FANNIE MAE AUCTION RULES

BENCHMARK BILLS

Timing of Auctions

- Fannie Mae will continue to auction three- and six-month Benchmark Bills on a weekly basis and, from time to time, may auction one-year Benchmark Bills.
- The principal amount of securities being auctioned will be announced on Monday mornings eastern time. If Monday is a holiday, announcement will typically be made on the previous business day.
- Auctions will be open for bidding on Wednesdays at a time to be specified during announcement.
- Fannie Mae has the option of forgoing any scheduled Benchmark Bills auctions. If Fannie Mae elects not to issue a scheduled Benchmark offering, it will provide notice of its election either prior to or on the scheduled announcement date.

Bidding Parameters

- Minimum size per bid allowable is $50,000, with increments of $1,000 thereafter.
- All bids must be submitted as a discount rate, with up to three decimal places allowable.
- Any member of Fannie Mae’s dealer group may participate in the auction either on behalf of a customer or for their own account (a “principal bid”).
- Bids must specify whether they are competitive (requiring a specific rate or price) or non-competitive (not requiring a specific rate or price).
- A dealer must identify a principal bid.
- All competitive bids must show the discount rate bid, expressed with three decimal places.

Auction Allocations and Awards

- Non-competitive bids will be awarded on a first-come, first-serve basis (on modified time-stamp basis) for customer trades only.
- Total allocation for the aggregate of all non-competitive bids will be up to 20% of the total auction size.
- A dealer’s principal bids (either for its own or another dealer’s account) are limited to 35% of the total offering size of the auction.
- There are no allocation constraints for bids made on behalf of non-dealer customers.

Legal and Other Information

- Participation in a Fannie Mae auction is subject to the terms of a Securities Auction Agreement. Dealers who have not entered into a Securities Auction
Agreement with Fannie Mae will not be authorized to participate in Fannie Mae auctions and will be denied access to any Fannie Mae auction web sites.

- The Universal Debt Facility Dealer Agreement, dated as of December 21, 1999, as amended, and any applicable Terms Agreement will be applicable to all purchases of securities.
- Fannie Mae shall determine which dealers are authorized to participate in an auction.
- Fannie Mae shall determine whether an authorized dealer may make a principal bid and customer bids, or just customer bids.
- Reallowance dealers may not participate in Fannie Mae auctions.
- Fannie Mae reserves the right to delete or refuse to honor any bids from unauthorized dealers.

**BENCHMARK NOTES**

**Timing of Auctions**

- From time to time, Fannie Mae will offer Benchmark Notes via Dutch auction.
- The auctions will be held at Fannie Mae’s discretion and dealers will be invited by Fannie Mae to participate.
- Auctions will generally be announced at least one day in advance via a press release.
- Auctions will be open for thirty minutes (unless otherwise publicly announced), with auction results being announced at the conclusion of the auction.
- Fannie Mae has the option of forgoing any scheduled Benchmark Notes auctions. If Fannie Mae elects not to issue a scheduled Benchmark offering, it will provide notice of its election either prior to or on the scheduled announcement date.

**Bidding Parameters**

- Bids must specify whether they are competitive (requiring a specific rate or price) or non-competitive (not requiring a specific rate or price).
- For competitive bids, minimum size per bid allowable is $50,000 with increments of $1,000 thereafter.
- If non-competitive bids are allowed, the minimum size per bid will be $50,000 with increments of $1,000 thereafter.
- All competitive bids must show the yield bid, expressed with three decimal places.
- Only dealers who are listed as “syndicate” dealers by Fannie Mae can make principal bids. All other dealers must bid on behalf of customers.
- A dealer must identify a principal bid.

**Auction Allocations and Awards**

- If allowed, non-competitive bids will be awarded on a first-come, first-serve basis (on modified time-stamp basis) for customer trades only.
• A dealer’s allocation will generally be limited to 35% of the offering size of the auction; however, auction allocations and award limitations may be set forth in the applicable pricing supplement for the notes.

Legal and Other Information

• Participation in a Fannie Mae auction is subject to the terms of a Securities Auction Agreement.
• The Universal Debt Facility Dealer Agreement, dated as of December 21, 1999, as amended (the “Dealer Agreement”) will be applicable to all purchases of securities. Each dealer, by their participation in an auction, agrees to be bound by and comply with the applicable terms of the auction as set forth in the Dealer Agreement, these Auction Rules, and any pricing supplement for the notes in the auction.
• Fannie Mae shall determine which dealers are authorized to participate in an auction.
• The applicable pricing supplement shall set forth whether an authorized dealer may make principal bids and customer bids, or just customer bids.
• Reallowance dealers may not participate in Fannie Mae auctions.
• Fannie Mae reserves the right to delete or refuse to honor any bids from dealers.

BENCHMARK REPO LENDING FACILITY

Auction Parameters

• Fannie Mae may sell in repurchase transactions Benchmark Securities up to a maximum of 12.5 percent of the total outstanding issue amount of a specific non-callable Benchmark Security at any time.
• Benchmark Securities will be available each business day, at Fannie Mae’s discretion, to Fannie Mae’s approved dealers through a multi-price auction process, as long as the security is OID-eligible (original issue discount).
• Commencing at 10:00 a.m. ET each business day, the system will be open for bids by approved dealers for collateral. The auction will conclude at 10:30 a.m. with results disclosed to winning dealers as soon as possible thereafter.
• The minimum bid size by approved dealers is $25 million.
• At each auction, the maximum amount that Fannie Mae will lend to a dealer is 35 percent of the available amount.
• The lending facility is for overnight cash settlement.
• Fannie Mae will not pay interest for any day (including the maturity date) on which a dealer fails to deliver bonds.
• Failure to deliver bonds back to Fannie Mae on a day following the repo maturity date will result in the dealer being assessed a daily penalty fee per TMPG guidelines.
• Fannie Mae has the option of forgoing any scheduled auctions as part of the Benchmark Repo Lending Facility program. If Fannie Mae elects not to conduct
a scheduled Benchmark auction, it will provide notice of its election either prior to or on the scheduled announcement date.

**Legal and Other Considerations**

- Participation in a Fannie Mae auction is subject to the terms of a Securities Auction Agreement and a Master Repurchase Agreement, including *Annex A, Supplemental Terms and Conditions for Benchmark Repurchase Transactions*. Dealers who have not entered into a Securities Auction Agreement or Master Repurchase Agreement with Fannie Mae will not be authorized to participate in any Fannie Mae auction and will be denied access to any Fannie Mae auction websites.
- Fannie Mae shall determine which dealers are authorized to participate in an auction.
- Fannie Mae reserves the right to delete or refuse to honor any bids from unauthorized dealers.

**DISCOUNT NOTES**

**Auction Information**

- From time to time, Fannie Mae will conduct Dutch auctions for various maturities under its Discount Notes program.
- The auctions will be held at Fannie Mae’s discretion and Dealers will be invited to participate by Fannie Mae.
- Each auction will be announced prior to its start time. Auction parameters will follow those for the Benchmark Bills program, except where noted in the announcement for the auction.
- Fannie Mae has the option of forgoing any scheduled Discount Notes auctions. If Fannie Mae elects not to conduct a scheduled auction, it will provide notice of its election either prior to or on the scheduled announcement date.

**Legal and Other Considerations**

- Participation in a Fannie Mae auction is subject to the terms of a Securities Auction Agreement. Dealers who have not entered into a Securities Auction Agreement with Fannie Mae will not be authorized to participate in Fannie Mae auctions and will be denied access to any Fannie Mae auction websites.
- The Universal Debt Facility Dealer Agreement, dated as of December 21, 1999, as amended, and any applicable Terms Agreement will be applicable to all purchases of securities.