Supplement dated February 4, 2003 to
Information Statement dated April 1, 2002

FannieMae®

This Supplement describes the financial condition of the Federal National Mortgage Association ("Fannie Mae") as of December 31, 2002, and contains Fannie Mae's unaudited financial information for the three months and year ended December 31, 2002. This Supplement is a supplement to, and should be read in conjunction with, our Information Statement dated April 1, 2002 (the "Information Statement") and the Supplements dated May 15, 2002, August 9, 2002, and November 13, 2002. The Information Statement describes our business and operations and contains financial data as of December 31, 2001. The Supplements dated May 15, 2002, August 9, 2002, and November 13, 2002 describe the financial condition of Fannie Mae as of March 31, 2002, June 30, 2002, and September 30, 2002, respectively, and contain unaudited financial information with respect to Fannie Mae for the quarters and year-to-date periods then ended. We also make available monthly statistical information on our mortgage purchase and mortgage-backed securities volumes as well as other relevant information about Fannie Mae. You may obtain copies of the Information Statement, any supplements thereto, and other available information regarding Fannie Mae, including our Proxy Statement dated April 2, 2002, without charge from Fannie Mae's Office of Investor Relations, 3900 Wisconsin Avenue, NW, Washington, D.C. 20016 (202/752-7115) or by accessing our web site at http://www.fanniemae.com/ir.

In connection with our offerings of securities, we distribute offering circulars, prospectuses, or other offering documents that describe securities offered, their selling arrangements, and other information. We may incorporate this Supplement by reference in one or more of those offering documents. This Supplement does not offer any securities for sale.

Fannie Mae is a federally chartered corporation. Our principal office is located at 3900 Wisconsin Avenue, NW, Washington, D.C. 20016 (202-752-7000). Our Internal Revenue Service employer identification number is 52-0883107.

Fannie Mae's securities are not required to be registered under the Securities Act of 1933, and we are not currently required to file reports under the Securities Exchange Act of 1934. At the close of business on December 31, 2002, approximately 989 million shares of Fannie Mae's common stock (without par value) were outstanding.

The delivery of this Supplement at any time shall not under any circumstances imply that there has been no change in the affairs of Fannie Mae 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 periods ended December 31, 2002 and 2001 and the year ended December 31, 2002 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, 2001 has been summarized or derived from the audited financial statements and other financial information in the Information Statement. This information should be read in conjunction with the audited financial statements and notes to financial statements for the year ended December 31, 2001.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2002	**2001**	**2002**	**2001**
Income Statement Data:				
Interest income	$ 12,765	$ 12,509	$ 50,853	$ 49,170
Interest expense	9,753	10,105	40,287	41,080
Net interest income	3,012	2,404	10,566	8,090
Guaranty fee income	523	398	1,816	1,482
Fee and other income, net	95	51	232	151
Credit-related expenses	(33)	(16)	(92)	(78)
Administrative expenses	(313)	(251)	(1,219)	(1,017)
Special contribution	—	(300)	—	(300)
Purchased options income (expense) (1)	(1,881)	578	(4,545)	(37)
Debt extinguishments	(176)	(91)	(710)	(524)
Income before federal income taxes and cumulative effect of change in accounting principle	1,227	2,773	6,048	7,767
Provision for federal income taxes	(275)	(804)	(1,429)	(2,041)
Income before cumulative effect of change in accounting principle	952	1,969	4,619	5,726
Cumulative effect of change in accounting principle, net of tax effect (2)	—	—	—	168
Net income	$ 952	$ 1,969	$ 4,619	$ 5,894
Preferred stock dividends	(20)	(35)	(99)	(138)
Net income available to common shareholders	$ 932	$ 1,934	$ 4,520	$ 5,756
Basic earnings per common share	$ 0.94	$ 1.93	$ 4.56	$ 5.75
Diluted earnings per common share	0.94	1.92	4.53	5.72
Cash dividends per common share	0.33	0.30	1.32	1.20

	December 31,	
	2002	**2001**
Balance Sheet Data:		
Mortgage portfolio, net	$ 797,435	$705,167
Liquid assets	61,554	76,072
Total assets	887,257	799,791
Borrowings:		
Due within one year	382,412	343,492
Due after one year	468,570	419,975
Total liabilities	870,969	781,673
Stockholders' equity	16,288	18,118

	Three Months Ended December 31,		Year Ended December 31,	
	2002	**2001**	**2002**	**2001**
Operating Earnings Data:				
Operating net income (3)	$ 1,672	$ 1,438	$ 6,394	$ 5,367
Operating earnings per diluted common share	1.66	1.40	6.31	5.20
Total taxable-equivalent revenue (4)	3,098	2,871	11,896	10,187
Average net interest margin	1.14%	1.21%	1.15%	1.11%
Operating return on realized common equity (5)	26.4	25.3	26.1	25.4
Other Data:				
Average effective guaranty fee rate	.204%	.189%	.191%	.190%
Credit loss ratio (6)	.008	.005	.005	.006
Dividend payout ratio	35.0	15.5	29.0	20.9
Ratio of earnings to combined fixed charges and preferred stock dividends (7)	1.12:1	1.28:1	1.15:1	1.20:1
Mortgage purchases	$ 148,551	$ 82,378	$ 370,641	$270,584
MBS issues acquired by others	155,955	102,854	478,260	344,739
Outstanding MBS at period-end (8)	1,029,456	858,867	1,029,456	858,867
Weighted-average diluted common shares outstanding	992	1,005	997	1,006
Core capital (9)	28,079	25,182		
Total capital (10)	28,873	25,976		

(1) Represents the change in the fair value of the time value of purchased options under FAS 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133).
(2) Represents the after-tax effect of the adoption of FAS 133 on January 1, 2001.
(3) Operating net income is a non-GAAP (Generally Accepted Accounting Principles) measure developed by management in conjunction with the adoption of FAS 133 to evaluate and assess the quality of earnings from our principal business activities on a consistent basis. Operating net income excludes the cumulative after-tax gain of $168 million from the change in accounting principle upon adoption of FAS 133 on January 1, 2001, and the after-tax loss of $1,223 million and the after-tax gain of $376 million recognized during the three months ended December 31, 2002 and 2001, respectively, and the after-tax loss of $2,954 million and $24 million recognized during the years 2002 and 2001, respectively, for the change in fair value of the time value of purchased options. Includes after-tax charges of $503 million and $155 million for the amortization expense of purchased options premiums during the three months ended December 31, 2002 and 2001, respectively, and after-tax charges of $1,179 million and $383 million for the amortization expense of purchased option premiums during the years ended December 31, 2002 and 2001, respectively.
(4) Includes revenues net of operating losses and amortization expense of purchased options premiums, plus taxable-equivalent adjustments for tax-exempt income and investment tax credits using the applicable federal income tax rate.
(5) Annualized operating net income less preferred stock dividends divided by average realized common stockholders' equity (common stockholders' equity excluding accumulated other comprehensive income).
(6) Annualized charge-offs, net of recoveries, and foreclosed property expenses as a percentage of average portfolio and average outstanding MBS.
(7) "Earnings" consists of (a) income before federal income taxes and cumulative effect of accounting changes and (b) fixed charges. "Fixed charges" represent interest expense.
(8) MBS held by investors other than Fannie Mae.
(9) The sum of (a) the stated value of outstanding common stock, (b) the stated value of non-cumulative perpetual preferred stock, (c) paid in capital, and (d) retained earnings.
(10) Core capital plus the general allowance for losses.

Additional information regarding Fannie Mae's earnings and other specific measures of Fannie Mae's performance for the quarter and year ended December 31, 2002 is presented below.

Results of Operations

GAAP Net Income

Net income and diluted earnings per share (''EPS'') reported under Generally Accepted Accounting Principles (GAAP) for 2002 totaled $4.619 billion and $4.53, respectively, compared with $5.894 billion and $5.72 in 2001. We recorded net income for the fourth quarter of 2002 of $952 million and diluted EPS of $.94, compared with net income of $1.969 billion and EPS of $1.92 in the fourth quarter of 2001. Our GAAP results include the effects of our January 1, 2001 adoption of Financial Accounting Standard No. 133 (''FAS 133''), *Accounting for Derivative Instruments and Hedging Activities.* FAS 133 may create significant volatility in our reported net income because it requires that we record certain unrealized gains and losses on purchased options that we use to manage interest rate risk in our income statement, but it does not allow us to record in earnings other gains and losses on these options or similar options in our callable debt or mortgages. We expect purchased options expense to vary, often substantially, from period to period with changes in interest rates and expected interest rate volatility.

The 22 percent and 52 percent decreases in our reported 2002 net income and our reported fourth quarter of 2002 net income, respectively, resulted primarily from a $4.508 billion increase and a $2.459 billion increase, respectively, in mark-to-market losses on the time value of purchased options. These mark-to-market losses occurred due to an increase in the notional amount of purchased options outstanding and the declining interest rate environment. We recorded $4.545 billion in purchased options expense in 2002, compared with $37 million in 2001. We recorded $1.881 billion in purchased options expense in the fourth quarter of 2002, compared with $578 million of purchased options income in 2001.

Operating Net Income

In conjunction with the adoption of FAS 133 in 2001, management also began tracking performance based on ''operating net income,'' which is a non-GAAP measure we developed to evaluate and assess the quality of Fannie Mae's earnings from our principal business activities on a more consistent basis. Operating net income for 2002 increased 19 percent over 2001 to $6.394 billion, and operating EPS increased 21 percent to $6.31. Our operating net income for the fourth quarter of 2002 increased 16 percent over fourth quarter 2001 to $1.672 billion, while operating EPS increased 19 percent to $1.66. The growth in operating net income was mainly attributable to increases in net interest income, guaranty fees, and fee and other income.

Our operating net income measure provides consistent accounting treatment for purchased options and the embedded option in callable debt—economically equivalent funding transactions that we use to protect against the prepayment option in mortgages—by allocating the cost of purchased options on a straight-line basis over the original expected life of the option. If we issue noncallable debt combined with the purchase of options to fund the purchase of mortgages and protect against the prepayment option in mortgages, we are required under FAS 133 to record the unrealized period-to-period fluctuations in the changes in time value of the purchased options in earnings. If instead, we issue callable debt to fund the purchase of the same mortgages, we would recognize the expense related to the option in our callable debt ratably over the life of the debt as part of interest expense. Although the two transactions have a similar economic effect, GAAP requires different accounting treatment for these two transactions. Operating net income is also useful because it is more reflective of our strategy to hold options to maturity and not realize period-to-period fluctuations in option values.

The chart below reconciles our reported GAAP net income to operating net income for the three month periods and years ended December 31, 2002 and 2001.

	Three Months Ended December 31,		Year Ended December 31,	
	2002	**2001**	**2002**	**2001**
GAAP net income	$ 952	$1,969	$4,619	$5,894
Cumulative after-tax gain upon adoption of FAS 133	—	—	—	(168)
After-tax expense (income) from the change in fair value of the time value of purchased options	1,223	(376)	2,954	24
After-tax amortization expense of purchased options premiums	(503)	(155)	(1,179)	(383)
Operating net income	$1,672	$1,438	$6,394	$5,367

Operating net income excludes the transition gain from the adoption of FAS 133 and unrealized gains and losses from the change in the time value of purchased options recorded under FAS 133, and includes purchased options premiums amortized on a straight-line basis over the original expected life of the option. Operating net income does not exclude any other accounting effects related to the application of FAS 133. While operating net income is not a defined term within GAAP and may not be comparable to similarly titled measures reported by other companies, management believes it is a meaningful measure of Fannie Mae's performance and a valuable assessment tool because it more accurately reflects the underlying economics of our use of purchased options that are a substitute for callable debt in a manner more consistent with our accounting treatment of callable debt.

Taxable-Equivalent Revenue

Fannie Mae's taxable-equivalent revenue totaled $3.098 billion in the fourth quarter of 2002, compared with $2.871 billion in the same prior year period. Fannie Mae generated $11.896 billion in taxable-equivalent revenue for 2002, a 17 percent increase over 2001. Taxable-equivalent revenue includes revenues net of operating losses and amortization expense of purchased options premiums, plus taxable-equivalent adjustments for tax-exempt income and investment tax credits using the applicable federal income tax rate. The growth in taxable-equivalent revenue in both periods was primarily attributable to increases in net interest income.

Guaranty Fee Income and Outstanding MBS

Guaranty fee income was $523 million in the fourth quarter of 2002, compared with $398 million in the fourth quarter of 2001. In 2002, guaranty fee income was $1.816 billion, compared with $1.482 billion in 2001. The increase in guaranty fee income for the fourth quarter and for the year primarily resulted from a 21 percent increase and a 22 percent increase in average outstanding Mortgage-Backed Securities ("MBS"), respectively.

Fannie Mae MBS issues acquired by investors other than Fannie Mae totaled $156 billion in the fourth quarter of 2002, compared with $103 billion in the fourth quarter of 2001. MBS issues acquired by other investors totaled $478 billion in 2002, compared with $345 billion in 2001. At December 31, 2002 outstanding MBS held by investors other than Fannie Mae totaled $1.029 trillion, compared with $859 billion at December 31, 2001.

Fee and Other Income, Net

Fee and other income, net totaled $95 million of income in the fourth quarter of 2002, compared with $51 million of income in the fourth quarter of 2001. In 2002, fee and other income, net totaled

$232 million of income, compared with $151 million of income in 2001. The increase in fee and other income during the fourth quarter and for the year was primarily because of higher technology and transaction fees that were partially offset by an increase in third-party credit enhancements on certain loans. Fee and other income includes technology fees, transaction fees, multifamily fees, and other miscellaneous items, and is net of operating losses from certain tax-advantaged investments in affordable housing projects.

Credit-Related Expenses

During the quarter, the American Institute of Certified Public Accountants rescinded Statement of Position 92-3, *Accounting for Foreclosed Assets.* The rescission of this standard led Fannie Mae to reclassify on its income statement various items of foreclosed property expense or income related to the disposition of foreclosed properties. These changes were implemented in the fourth quarter of 2002, and historical charge-offs, provisions for loss, and foreclosed property expense have been reclassified for comparability. The changes do not affect total credit-related losses or total credit-related expenses for the year, or the balance of the company's allowance for loan losses.

Total credit-related expenses, which include foreclosed property expenses and the provision for losses, were $33 million in the fourth quarter of 2002, compared with $16 million in the fourth quarter of 2001. Total credit-related expenses were $92 million in 2002, compared with $78 million in 2001.

Foreclosed property dispositions resulted in a net gain of $8 million in the fourth quarter of 2002, compared with a net gain of $5 million in the fourth quarter of 2001. Foreclosed property gains were $36 million in 2002, compared with $16 million in 2001. Fannie Mae acquired 5,415 conventional single-family properties through foreclosure in the fourth quarter of 2002, compared with 3,892 properties in the fourth quarter of 2001. Single family property acquisitions were 19,500 in 2002, compared with 14,486 in 2001. The inventory of single-family acquired properties totaled 9,975 properties at December 31, 2002, compared with 7,073 at December 31, 2001. The provision for losses increased to $41 million in the fourth quarter of 2002, from $21 million in the fourth quarter of 2001, as the result of an increase in charge-offs to $43 million in the fourth quarter of 2002 from $22 million in the fourth quarter of 2001. In 2002, the provision for losses was $128 million, compared with $94 million in 2001, as the result of an increase in charge-offs to $124 million in 2002, from $97 million in 2001. The allowance for losses was $810 million at December 31, 2002, compared with $806 million at December 31, 2001.

Administrative Expenses

Administrative expenses totaled $313 million in the fourth quarter of 2002, compared with $251 million in the fourth quarter of 2001. In 2002, administrative expenses were $1.219 billion, compared with $1.017 billion in 2001. The higher than average growth in administrative expenses was due to costs incurred to reengineer our core technology infrastructure to enhance our ability to process and manage the risk on mortgage assets.

Purchased Options Income (Expense)

Purchased options income (expense) totaled $1.881 billion of expense in the fourth quarter of 2002 and $4.545 billion of expense for the year. Purchased options income (expense) represents the change in the fair value of the time value of purchased options during the reporting period. Purchased options income (expense) for the three-month period and year ended December 31, 2002 includes $774 million and $1.814 billion in amortization expense that would have been reported in net interest income prior to the adoption of FAS 133. The change in the fair value of the time value of purchased options will vary from period to period with changes in interest rates and market views on interest rate volatility. The net expense included in earnings over the life of the option will equal the option premium paid. Prior to the adoption of FAS 133, we amortized premiums on purchased options into interest expense on a straight-line basis over the original average expected life of the option.

During the fourth quarter, Fannie Mae prospectively adopted a preferred method for measuring the time value on interest rate caps at purchase. This change will not affect the total expense that will be recorded in the income statement over the life of the caps, and has no effect on operating earnings, but resulted in a pre-tax decline in purchased options expense of $282 million in the fourth quarter of 2002.

Income Taxes

Federal income tax expense, including the impact of the cumulative effect of change in accounting principle, was $1.429 billion in 2002, compared with $2.131 billion in 2001. The decrease in our 2002 federal income tax expense resulted from the tax benefit associated with the increase in purchased options expense in 2002. Federal income tax expense was $275 million in the fourth quarter of 2002, compared with $804 million in the fourth quarter of 2001. The effective federal income tax rate on operating income was 28 percent for the fourth quarter of 2002 and 27 percent for full year 2002, compared with 26 percent for both the fourth quarter of 2001 and full year 2001. The increase in our effective tax rate on operating income was due primarily to an increase in taxable operating income without a corresponding increase in tax credits.

Other Financial Information

Mortgage and Investment Portfolios

Adjusted net interest income, which includes the amortization expense of purchased option premiums, increased 3 percent in the fourth quarter of 2002 over the same prior year period primarily due to a 10 percent increase in the average net investment balance, partially offset by a 7 basis point decrease in the average net interest margin. The average net interest margin was 114 basis points in the fourth quarter of 2002, compared with 121 basis points in the fourth quarter of 2001. Adjusted net interest income in 2002 increased 17 percent over 2001 to $8.752 billion. The increase in net interest income for the year was a result of a 12 percent increase in the average net investment balance and a 4 basis point increase in the average net interest margin to 115 basis points. Fannie Mae's adjusted net interest income is a more meaningful measure of portfolio revenue as it is comparable with reported net interest income in prior periods. Prior to the adoption of FAS 133, reported net interest income included the amortization expense of purchased option premiums. With the adoption of FAS 133, this cost, which totaled $774 million in the fourth quarter of 2002 and $1.814 billion for the year, is now included in the category "purchased option income (expense)" on the income statement as part of the change in the fair value of the time value of these options.

Fannie Mae's net investment balance—mortgage loans held, less unamortized discount and deferred price adjustments, plus other liquid assets—was $859 billion at the end of 2002, compared with $781 billion at the end of 2001. Fannie Mae's net mortgage portfolio was $797 billion at the end of 2002, compared with $705 billion at the end of 2001.

Mortgage Purchases and Commitments

Fannie Mae purchased $149 billion of mortgages and mortgage securities in the fourth quarter of 2002, compared with $82 billion in the fourth quarter of 2001. Purchases totaled $371 billion in 2002, compared with $271 billion in 2001. In the fourth quarter of 2002, mortgage and mortgage securities sales were $1 billion, compared with $4 billion in the fourth quarter of 2001. Mortgage sales were $10 billion in 2002, compared with $9 billion in 2001.

Mandatory commitments issued to purchase mortgages from lenders, net of commitments to sell, were $149 billion in the fourth quarter of 2002, compared with $100 billion in the fourth quarter of 2001. Mandatory commitments issued, net of commitments to sell mortgages, totaled $388 billion in 2002, compared with $296 billion in 2001. Outstanding portfolio commitments for mandatory delivery totaled $85 billion at December 31, 2002 and $55 billion at December 31, 2001.

Risk Management

Fannie Mae discloses on a quarterly basis the sensitivity of its future credit losses to an immediate 5 percent decline in home prices as part of its voluntary safety and soundness initiatives. The present value of Fannie Mae's net sensitivity of future credit losses to an immediate 5 percent decline in home prices, taking into account the beneficial effect of third-party credit enhancements, was $501 million at September 30, 2002.

Net interest income at risk and portfolio duration gap are the two principal measures we use to assess interest rate risk in our Portfolio Investment business.

Our net interest income at risk measures the sensitivity of Fannie Mae's projected net interest income to an immediate 50 basis point increase or decrease in interest rates and an immediate 25 basis point increase or decrease in the slope of the yield curve. Our net interest income at risk measures over a one-year and four-year period under each of the interest rate scenarios were as follows at December 31, 2002:

	Assuming a 50 basis point change in interest rates		Assuming a 25 basis point change in slope of yield curve	
	One-Year	**Four-year**	**One-Year**	**Four-year**
December 2002	0.6%	1.6%	4.7%	6.6%

Actual portfolio net interest income may differ from these estimates because of specific interest rate movements, changing business conditions, changing prepayments, and management actions.

The portfolio duration gap—the difference between the durations of portfolio assets and liabilities—summarizes for management the extent to which estimated cash flows for assets and liabilities are matched, on average, through time and across interest rate scenarios. Fannie Mae's effective duration gap was minus five months at December 31, 2002, compared to positive five months at December 31, 2001.

Core Capital & Liquidity

Fannie Mae's core capital (defined by our regulator Office of Federal Housing Enterprise Oversight (OFHEO) as the stated value of outstanding common stock, the stated value of outstanding noncumulative perpetual preferred stock, paid-in-capital, and retained earnings) increased to $28.1 billion at December 31, 2002, up from $25.2 billion at December 31, 2001. Fannie Mae's core capital, which excludes accumulated other comprehensive income (AOCI), is a more accurate reflection of our capital resources than total stockholders' equity. AOCI is excluded from core capital because AOCI includes unrealized gains (losses) on derivatives and investment securities, but does not include the related unrealized losses (gains) on items hedged by these derivatives nor the liabilities that fund the acquisition of investment securities.

At December 31, 2002, AOCI totaled negative $11.8 billion, compared with a negative balance of $7.1 billion at December 31, 2001. Upon adoption of FAS 133 on January 1, 2001, Fannie Mae recorded a $3.9 billion reduction in AOCI, which was attributable primarily to recording derivatives, mostly pay-fixed interest rate swaps used as substitutes for non-callable debt, that qualify as cash flow hedges on the balance sheet at their fair values. The balance of the decline in AOCI was attributable to a decline in interest rates, which produced a decrease in the fair value of these derivatives but did not reflect any offsetting gains on hedged items. FAS 133 requires that entities mark-to-market derivatives that qualify as cash flow hedges through AOCI to the extent they are effective, but not the hedged items.

We repurchased .3 million shares of common stock in the fourth quarter of 2002 and 15.4 million shares for the year. We issued $1.0 billion and redeemed $625 million of preferred stock in 2002. As of December 31, 2002, Fannie Mae had approximately 989 million shares of common stock outstanding.

We issued $1.0 billion of subordinated debt in the fourth quarter of 2002 that received a rating of Aa2 from Moody's Investors Service and AA- from Standard & Poor's. During 2002 Fannie Mae issued a total of $3.5 billion of subordinated debt. Subordinated debt outstanding totaled $8.5 billion at December 31, 2002. All subordinated debt is currently rated Aa2 by Moody's Investors Service and AA- by Standard & Poor's. By the end of 2003, we intend to issue sufficient subordinated debt to bring the sum of total capital and outstanding subordinated debt to at least 4 percent of on-balance-sheet assets, after adjusting for capital required to support the off-balance-sheet mortgage securities business. This percentage increased to 3.7 percent at December 31, 2002 from 3.4 percent at December 31, 2001.

As discussed in the Information Statement under ''Government Regulation and Charter Act'' and ''MD&A—Balance Sheet Analysis—Regulatory Environment,'' Fannie Mae is subject to regulatory capital standards. We met the applicable core capital standard as of December 31, 2002. Fannie Mae is also subject to a risk-based capital standard. On December 30, 2002, OFHEO announced that Fannie Mae's total capital at September 30, 2002 exceeded the amount required by the risk-based capital standard by $5.838 billion.

As part of our voluntary adoption of measures to enhance disclosure, capital, and market discipline, we agreed to maintain more than three months worth of liquidity, assuming no access to the new issue debt markets, to reduce the possibility that the company's operations could be disrupted during a significant financial crisis. We have a contingency plan in place to ensure funding needs are met for three months without access to the agency debt markets. We are also committed to maintain at least five percent of on-balance-sheet assets in a liquid, marketable portfolio of nonmortgage securities and to maintain additional highly liquid securities in unencumbered form to facilitate liquidity. Our liquid investments were 6.9 percent of on-balance sheet assets at December 31, 2002.

CAPITALIZATION

The following table sets forth the capitalization of Fannie Mae as of December 31, 2002.

	Average Maturity	Average Cost(1)	Outstanding
			(Dollars in millions)
Debentures, notes, and bonds, net:			
Due within one year:			
Short-term notes	3 mos.	1.55%	$290,091
Universal Benchmark	5 mos.	4.89	37,376
Universal Retail	0 mos.	9.52	73
Universal Short-term other	7 mos.	1.48	3,440
Universal Standard	5 mos.	2.25	41,681
Other(2)		.27	9,751
Total due within one year			382,412
Due after one year:			
Universal Benchmark	5 yrs. 9 mos.	5.49%	291,429
Universal Retail	10 yrs. 5 mos.	6.10	10,556
Universal Standard	4 yrs. 7 mos.	4.32	152,900
Other	13 yrs. 10 mos.	8.30	13,685
Total due after one year			468,570
Total debentures, notes, and bonds, net			$850,982
Stockholders' equity:			
Preferred stock, $50.00 stated value, 100 million shares authorized— 53.6 million shares outstanding			$ 2,678
Common stock, $.525 stated value, no maximum authorization— 1,129 million shares outstanding			593
Additional paid-in capital			1,839
Retained earnings			29,385
Accumulated other comprehensive loss			(11,792)
Less treasury stock, at cost— 140.2 million shares			(6,415)
Total stockholders' equity			$ 16,288
Core capital			$ 28,079

(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) Average maturity is indeterminate because the outstanding amount includes investment agreements that have varying maturities.

We frequently issue debentures, notes, and other debt obligations. The amount of debentures, notes, and other debt obligations outstanding, and stockholders' equity on any date subsequent to December 31, 2002 may differ from that shown in the table above.

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