264)
Federal income taxes	(324)	(239)	(3)	(566)	(231)	(202)	(14)	(447)
Extraordinary item—early extinguishment of debt	(29)	—	—	(29)	(3)	—	—	(3)
Net income	<u>\$ 796</u>	<u>\$ 520</u>	<u>\$ 6</u>	<u>\$1,322</u>	<u>\$ 640</u>	<u>\$ 472</u>	<u>\$ 27</u>	<u>\$1,139</u>

The Portfolio Investment business represented \$316 billion, or 97 percent of total assets, at June 30, 1996 and \$272 billion, or 95 percent of total assets, at June 30, 1995.



## Credit Data

The following table shows the Corporation's serious delinquencies for conventional loans in portfolio and underlying MBS at June 30, 1996 and 1995, and conventional properties acquired and total net charge-offs for the three and six months ended June 30, 1996 and 1995.

	Delinquency Rate (1)		Number of Properties Acquired				Net Charge-offs (Dollars in millions)			
			Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995
Single-family .....	0.56%	0.55%	5,177	3,500	9,567	6,850	\$57	\$34	\$110	\$72
Multifamily .....	1.00	1.02	12	17	27	59	2	6	8	7
Total .....							<u>\$59</u>	<u>\$40</u>	<u>\$118</u>	<u>\$79</u>

- (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 or in 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.

The increases in single-family properties acquired primarily reflected the aging of the Corporation's overall book of business, higher average loan-to-value ratios on the 1994 and 1995 books of business, the decline in California real estate values in prior years and initiatives undertaken by the Corporation to reduce the time required for foreclosure processing. Credit results in the second quarter of 1996 have not significantly altered the Corporation's credit outlook for 1996, although it does anticipate a change in the mix of credit-related losses, with somewhat higher charge-offs and somewhat lower foreclosed property expenses. Several factors currently are acting to reduce loss per case on acquired properties. In addition to the Corporation's loss mitigation efforts, such factors include a stable home price environment and deeper mortgage insurance requirements on higher loan-to-value ratio loans.

Multifamily property acquisitions included 9 properties in the second quarter of 1996 and 14 properties in the second quarter of 1995 from a portfolio that transferred from lender risk to Fannie Mae risk. In the first six months of 1996 and 1995, multifamily property acquisitions included 20 properties and 53 properties, respectively, related to this portfolio. As part of this transaction, the Corporation received substantial supplemental fees to help offset expected losses.

The inventory of single-family properties was 8,147 as of June 30, 1996, compared with 6,554 as of June 30, 1995. The inventory of multifamily properties was 32 as of June 30, 1996, compared with 48 as of June 30, 1995.

Total credit-related expenses, which include foreclosed property expenses and the provision for losses, were \$102 million in the second quarter of 1996, compared with \$84 million in the second quarter of 1995. Total credit-related expenses for the six months ended June 30, 1996 and 1995 were \$200 million and \$170 million, respectively. The sum of net charge-offs and foreclosed property expenses in the three months ended June 30, 1996 was \$111 million, compared with \$89 million in the same period in 1995. The sum of net charge-offs and foreclosed property expenses for the six months ended June 30, 1996 and 1995 were \$223 million and \$179 million, respectively. The increases in the three- and six-month periods were primarily due to higher property acquisitions.

The allowance for losses decreased to \$772 million at June 30, 1996, from \$795 million at December 31, 1995 and \$818 million at June 30, 1995. The allowance for losses increases through the provision for losses and is reduced through charge-offs. The provision for losses was \$50 million in the



second quarter of 1996 compared with \$35 million in the second quarter of 1995 and \$95 million in the first half of 1996 versus \$70 million in the comparable period in 1995. The Corporation's loss coverage ratio at June 30, 1996 was 3.7 times the previous twelve months' charge-offs. Management anticipates that the provision for losses will be adjusted periodically in line with its analysis of actual and expected loss experience and that the loss coverage ratio will decline somewhat over the next few years as the Corporation's overall book of business ages and continues to grow.

## **Balance Sheet Analysis**

### *Mortgage Portfolio*

The Corporation purchased \$17.5 billion of mortgages at an average yield of 7.78 percent in the second quarter of 1996, compared with \$14.1 billion of mortgages at an average yield of 8.07 percent in the second quarter of 1995. In the first six months of 1996, mortgage purchases were \$35.3 billion at an average yield of 7.43 percent, compared with \$20.4 billion at an average yield of 8.31 percent in the first six months of 1995. The increase in mortgage purchases in 1996 was primarily due to the increase in the number of mortgages offered for sale in the secondary market.

Mortgage loan repayments during the second quarter of 1996 totaled \$9.4 billion, compared with \$5.4 billion in the second quarter of 1995. During the first half of 1996, mortgage loan repayments were \$18.8 billion compared with \$9.6 billion in the first half of 1995.

As of June 30, 1996, the net mortgage portfolio totaled \$269.2 billion with a yield (before deducting the allowance for losses) of 7.69 percent, compared with \$252.6 billion at 7.80 percent as of December 31, 1995 and \$231.3 billion at 7.87 percent as of June 30, 1995. The decrease in yield was primarily due to the purchase of mortgages, in a lower interest rate environment, at yields below the average mortgage portfolio yield for the greater part of the first half of 1996. The portfolio growth during the first half of 1996 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 June 30, 1996, the Corporation had mandatory delivery commitments and lender option commitments outstanding to purchase \$3.6 billion and \$1.3 billion of mortgage loans, respectively, compared with \$2.5 billion and \$0.7 billion, respectively, of such commitments outstanding at December 31, 1995.

### *Financing and Other Activities*

During the second quarter of 1996, the Corporation issued \$161.3 billion of debt at an average cost of 5.56 percent and redeemed \$159.8 billion at an average cost of 5.42 percent. Debt issued in the second quarter of 1995 totaled \$176.0 billion at an average cost of 6.05 percent, and debt redeemed was \$164.7 billion at an average cost of 5.99 percent. During the first six months of 1996, \$345.3 billion of debt was issued at an average cost of 5.50 percent and \$336.3 billion was redeemed at an average cost of 5.56 percent. In the first six months of 1995, debt issued totaled \$379.7 billion at an average cost of 6.06 percent, and debt redeemed totaled \$366.1 billion at an average cost of 5.95 percent. The average cost of debt outstanding at June 30, 1996, December 31, 1995 and June 30, 1995 was 6.51 percent, 6.55 percent and 6.78 percent, respectively.

In the first half of 1996, the Corporation increased the average maturity of debt supporting the mortgage portfolio, in part by reducing the percentage of short-term debt relative to long-term debt. Management believes that this action better positions the Corporation against potential increases in interest rates.

The following table presents the amount of callable debt and the notional amount of callable swaps issued and outstanding for the periods ended June 30, 1996 and June 30, 1995.

<u>(Dollars in billions)</u>	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
Issued during the period . . . . .	\$ 11.7	\$ 4.0	\$23.8	\$6.5
Percentage of total long-term debt issued(1) . . . . .	57%	25%	52%	27%
Outstanding at end of period . . . . .	\$116.0	\$100.6		
Percentage of total long-term debt outstanding(1) . . . . .	47%	51%		

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

The Corporation’s shift to more callable debt in the second quarter and first six months of 1996 as compared with the second quarter and first six months of 1995, respectively, reflected market conditions and restructuring of the duration of the Corporation’s debt, which supports the mortgage portfolio. Callable debt enables the Corporation to shorten the duration of its debt when interest rates fall, and to lengthen the duration of that same debt when interest rates rise.

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 primarily uses two types of interest rate swaps—generic swaps, which involve the exchange of fixed and variable interest payments based on contractual notional principal amounts and may include callable swaps (which give the Corporation the right to terminate the interest rate swap transaction prior to its stated final maturity); and basis swaps, whereby the Corporation exchanges interest payments that have similar maturities but are based on different indices. The following table summarizes the Corporation’s interest rate swap activity for the quarter ended June 30, 1996 and the balance of swaps outstanding at June 30, 1996, together with the expected maturities and weighted-average interest rates to be received and paid on these swaps.

## Interest Rate Swap Activity Table

(Dollars in billions)	Generic—pay fixed/ receive variable (1)			Basis Swaps	Other (4)	Total
	Notional (2)	Pay Rate (3)	Receive Rate (3)			
Balance at December 31, 1995 . . . .	\$75.5	6.68%	5.87%	\$32.9	\$14.8	\$123.2
Additions . . . . .	5.1	6.05	5.44	6.8	3.2	15.1
Maturities . . . . .	1.0	6.03	5.38	4.0	7.4	12.4
Balance at March 31, 1996 . . . . .	79.6	6.65	5.52	35.7	10.6	125.9
Additions . . . . .	9.5	7.31	5.57	7.1	5.0	21.6
Maturities . . . . .	1.4	6.65	5.56	3.0	2.0	6.4
Balance at June 30, 1996 . . . . .	\$87.7	6.72%	5.50%	\$39.8	\$13.6	\$141.1
Balance at June 30, 1995 . . . . .	\$65.9	6.85%	6.23%	\$24.2	\$15.6	\$105.7
Future Maturities (5)						
1996 . . . . .	\$ 1.5	6.21%	5.53%	\$12.4	\$ 1.6	\$ 15.5
1997 . . . . .	9.9	6.17	5.60	19.3	2.2	31.4
1998 . . . . .	9.0	5.30	5.45	3.4	1.3	13.7
1999 . . . . .	8.5	6.77	5.31	3.5	4.2	16.2
2000 . . . . .	4.1	6.15	5.49	.9	.9	5.9
Thereafter . . . . .	54.7	7.10	5.53	.3	3.4	58.4
	\$87.7	6.72%	5.50%	\$39.8	\$13.6	\$141.1

(1) Included in the notional amounts are callable swaps of \$27.8 billion, \$23.6 billion, \$23.4 billion, and \$25.4 billion at June 30, 1996, March 31, 1996, December 31, 1995, and June 30, 1995, respectively.

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

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

(4) Amounts principally consist of generic-pay variable/receive fixed swaps.

(5) Assumes that variable interest rates remain constant at June 30, 1996 levels.

The contract amounts of other off-balance-sheet financial instruments, which included futures contracts and short sales of Treasury securities to provide a hedge against interest rate fluctuations, credit enhancements and other guarantees, were \$5.7 billion at June 30, 1996, compared with \$5.9 billion at December 31, 1995.

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 of those off-balance-sheet financial instruments outstanding for which the Corporation was in a net gain position. The Corporation's net exposure at June 30, 1996 was \$293 million, compared with \$9 million at December 31, 1995. At June 30, 1996 the Corporation had \$120 million of pledged collateral to offset credit risk. The exposure to credit loss can be expected to fluctuate significantly due to changes in interest rates.

The Corporation's stockholders' equity at June 30, 1996 was \$11.8 billion, compared with \$11.0 billion at December 31, 1995, and \$10.3 billion at June 30, 1995. Pursuant, in part, to the capital restructuring program described in the Information Statement under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview" and

“—Balance Sheet Analysis—Liquidity and Capital Resources,” the Corporation repurchased 14.5 million shares of common stock at a weighted average cost of \$31.12 per share during the second quarter of 1996. Year-to-date common stock repurchases totaled 40.7 million shares. As of June 30, 1996 there were 1,067 million shares of common stock outstanding. Also as part of the capital restructuring program, on April 12, 1996 the Corporation issued 7.5 million shares of 6.50 percent, noncumulative preferred stock, Series B, with a stated value of \$50 per share, bringing total preferred stock issuances for the year to \$750 million.

On July 16, 1996, the Board of Directors approved a dividend for the quarter ended June 30, 1996 of \$0.19 per common share, and dividends of \$0.80125 per Series A preferred share and \$0.81250 per Series B preferred share for the periods from and including June 30, 1996 to but excluding September 30, 1996.

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 June 30, 1996. Management expects that continued growth in retained earnings will ensure continued compliance with the applicable standards.

### **Mortgage-Backed Securities**

The Corporation issued \$46.0 billion of MBS during the second quarter of 1996, compared with \$21.3 billion in the second quarter of 1995. MBS issued in the first half of 1996 totaled \$84.4 billion, compared with \$34.4 billion in the first half of 1995. The increase in MBS issuances in 1996 versus 1995 was primarily due to an increase in mortgage origination and refinance activity in a lower interest rate environment and, in part, to lower interest rates prompting a lower percentage of adjustable-rate mortgages to be originated, which many lenders desire to hold in their portfolio.

REMIC issuances were \$4.5 billion in the second quarter of 1996 and \$7.2 billion in the first six months of 1996, compared with \$3.2 billion and \$4.5 billion, respectively, in the comparable periods for 1995.

The following table summarizes MBS activity for the three-month and six-month periods ended June 30, 1996 and 1995.

**Summary of MBS Activity**

(Dollars in millions)

<b>Three Months Ended June 30,</b>	<b>Issued</b>				<b>Outstanding (1)</b>		
	<b>Lender Originated (1)</b>				<b>Lender Risk (2)</b>	<b>Fannie Mae Risk</b>	<b>Total (3)</b>
	<b>Lender Risk</b>	<b>Fannie Mae Risk</b>	<b>Fannie Mae Originated</b>	<b>Total</b>			
1996 .....	\$3,049	\$42,719	\$ 213	\$45,981	\$66,700	\$554,585	\$621,285
1995 .....	5,174	16,022	134	21,330	62,346	481,323	543,669
<b>Six Months Ended June 30,</b>							
1996 .....	\$4,967	\$79,135	\$ 249	\$84,351			
1995 .....	7,539	26,478	383	34,400			

- (1) This table classifies lender originated MBS issued and MBS outstanding based on primary default risk category; Fannie Mae, however, 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 \$26.7 billion and \$28.7 billion at June 30, 1996 and 1995, 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 \$84.0 billion and \$54.1 billion at June 30, 1996 and June 30, 1995, respectively, of Fannie Mae MBS in portfolio.

The issuance of MBS backed by current production mortgages, which lenders tend to do on a nonrecourse basis, caused the increase in the percentage of total MBS issued in 1996 in the Fannie Mae risk category. In 1995, a greater percentage of MBS was issued that was backed by seasoned collateral, for which the primary default risk is generally retained by the lender.

**RECENT LEGISLATIVE AND REGULATORY DEVELOPMENTS**

In July 1996, the Office of Federal Housing Enterprise Oversight (“OFHEO”) issued a final rule (the “Rule”) related to the minimum capital levels for the Corporation and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) that sets forth how minimum capital requirements for both entities are to be calculated, reported and classified on a quarterly basis. The Rule, which finalizes an original proposal dated June 1995, formalizes the interim capital standards applied by OFHEO, with which the Corporation has been in compliance since their inception. See “Government Regulation and Charter Act” in the Information Statement.

OFHEO also released for comment part one (“Part I”) of the proposed regulations to establish the risk-based capital test in June 1996. Part I specifies the “benchmark loss experience” that will be combined with other yet to be determined assumptions and applied each quarter to the Corporation’s book of business to establish credit losses under the risk-based capital standard for the Corporation. Part I also specifies the house price index that OFHEO will use in connection with the risk-based capital standard. In its release, OFHEO indicated that it plans to release a proposed second part of the risk-based capital regulation, which will specify, among other matters, remaining aspects of the stress test and how the stress test will be used to determine the Corporation’s and Freddie Mac’s risk-based capital requirements. Management understands that the Director plans to publish the second part of such regulations in 1997. Management will not be able to assess fully the possible impact on the Corporation of the proposed risk-based capital test until the second part is released.

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (the "1992 Act") required the Comptroller General of the United States ("GAO"), the Secretary of the Department of Housing and Urban Development ("HUD"), the Secretary of Treasury and the Director of Congressional Budget Office ("CBO") to conduct and submit studies of issues associated with the further privatization of the Corporation and Freddie Mac to the House and Senate Banking Committees. Although the statutory deadline for the studies was October 1994, the reports were recently issued. While the GAO and the CBO reports also consider the impact of alternatives other than full privatization, neither report makes a recommendation regarding full privatization or the other alternatives. The Treasury report states that it is premature to consider full privatization of the Corporation, and the HUD report recommends against full privatization of the Corporation at this time. The HUD report also recommends that the issue of full privatization be reexamined periodically. The House Banking Subcommittee on Capital Markets, Securities and Government-Sponsored Enterprises held hearings on the reports in June and July 1996. Management cannot predict the impact, if any, of such studies on the Corporation.

### **MATTERS SUBMITTED TO STOCKHOLDERS**

The 1996 Annual Meeting of Stockholders of Fannie Mae was held on May 16, 1996. At this meeting, the following matters were presented for a vote: (i) election of 13 members to the Board of Directors, each for a term ending on the date of the next Annual Meeting of Stockholders of the Corporation; (ii) ratification of the appointment of KPMG Peat Marwick LLP as auditors of the Corporation for 1996; (iii) amendment to the Federal National Mortgage Association Stock Compensation Plan of 1993 to increase annual stock option grants to nonmanagement directors; (iv) a stockholder proposal to reinstate cumulative voting for directors; and (v) a stockholder proposal to pay local income taxes in the District of Columbia ("D.C."). The Board of Directors recommended that stockholders vote against the two stockholder proposals. Under the stockholder proposal relating to cumulative voting, the Board of Directors would have been requested to take the necessary steps to provide for cumulative voting in the election of directors, which would mean that each stockholder would be entitled to as many votes as the number of common shares the stockholder owns multiplied by the number of directors to be elected, and the stockholder could cast all such votes for a single candidate or distribute them among several nominees. Under the stockholder proposal relating to payment of local income taxes, the Board of Directors would have been requested to take the necessary steps to pay local income taxes at the Corporation's headquarters in Washington, D.C.

Of the 1,081,982,693 shares of common stock outstanding on the record date for the meeting, 935,753,528 shares were present in person or by proxy at the meeting.

The following persons were elected as directors of Fannie Mae by the respective votes indicated following their names: Stephen B. Ashley (932,620,967 votes for; 3,132,561 votes withheld); Roger E. Birk (932,567,739 votes for; 3,185,789 votes withheld); Stephen Friedman (932,590,632 votes for; 3,162,896 votes withheld); Thomas P. Gerrity (933,576,150 votes for; 2,177,378 votes withheld); James A. Johnson (933,297,693 votes for; 2,455,835 votes withheld); Vincent A. Mai (933,571,573 votes for; 2,181,955 votes withheld); Ann McLaughlin (933,292,480 votes for; 2,461,048 votes withheld); Richard D. Parsons (866,824,955 votes for; 48,928,533 votes withheld); Joe K. Pickett (932,554,832 votes for; 3,198,696 votes withheld); Franklin D. Raines (932,549,896 votes for; 3,203,632 votes withheld); Antonia Shusta (933,562,382 votes for; 2,191,146 votes withheld); Lawrence M. Small (932,549,479 votes for; 3,204,049 votes withheld); Karen Hastie Williams (933,446,450 votes for; 2,307,078 votes withheld).

Messrs. Friedman and Pickett were the only new directors elected and filled the seats vacated by Felix Beck and Christopher J. Sumner when their terms expired at the May 1996 Annual Meeting. See the May 15 Supplement and the Proxy Statement for the May 1996 Annual Meeting for further information regarding Messrs. Friedman and Pickett.



As noted under “Management,” five other directors have been reappointed by the President of the United States for terms expiring on the date of the May 1997 Annual Meeting.

The ratification of KPMG Peat Marwick LLP as auditors was approved by a vote of 929,294,088 for ratification and 1,735,606 against ratification. The holders of 4,723,834 shares of common stock abstained from voting on ratification.

The stockholder proposal relating to cumulative voting was defeated by a vote of 221,600,906 for the proposal and 614,137,775 against the proposal. The holders of 6,187,844 shares of common stock abstained from voting on this stockholder proposal and broker non-votes represented 93,827,003 common shares. The stockholder proposal relating to the payment of local income taxes in D.C. was defeated by a vote of 10,928,278 for the proposal and 817,447,131 against the proposal. The holders of 13,551,116 shares of common stock abstained from voting on this stockholder proposal and broker non-votes represented 93,827,003 common shares.



## INDEX TO INTERIM FINANCIAL STATEMENTS

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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 June 30, 1996 and the related condensed statements of income and cash flows for the three- and six-month periods ended June 30, 1996 and 1995. These condensed financial statements are the responsibility of Fannie Mae's management.

We conducted our reviews 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 upon our reviews, 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, 1995 (presented herein in condensed format) and the related statements of income and cash flows for the year then ended (not presented herein); and in our report dated January 11, 1996, 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, 1995, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

KPMG PEAT MARWICK LLP

Washington, DC  
July 11, 1996

**FANNIE MAE**  
**INTERIM FINANCIAL STATEMENTS**  
**CONDENSED STATEMENTS OF INCOME**  
**(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>1996</b>	<b>1995</b>	<b>1996</b>	<b>1995</b>
	(Dollars in millions, except per common share amounts)			
Interest income .....	\$5,832	\$5,162	\$11,590	\$10,149
Interest expense .....	<u>4,949</u>	<u>4,441</u>	<u>9,821</u>	<u>8,719</u>
Net interest income .....	883	721	1,769	1,430
Guaranty fees .....	296	267	584	534
Miscellaneous income, net .....	18	23	37	59
Provision for losses .....	(50)	(35)	(95)	(70)
Foreclosed property expenses .....	(52)	(49)	(105)	(100)
Administrative expenses .....	<u>(138)</u>	<u>(135)</u>	<u>(273)</u>	<u>(264)</u>
Income before federal income taxes and extraordinary item .....	957	792	1,917	1,589
Provision for federal income taxes .....	<u>(281)</u>	<u>(214)</u>	<u>(566)</u>	<u>(447)</u>
Income before extraordinary item .....	676	578	1,351	1,142
Extraordinary loss—early extinguishment of debt (net of tax effect) .....	(8)	(5)	(29)	(3)
Net income .....	<u>\$ 668</u>	<u>\$ 573</u>	<u>\$ 1,322</u>	<u>\$ 1,139</u>
Preferred dividends .....	<u>(11)</u>	<u>—</u>	<u>(13)</u>	<u>—</u>
Net income available to common stockholders .....	<u>\$ 657</u>	<u>\$ 573</u>	<u>\$ 1,309</u>	<u>\$ 1,139</u>
Per common share:				
Earnings before extraordinary item .....	\$ .61	\$ .53	\$ 1.23	\$ 1.04
Net earnings .....	.61	.52	1.20	1.04
Cash dividends .....	.19	.17	.38	.34

**CONDENSED BALANCE SHEETS**  
**(Unaudited)**

	<b>June 30, 1996</b>	<b>December 31, 1995</b>
	(Dollars in millions)	
<b>Assets</b>		
Mortgage portfolio, net .....	\$269,179	\$252,588
Investments .....	49,574	57,273
Other assets .....	<u>8,157</u>	<u>6,689</u>
Total assets .....	<u>\$326,910</u>	<u>\$316,550</u>
<b>Liabilities</b>		
Debentures, notes, and bonds, net:		
Due within one year .....	\$141,833	\$146,153
Due after one year .....	166,552	153,021
Other liabilities .....	<u>6,774</u>	<u>6,417</u>
Total liabilities .....	315,159	305,591
Stockholders' equity .....	<u>11,751</u>	<u>10,959</u>
Total liabilities and stockholders' equity .....	<u>\$326,910</u>	<u>\$316,550</u>

See Notes to Interim Financial Statements

**FANNIE MAE**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
	(Dollars in millions)			
Net cash provided by operating activities . . . . .	\$ 1,739	\$ 1,080	\$ 4,353	\$ 3,012
Cash flows from investing activities:				
Purchases of mortgages . . . . .	(17,340)	(14,236)	(35,259)	(20,509)
Proceeds from sales of mortgages . . . . .	14	79	46	320
Mortgage principal repayments . . . . .	9,548	5,494	18,856	9,714
Net decrease (increase) in investments . . . . .	6,942	(2,233)	7,698	(2,005)
Net cash used in investing activities . . . . .	(836)	(10,896)	(8,659)	(12,480)
Cash flows from financing activities:				
Cash proceeds from issuance of debt . . . . .	150,959	175,537	324,331	377,745
Cash payments to redeem debt . . . . .	(150,414)	(164,682)	(317,353)	(366,824)
Other . . . . .	(651)	(172)	(1,627)	(381)
Net cash (used in) provided by financing activities . . . . .	(106)	10,683	5,351	10,540
Net increase in cash and cash equivalents . . . . .	797	867	1,045	1,072
Cash and cash equivalents at beginning of period . . . . .	566	436	318	231
Cash and cash equivalents at end of period . . . . .	\$ 1,363	\$ 1,303	\$ 1,363	\$ 1,303

**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. Certain amounts in 1995 have been reclassified to conform with the current presentation. Operating results for the three-month and six-month periods ended June 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. 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 February 22, 1996.

**NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)**

**Commitments and Contingencies**

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

	<b>June 30, 1996</b>
	<b>(Dollars in billions)</b>
Commitments to purchase mortgages:	
Mandatory delivery .....	\$ 3.6
Optional delivery (1) .....	1.0
Average net yield on mandatory delivery .....	8.05%
Commitments to issue MBS:	
Mandatory delivery (1) .....	\$ 0.1
Optional delivery (1) .....	1.9
Master commitments:	
Mandatory delivery (2) .....	27.0
Optional delivery .....	34.7

- 
- (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 and provides credit enhancements or other guarantees as summarized below:

	<b>June 30, 1996</b>
	<b>(Dollars in billions)</b>
MBS(1) .....	\$621.3
Amount for which the Corporation has primary foreclosure loss risk(2):	
Conventional .....	550.4
Government-insured or guaranteed .....	4.2
Credit enhancements .....	3.1
Other guarantees .....	2.5

- 
- (1) Includes \$84.0 billion of MBS held in portfolio.
  - (2) The Corporation, however, assumes the ultimate risk of loss on all MBS.

**COMPUTATION OF EARNINGS PER COMMON SHARE**  
**(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	<b>(In millions, except per share data)</b>			
Average common shares outstanding .....	1,073	1,091	1,080	1,091
Effect of common stock equivalents (fully diluted) .....	<u>11</u>	<u>8</u>	<u>11</u>	<u>8</u>
Average common shares outstanding .....	<u>1,084</u>	<u>1,099</u>	<u>1,091</u>	<u>1,099</u>
Income before extraordinary item .....	\$ 676	\$ 578	\$1,351	\$1,142
Net income .....	668	573	1,322	1,139
Net income available to common stockholders .....	657	573	1,309	1,139
Earnings per common share before extraordinary item .....	\$ .61	\$ .53	\$ 1.23	\$ 1.04
Net earnings per common share .....	.61	.52	1.20	1.04

## MANAGEMENT

In May 1996, the President of the United States reappointed the following five members of the Board of Directors for a term expiring on the date of the May 1997 Annual Meeting: William M. Daley, Thomas A. Leonard, John R. Sasso, Kathryn G. Thompson and José H. Villarreal.

As discussed under “Matters Submitted to Stockholders,” at the Annual Meeting of Stockholders in May 1996, thirteen directors, including two new directors, were elected to serve a one-year term ending on the date of the May 1997 Annual Meeting.

In April 1996, the President of the United States announced his intention to nominate Franklin D. Raines, currently Vice-Chairman and a Director of the Corporation, to the position of Director of the Office of Management and Budget. Mr. Raines was nominated in May and, on July 25, 1996, the Senate Governmental Affairs Committee favorably reported Mr. Raines’ nomination by voice vote. The confirmation vote by the Senate has been deferred until after its August recess. The Corporation has not selected a possible replacement for Mr. Raines.

In July 1996, the Board of Directors elected Thomas Lund, Senior Vice President—Southwestern Regional Office. Mr. Lund joined the Corporation in the Southwestern Regional Office as Vice President—Marketing in June 1995. Prior to joining the Corporation, Mr. Lund was the senior vice president and general manager for negotiated transactions for GE Capital Mortgage Corporation from 1990 to 1995.

Also in July 1996, three senior vice presidents of the Corporation accepted new responsibilities. Donna Callejon became Senior Vice President—Corporate Development succeeding Lynda Horvath, who became Senior Vice President—Capital Markets. Ms. Horvath succeeded Adolfo Marzol, who became Senior Vice President—Single-Family Business, Ms. Callejon’s former position.





**FannieMae**