

OFFERING CIRCULAR

12,000,000 Shares



**FannieMae**<sup>®</sup>

**Variable Rate Non-Cumulative Preferred Stock, Series F**  
(stated value \$50 per share)

This Offering Circular relates to the offer of 12,000,000 shares of the Variable Rate Non-Cumulative Preferred Stock, Series F (the "Preferred Stock") of the Federal National Mortgage Association ("Fannie Mae"). The Preferred Stock has a stated value of \$50 per share. Dividends at the initial rate of 6.295% per year will accrue from and including March 20, 2000 through March 31, 2002. The dividend rate will reset as of March 31, 2002 and as of March 31 every two years thereafter, based on the two-year CMT Rate minus 0.16%, subject to a cap of 11% per year. We will be required to pay dividends quarterly on March 31, June 30, September 30 and December 31 of each year, commencing June 30, 2000. However, we will be required to pay dividends only when, as and if declared by our Board of Directors in its sole discretion out of funds legally available for such payment. The amount of dividends we will be required to pay, if our Board declares them, may be increased if legislation is enacted that changes the Internal Revenue Code of 1986, as amended, to reduce the dividends-received deduction applicable to dividends on the Preferred Stock as set forth under "Description of the Preferred Stock—Dividends—Changes in the Dividends-Received Percentage."

Dividends on the Preferred Stock will not be cumulative. Accordingly, if for any reason our Board of Directors does not declare a dividend on the Preferred Stock for a dividend period, we will have no obligation to pay a dividend for that period, whether or not our Board declares dividends on the Preferred Stock for any future dividend period. If, however, we have not paid or set aside for payment dividends on the Preferred Stock for a dividend period, we may not pay dividends on our common stock for that period.

On March 31, 2002 and on March 31 every two years thereafter, we may redeem the Preferred Stock, in whole or in part, at our option at the redemption price of \$50 per share plus the dividend (whether or not declared) for the quarterly dividend period ending on the date of redemption.

The Preferred Stock will not have any voting rights, except as set forth under "Description of the Preferred Stock—Voting Rights; Amendments."

Application has been made to list the Preferred Stock on the New York Stock Exchange under the symbol "FNMprF." Trading of the Preferred Stock on the NYSE is expected to commence within a thirty-day period after the initial delivery of the Preferred Stock.

**Our obligations under the terms of the Preferred Stock are only our obligations and are not those of the United States or of any instrumentality thereof other than Fannie Mae.**

	<u>Initial Public Offering Price (1)</u>	<u>Underwriting Discount</u>	<u>Proceeds to Fannie Mae (1) (2)</u>
Per Share .....	\$50.00	\$0.50	\$49.50
Total(3) .....	\$600,000,000	\$6,000,000	\$594,000,000

(1) Plus accrued dividends, if any, from March 20, 2000.

(2) Before deducting estimated expenses of \$300,000 payable by Fannie Mae.

(3) Fannie Mae has granted the Underwriters an option to purchase up to an additional 1,800,000 shares to cover overallocments. If all such shares are purchased, the total Initial Public Offering Price, Underwriting Discount and Proceeds to Fannie Mae will be \$690,000,000, \$6,900,000 and \$683,100,000, respectively. See "Underwriting".

**Goldman, Sachs & Co.**

**First Tennessee Bank N.A.**

**Lehman Brothers**

**Morgan Stanley Dean Witter**

**Vining-Sparks IBG, L.P.**

**Redwood Securities Group, Inc.**

The date of this Offering Circular is March 15, 2000.

We are not required to register the Preferred Stock under the U.S. Securities Act of 1933, as amended. Accordingly, we have not filed a registration statement with the U.S. Securities and Exchange Commission. The shares of Preferred Stock are “exempted securities” within the meaning of the Securities Exchange Act of 1934, as amended. Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved the Preferred Stock or determined if this Offering Circular is truthful or complete. Any representation to the contrary is a criminal offense.

The distribution of this Offering Circular and the offer, sale, and delivery of the Preferred Stock in certain jurisdictions may be restricted by law. Persons who come into possession of this Offering Circular must inform themselves about and observe any applicable restrictions.

This Offering Circular is not an offer to sell or a solicitation of an offer to buy any securities other than the Preferred Stock or an offer to sell or a solicitation of an offer to buy the Preferred Stock in any jurisdiction or in any other circumstance in which an offer or solicitation is unlawful or not authorized.

Because we are not subject to the periodic reporting requirements of the Securities Exchange Act of 1934, we do not file reports or other information with the U.S. Securities and Exchange Commission.

No person has been authorized to give any information or make any representations other than those contained in this Offering Circular and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of Fannie Mae since the date hereof, or in the case of facts set forth in the documents incorporated by reference herein, since the respective dates thereof or that the information contained herein or therein is correct as to any time subsequent thereto.

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## SUMMARY OF THE OFFERING

*This summary highlights information contained elsewhere in this Offering Circular. It does not contain all of the information you should consider before investing in the Preferred Stock. You also should read the more detailed information contained elsewhere in this Offering Circular and in the documents incorporated herein by reference.*

### Fannie Mae

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act. We are the largest investor in home mortgage loans in the United States. We were established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and were transformed into a stockholder-owned and privately managed corporation by legislation enacted in 1968.

### Description of the Preferred Stock

Issuer .....	Fannie Mae
Securities Offered .....	12,000,000 shares (assuming the Underwriters do not exercise their overallotment option) of Variable Rate Non-Cumulative Preferred Stock, Series F, no par value, with a stated value and liquidation preference of \$50 per share
Dividends:	
Initial Dividend Rate .....	6.295% per annum. Dividends will accrue at the Initial Dividend Rate from and including March 20, 2000 to but excluding March 31, 2002. The dividend rate will reset as of March 31, 2002 and as of March 31 every two years thereafter (based on the two-year CMT Rate determined two Business Days prior thereto).
Variable Dividend Rate .....	Two-year CMT Rate minus 0.16%. For information about how and when the two-year CMT Rate will be determined, see "Description of Preferred Stock—Dividends."
Dividend Rate Cap .....	11%
Calculation Agent .....	Fannie Mae
Frequency .....	Quarterly, when, as and if declared by the Board of Directors
Payment Dates .....	March 31, June 30, September 30 and December 31 of each year, beginning June 30, 2000
DRD Protection .....	If, prior to September 20, 2001, amendments to the Internal Revenue Code of 1986, as amended, are enacted that eliminate or reduce the percentage of the dividends-received deduction below 70%, the amount of dividends payable in respect of the Preferred Stock will be adjusted to offset the effect of such reduction. However, no adjustment will be made to the extent that the percentage of the dividends-received deduction is reduced below 50%. Such adjustment may result in a dividend rate in excess of 11% per annum.
Preferences .....	The Preferred Stock will be entitled to a preference, both as to dividends and upon liquidation, over the common stock (and any other junior stock) of Fannie Mae. The Preferred Stock will rank

equally, both as to dividends and upon liquidation, with all other currently outstanding series of Fannie Mae preferred stock.

Optional Redemption . . . . . On March 31, 2002 and on March 31 every two years thereafter, Fannie Mae will have the option to redeem the Preferred Stock, in whole or in part, at the redemption price of \$50 per share plus the amount that would otherwise be payable as the dividend for the quarterly dividend period ending on the redemption date.

Liquidation Rights . . . . . In the event of any dissolution or liquidation of Fannie Mae, holders of the Preferred Stock will be entitled to receive, out of any assets available for distribution to stockholders, \$50 per share plus the dividend for the then-current quarterly dividend period accrued through the liquidation payment date.

Voting Rights . . . . . None, except with respect to certain changes in the terms of the Preferred Stock

Preemptive and Conversion  
Rights . . . . . None

Rating . . . . . The Preferred Stock is expected to be rated “aa3” by Moody’s Investors Service, Inc.

Use of Proceeds . . . . . To be added to the working capital of Fannie Mae and used for general corporate purposes, including the repurchase of outstanding shares of our common stock.

Transfer Agent, Dividend  
Disbursing Agent and  
Registrar . . . . . First Chicago Trust Company a division of EquiServe

NYSE Listing . . . . . Application has been made to list the Preferred Stock on the New York Stock Exchange under the symbol “FNMprF”. We expect trading on the NYSE to commence within a thirty-day period after the initial delivery of the Preferred Stock.

CUSIP Number . . . . . 313586703

**Summary Selected Financial Data**  
**(Unaudited)**  
**(Dollars in millions)**

	December 31,				
	1999	1998	1997	1996	1995
<b>Balance Sheet Data:</b>					
Mortgage portfolio, net .....	\$522,780	\$415,223	\$316,316	\$286,259	\$252,588
Total assets .....	575,167	485,014	391,673	351,041	316,550
Total liabilities .....	557,538	469,561	377,880	338,268	305,591
Stockholders' equity .....	17,629	15,453	13,793	12,773	10,959
Capital(1) .....	18,430	16,244	14,575	13,520	11,703
	<b>Year Ended December 31,</b>				
	1999	1998	1997	1996	1995
<b>Income Statement Data:</b>					
Net interest income .....	\$ 4,894	\$ 4,110	\$ 3,949	\$ 3,592	\$ 3,047
Guaranty fees .....	1,282	1,229	1,274	1,196	1,086
Fee and other income, net .....	191	275	125	86	93
Special contribution .....	—	—	—	—	(350)
Net income .....	3,912	3,418	3,056	2,725	2,144
	<b>Year Ended December 31,</b>				
	1999	1998	1997	1996	1995
<b>Other Data:</b>					
Net interest margin .....	1.01%	1.03%	1.17%	1.18%	1.16%
Ratio of earnings to combined fixed charges and preferred stock dividends(2) .....	1.17:1	1.18:1	1.19:1	1.19:1	1.17:1
Mortgage purchases .....	\$195,210	\$188,448	\$ 70,465	\$ 68,618	\$ 56,598
MBS issued .....	300,689	326,148	149,429	149,869	110,456
MBS outstanding at year end(3) .....	960,883	834,518	709,582	650,780	582,959

- (1) Stockholders' equity plus general allowance for losses at period end.
- (2) "Earnings" consists of (a) income before federal income taxes and extraordinary item, and (b) fixed charges. "Fixed charges" represents interest expense. There was no preferred stock outstanding in 1995.
- (3) Includes MBS in portfolio of \$282 billion, \$197 billion, \$130 billion, \$103 billion and \$70 billion at December 31, 1999, 1998, 1997, 1996 and 1995, respectively.

## FANNIE MAE

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. § 1716 *et seq.* (the “Charter Act”). See “Government Regulation and Charter Act” in this Offering Circular and in the Information Statement and “Additional Information About Fannie Mae” in this Offering Circular. We are the largest investor in home mortgage loans in the United States. We were established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and were transformed into a stockholder-owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae provides funds to the mortgage market by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. We acquire funds to purchase these loans by issuing debt securities to capital market investors, many of whom ordinarily would not invest in mortgages. In this manner, we are able to expand the total amount of funds available for housing.

Fannie Mae also issues mortgage-backed securities (“MBS”), receiving guaranty fees for our guarantee of timely payment of principal and interest on MBS certificates. We issue MBS primarily in exchange for pools of mortgage loans from lenders. The issuance of MBS enables us to further our statutory purpose of increasing the liquidity of residential mortgage loans.

In addition, Fannie Mae offers various services to lenders and others for a fee. These services include issuing certain types of MBS and providing technology services for originating and underwriting mortgage loans. See “Business” in the Information Statement and “Additional Information About Fannie Mae” in this Offering Circular.

Fannie Mae’s principal office is located at 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (telephone: (202) 752-7000).

## USE OF PROCEEDS

We will add the net proceeds from the sale of the Preferred Stock to our working capital and use them for general corporate purposes, including the repurchase of shares of our common stock. We anticipate the need for additional financing from time to time, including financing through various types of equity and debt securities. The amount and nature of such financings will depend upon a number of factors, including the volume of our maturing debt obligations, the volume of mortgage loan prepayments, the volume and type of mortgage loans we purchase, and general market conditions.

## CAPITALIZATION

The following table sets forth our capitalization as of December 31, 1999, and as adjusted to give effect to the issuance of the Preferred Stock (before giving effect to the payment of estimated offering expenses and underwriting discount, and assuming that the Underwriters' overallotment option is not exercised).

	Average Maturity	Average Cost (1)	Actual Outstanding at December 31, 1999	As Adjusted
(Dollars in millions)				
Debtures, notes, and bonds, net:				
Due within one year:				
Short-term notes .....	3 mos.	5.68%	\$147,598	\$147,598
Global Debt .....	6 mos.	6.28	9,656	9,656
Debentures .....	7 mos.	8.44	3,843	3,843
Medium-term notes(2) .....	7 mos.	5.83	64,596	64,596
Other(3) .....	—	5.66	889	889
Total due within one year .....			226,582	226,582
Due after one year:				
Global Debt .....	6 yrs. 10 mos.	6.07	129,840	129,840
Debentures .....	5 yrs. 11 mos.	7.01	10,688	10,688
Medium-term notes(2) .....	5 yrs. 2 mos.	6.24	176,364	176,364
Other .....	16 yrs. 10 mos.	8.16	4,145	4,145
Total due after one year .....			321,037	321,037
Total debtures, notes, and bonds .....			\$547,619	\$547,619
Stockholders' equity:				
Preferred stock, \$50 stated value;				
100,000,000 shares authorized—				
32,000,000 shares issued				
Series A, 7,500,000 shares Issued .....			\$ 375	\$ 375
Series B, 7,500,000 shares Issued .....			375	375
Series C, 5,000,000 shares Issued .....			250	250
Series D, 3,000,000 shares Issued .....			150	150
Series E, 3,000,000 shares Issued .....			150	150
Series F, 12,000,000 shares Issued .....			—	600
Common stock, \$.525 stated value, no				
maximum authorization—				
1,129,000,000 shares outstanding .....			593	593
Additional paid-in capital .....			1,585	1,585
Retained earnings .....			18,417	18,417
Accumulated other comprehensive loss .....			(246)	(246)
			21,649	22,249
Less treasury stock, at cost—				
110,000,000 shares(4) .....			4,020	4,020
Total stockholders' equity .....			\$ 17,629	\$ 18,229

(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) Medium-term notes have maturities of one day or longer.

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

(4) Does not reflect any repurchases of our common stock that may be made using proceeds from the sale of the Preferred Stock, Series F. See "Use of Proceeds."

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, 1999 may differ from that shown in the table above.

## SELECTED FINANCIAL INFORMATION

The following selected financial data for the years 1995 through 1999 (which data are not covered by the independent auditors' report) have been summarized or derived from our audited financial statements for 1995 through 1998 and from our unaudited financial statements for 1999 and other financial information for such periods. These data are unaudited and include, in the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation. These data should be read in conjunction with the audited financial statements and notes to the financial statements contained in the Information Statement incorporated herein by reference.

(Dollars in millions, except per share amounts)

	Year Ended December 31,				
	1999	1998	1997	1996	1995
<b>Income Statement Data:</b>					
Interest income .....	\$ 35,495	\$ 29,995	\$ 26,378	\$ 23,772	\$ 21,071
Interest expense .....	(30,601)	(25,885)	(22,429)	(20,180)	(18,024)
Net interest income .....	4,894	4,110	3,949	3,592	3,047
Guaranty fees .....	1,282	1,229	1,274	1,196	1,086
Fee and other income, net .....	191	275	125	86	93
Credit-related expenses .....	(127)	(261)	(375)	(409)	(335)
Administrative expenses .....	(800)	(708)	(636)	(560)	(546)
Special contribution .....	—	—	—	—	(350)
Income before federal income taxes and extraordinary item .....	5,440	4,645	4,337	3,905	2,995
Provision for federal income taxes .....	(1,519)	(1,201)	(1,269)	(1,151)	(840)
Income before extraordinary item .....	3,921	3,444	3,068	2,754	2,155
Extraordinary loss—loss on early extinguishment of debt, net of tax effect .....	(9)	(26)	(12)	(29)	(11)
Net income .....	<u>\$ 3,912</u>	<u>\$ 3,418</u>	<u>\$ 3,056</u>	<u>\$ 2,725</u>	<u>\$ 2,144</u>
Preferred stock dividends .....	(78)	(66)	(65)	(42)	—
Net income available to common shareholders .....	<u>\$ 3,834</u>	<u>\$ 3,352</u>	<u>\$ 2,991</u>	<u>\$ 2,683</u>	<u>\$ 2,144</u>
<b>Basic earnings per common share(1):</b>					
Earnings before extraordinary item .....	\$ 3.75	\$ 3.28	\$ 2.87	\$ 2.53	\$ 1.98
Extraordinary item .....	—	(.02)	(.02)	(.03)	(.01)
Net earnings .....	<u>\$ 3.75</u>	<u>\$ 3.26</u>	<u>\$ 2.85</u>	<u>\$ 2.50</u>	<u>\$ 1.97</u>
<b>Diluted earnings per common share(1):</b>					
Earnings before extraordinary item .....	\$ 3.73	\$ 3.26	\$ 2.84	\$ 2.51	\$ 1.96
Extraordinary item .....	(.01)	(.03)	(.01)	(.03)	(.01)
Net earnings .....	<u>\$ 3.72</u>	<u>\$ 3.23</u>	<u>\$ 2.83</u>	<u>\$ 2.48</u>	<u>\$ 1.95</u>
Cash dividends per common share .....	\$ 1.08	\$ .96	\$ .84	\$ .76	\$ .68
<b>December 31,</b>					
	1999	1998	1997	1996	1995
<b>Balance Sheet Data:</b>					
Mortgage portfolio, net .....	\$522,780	\$415,223	\$316,316	\$286,259	\$252,588
Investments .....	39,751	58,515	64,596	56,606	57,273
Total assets .....	575,167	485,014	391,673	351,041	316,550
<b>Borrowings:</b>					
Due within one year .....	226,582	205,413	175,400	159,900	146,153
Due after one year .....	321,037	254,878	194,374	171,370	153,021
Total liabilities .....	557,538	469,561	377,880	338,268	305,591
Stockholders' equity .....	17,629	15,453	13,793	12,773	10,959
Capital(2) .....	18,430	16,244	14,575	13,520	11,703
<b>Year Ended December 31,</b>					
	1999	1998	1997	1996	1995
<b>Other Data:</b>					
Average net interest margin .....	1.01%	1.03%	1.17%	1.18%	1.16%
Return on average common equity .....	25.2	25.2	24.6	24.1	20.9
Dividend payout ratio .....	28.8	29.5	29.4	30.4	34.6
Average effective guaranty fee rate .....	.193	.202	.227	.224	.220
Credit loss ratio .....	.011	.027	.041	.053	.050
Ratio of earnings to combined fixed charges and preferred stock dividends(3) .....	1.17:1	1.18:1	1.19:1	1.19:1	1.17:1
Mortgage purchases .....	\$195,210	\$188,448	\$ 70,465	\$ 68,618	\$ 56,598
MBS issued .....	300,689	326,148	149,429	149,869	110,456
MBS outstanding at year end(4) .....	960,883	834,518	709,582	650,780	582,959
Weighted-average diluted common shares outstanding, in millions .....	1,031	1,037	1,056	1,080	1,098

(1) Earnings per common share amounts in 1996 and 1995 have been restated to comply with Financial Accounting Standard No. 128, *Earnings per Share*.

(2) Stockholders' equity plus general allowance for losses.

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

(4) Includes MBS in portfolio of \$282 billion, \$197 billion, \$130 billion, \$103 billion and \$70 billion at December 31, 1999, 1998, 1997, 1996 and 1995, respectively.

## GOVERNMENT REGULATION AND CHARTER ACT

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Charter Act (12 U.S.C. § 1716 *et seq.*) whose purpose is to (1) provide stability in the secondary market for residential mortgages, (2) respond appropriately to the private capital market, (3) provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing and (4) promote access to mortgage credit throughout the nation (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

Fannie Mae originally was incorporated in 1938 pursuant to Title III of the National Housing Act as a wholly owned government corporation and in 1954, under a revised Title III called the Federal National Mortgage Association Charter Act, became a mixed-ownership corporate instrumentality of the United States. From 1950 to 1968, it operated in the Housing and Home Finance Agency, which was succeeded by the Department of Housing and Urban Development (“HUD”). Pursuant to amendments to the Charter Act enacted in the Housing and Urban Development Act of 1968 (the “1968 Act”), the then Federal National Mortgage Association was divided into two separate institutions, the present Fannie Mae and the Government National Mortgage Association, a wholly owned corporate instrumentality of the United States within HUD, which carried on certain special financing assistance and management and liquidation functions. Under the 1968 Act, Fannie Mae was constituted as a federally chartered corporation and the entire equity interest in Fannie Mae became stockholder-owned.

Although the 1968 Act eliminated all federal ownership interest in Fannie Mae, it did not terminate government regulation of Fannie Mae. Under the Charter Act, approval of the Secretary of the Treasury is required for Fannie Mae’s issuance of its debt obligations and MBS. In addition, the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (the “1992 Act”) established the Office of Federal Housing Enterprise Oversight (“OFHEO”), an independent office within HUD under the management of a Director (the “Director”) who is responsible for ensuring that Fannie Mae and the Federal Home Loan Mortgage Corporation, or “Freddie Mac,” are adequately capitalized and operating safely in accordance with the 1992 Act. The 1992 Act established minimum capital, risk-based capital, and critical capital requirements for Fannie Mae and required the Director to establish, by regulation, a risk-based capital test to be used to determine the amount of total capital Fannie Mae must have to exceed the risk-based capital level from time to time. OFHEO issued a final rule (the “Rule”) in 1996 related to the minimum capital levels for Fannie Mae and 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 formalized the interim capital standards applied by OFHEO, with which Fannie Mae has been in compliance since their inception. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Balance Sheet Analysis—Regulatory Capital Requirements” in the Information Statement.

In 1996, OFHEO also released for comment Part I of the proposed regulations to establish the risk-based capital test. Part I specifies that “benchmark loss experience” will be combined with other yet to be determined assumptions and applied each quarter to Fannie Mae’s book of business to establish credit losses under the risk-based capital standard for Fannie Mae. Part I also specifies the house price index that OFHEO will use in connection with the risk-based capital standard. Fannie Mae submitted comments to OFHEO in October 1996 stating that several aspects of the initial proposal require adjustments or amendment, because it does not accurately capture Fannie Mae’s credit history and derives credit loss rates that are significantly worse than any reasonable representation of Fannie Mae’s and Freddie Mac’s loss experience. On April 13, 1999, OFHEO published for comment Part II of its proposed regulations for the risk-based capital test for Fannie Mae and Freddie Mac. Part II specifies, among other matters, remaining aspects of the test and how the test will be

used to determine Fannie Mae's and Freddie Mac's risk-based capital requirements. The summary accompanying Part II noted that if Part II had been in effect as of June 30, 1997, Fannie Mae's required risk-based capital would have been \$17.73 billion, as compared with \$14.05 billion in actual capital at that time. OFHEO also noted that there were a variety of means, such as hedging, that Fannie Mae could have used to reduce required risk-based capital to the level of its actual capital. Final comments on the proposal were due March 10, 2000.

On March 10, 2000, Fannie Mae submitted comments to OFHEO on Part II of the proposed regulations. In its comments, Fannie Mae detailed three principal criteria that its management used to evaluate Part II of the proposed regulations: operational workability, the ability to accommodate innovation, and the linking of capital to risk. Management acknowledged that OFHEO's work to date represents significant progress in carrying out its statutory mandate. Management concluded, however, that OFHEO's proposed regulations failed to meet these three criteria and made suggestions for addressing these points. Fannie Mae currently is reviewing comments on the proposed regulations submitted by other parties. OFHEO will accept replies to these comments through April 14, 2000. Management believes that the final risk-based standard could be modified substantially from its current proposed form. The 1992 Act provides that the final regulations will be enforceable one year after issuance. Management is confident that Fannie Mae will be able to meet any reasonable final test.

If Fannie Mae fails to meet one or more of the capital standards under the 1992 Act, the Director is required to take certain remedial measures and may take others, depending on the standards Fannie Mae fails to meet. The Director's enforcement powers include the power to impose temporary and final cease-and-desist orders and civil penalties on Fannie Mae and on directors or executive officers of Fannie Mae. If the Director determines that Fannie Mae is engaging in conduct not approved by the Director that could result in a rapid depletion of core capital or that the value of the property subject to mortgages held or securitized by Fannie Mae has decreased significantly, the Director is authorized to treat Fannie Mae as not meeting one of the capital standards that it otherwise meets. In addition, Fannie Mae is required to submit a capital restoration plan if it fails to meet any of the capital standards. If the Director does not approve the plan or determines that Fannie Mae has failed to make reasonable efforts to comply with the plan, then the Director may treat Fannie Mae as not meeting one of the capital standards that it otherwise meets. Also, if Fannie Mae fails to meet or is treated by the Director as not meeting one of the capital standards and the Director has reasonable cause to believe that Fannie Mae or any executive officer or director of Fannie Mae is engaging in or about to engage in any conduct that threatens to result in a significant depletion of Fannie Mae's core capital, then the Director is authorized to commence proceedings pursuant to which, after a hearing, the Director could issue a cease and desist order prohibiting such conduct. The Director could issue such an order without a hearing, which would be effective until completion of the cease-and-desist proceedings, if the Director determined that the conduct in question was likely to cause a significant depletion of core capital. Prior approval of the Director is required for Fannie Mae to pay a dividend if the dividend would decrease Fannie Mae's capital below risk-based capital or minimum capital levels established under the 1992 Act. The Director is authorized to levy, pursuant to annual Congressional appropriations, annual assessments on Fannie Mae and Freddie Mac to cover reasonable expenses of OFHEO.

The 1992 Act also gives the Director the authority to conduct on-site examinations of Fannie Mae for purposes of ensuring Fannie Mae's financial safety and soundness. In addition, Fannie Mae is required to submit annual and quarterly reports of the financial condition and operations of Fannie Mae to the Director. Moreover, the Charter Act, as amended by the 1992 Act, authorizes the General Accounting Office to audit the programs, activities, receipts, expenditures and financial transactions of Fannie Mae. Fannie Mae also is required to submit an annual report to the House and Senate Banking Committees and the Secretary of HUD regarding Fannie Mae's performance in meeting housing goals relating to the purchase of mortgages on housing for low- and moderate-income families, mortgages on rental and owner-occupied housing for low-income families in low-income areas or for very-low-income families, and mortgages on housing located in rural or other underserved areas.

The 1992 Act requires HUD to establish certain housing goals for Fannie Mae (and Freddie Mac). The current HUD-established annual housing goals require that 42 percent of Fannie Mae's

conventional mortgage business finance mortgages for low- and moderate-income families, 14 percent of Fannie Mae's conventional mortgage business finance mortgages for very low-income families and low-income families in low-income areas (the "special affordable housing goal"), 24 percent of Fannie Mae's conventional mortgage business finance mortgages in certain underserved areas (the "geographically targeted goal"), and mortgage purchases of multifamily units within the special affordable housing goal total at least \$1.3 billion. Fannie Mae exceeded these goals for 1999. On March 9, 2000, HUD published in the *Federal Register* for public comment revised housing goals for Fannie Mae (and Freddie Mac) that would increase these goals to 50 percent, 20 percent, 31 percent, and \$3.68 billion, respectively, for 2001 and each of the succeeding two years. HUD also proposed increasing the corresponding goals for 2000 to 48 percent, 18 percent, 29 percent, and \$3.31 billion, respectively. Management will not be able to assess the impact of changes in these goals on Fannie Mae until the goals are finalized, but management has stated that Fannie Mae will work hard to meet the revised goals as currently proposed. The current rule remains in effect until superseded by a final rulemaking establishing different goals. The public comment period on the proposed rules will expire on May 8, 2000.

Under the 1992 Act, the Secretary of HUD retains general regulatory authority to promulgate rules and regulations to carry out the purposes of the Charter Act, excluding authority over matters granted exclusively to the Director in the 1992 Act. The Secretary of HUD also must approve any new conventional mortgage program that is significantly different from those approved or engaged in prior to the 1992 Act. The Secretary is required to approve any new program unless it is not authorized by the Charter Act of Fannie Mae or the Secretary finds that it is not in the public interest. However, until one year after the final regulations establishing the risk-based capital test are in effect, the Secretary must disapprove a new program if the Director determines that the program would risk significant deterioration of the financial condition of Fannie Mae. The Secretary has adopted regulations related to the program approval requirement.

Thirteen members of Fannie Mae's eighteen-member Board of Directors are elected by the holders of Fannie Mae's common stock, and the remaining five members are appointed by the President of the United States. The appointed directors must include one person from the home building industry, one person from the mortgage lending industry, and one person from the real estate industry. Under the 1992 Act, one appointed director also must be from an organization that has represented consumer or community interests for not less than two years or a person who has demonstrated a career commitment to the provision of housing for low-income households. Any member of the Board of Directors that is appointed by the President of the United States may be removed by the President for good cause.

In addition to placing Fannie Mae under federal regulation, the Charter Act also grants to Fannie Mae certain privileges. For instance, securities issued by Fannie Mae are deemed to be "exempt securities" under laws administered by the Securities and Exchange Commission to the same extent as securities that are obligations of, or guaranteed as to principal and interest by, the United States. Registration statements with respect to Fannie Mae's securities are not filed with the SEC. Fannie Mae also is not required to file periodic reports with the SEC.

The Secretary of the Treasury of the United States has discretionary authority to purchase obligations of Fannie Mae up to a maximum of \$2.25 billion outstanding at any one time. This facility has not been used since Fannie Mae's transition from government ownership in 1968. Neither the United States nor any agency thereof is obligated to finance Fannie Mae's operations or to assist Fannie Mae in any other manner.

We are exempt from all taxation by any state or by any county, municipality, or local taxing authority except for real property taxes. We are not exempt from payment of federal corporate income taxes. Also, we may conduct our business without regard to any qualifications or similar statute in any state of the United States or the District of Columbia.

The Federal Reserve Banks are authorized to act as depositaries, custodians, and fiscal agents for Fannie Mae, for its own account, or as fiduciary.

## DESCRIPTION OF THE PREFERRED STOCK

We are authorized by the Charter Act to have preferred stock on such terms and conditions as our Board of Directors may prescribe. On December 27, 1995, our Board of Directors amended our bylaws to authorize Fannie Mae to issue up to 100,000,000 shares of preferred stock. To date, we have issued the following (collectively, the “Outstanding Preferred Stock”):

- on March 1, 1996, 7,500,000 shares of 6.41% Non-Cumulative Preferred Stock, Series A (stated value \$50 per share) (the “Series A Preferred Stock”);
- on April 12, 1996, 7,500,000 shares of 6.50% Non-Cumulative Preferred Stock, Series B (stated value \$50 per share) (the “Series B Preferred Stock”);
- on September 20, 1996, 5,000,000 shares of 6.45% Non-Cumulative Preferred Stock, Series C (stated value \$50 per share) (the “Series C Preferred Stock”);
- on September 30, 1998, 3,000,000 shares of 5.25% Non-Cumulative Preferred Stock, Series D (stated value \$50 per share) (the “Series D Preferred Stock”); and
- on April 15, 1999, 3,000,000 shares of 5.10% Non-Cumulative Preferred Stock, Series E (stated value \$50 per share) (the “Series E Preferred Stock”).

The terms of the Preferred Stock will be established by a Certificate of Designation of Terms of Variable Rate Non-Cumulative Preferred Stock, Series F (the “Certificate of Designation”), adopted by a duly authorized committee of our Board of Directors, which will be substantially in the form attached as Appendix A to this Offering Circular. The following is a brief description of the terms of the Preferred Stock; you also should read the Certificate of Designation for a full description of the Preferred Stock.

### General

We have the right to create and issue additional shares of Preferred Stock and additional classes or series of stock that rank, as to dividends, liquidation or otherwise, prior to, on parity with or junior to the Preferred Stock, without the consent of holders of the Preferred Stock. As of the date hereof, the shares of Outstanding Preferred Stock are the only shares of preferred stock of Fannie Mae outstanding. The Preferred Stock will rank equally as to the payment of dividends and the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae with the Outstanding Preferred Stock.

The Preferred Stock has no par value, has a stated value and liquidation preference of \$50 per share and, upon issuance against full payment of the purchase price therefor, will be fully paid and nonassessable.

The Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. In addition, holders of Preferred Stock will have no right to require redemption of any shares of Preferred Stock.

The Preferred Stock will not be convertible into or exchangeable for any other stock or obligations of Fannie Mae and will have no preemptive rights.

First Chicago Trust Company a division of EquiServe will be the transfer agent, dividend disbursing agent and registrar for the shares of Preferred Stock.

**The obligations of Fannie Mae under the terms of the Preferred Stock are obligations of Fannie Mae only and are not those of the United States or of any instrumentality thereof other than Fannie Mae.**

## Dividends

Dividends on shares of the Preferred Stock will not be mandatory. Holders of record of Preferred Stock as they appear on the books and records of Fannie Mae (the “Holders”) will be entitled to receive non-cumulative, quarterly cash dividends that will accrue from and including March 20, 2000 and will be payable on March 31, June 30, September 30 and December 31 of each year (each a “Dividend Payment Date”), commencing June 30, 2000, when, as and if declared by the Board of Directors of Fannie Mae, or a duly authorized committee thereof, in its sole discretion out of funds legally available for dividend payments. We will pay dividends on the Preferred Stock to the Holders on the relevant record date fixed by the Board of Directors, or a duly authorized committee thereof, which may not be earlier than 45 days or later than 10 days prior to the applicable Dividend Payment Date. If a Dividend Payment Date is not a Business Day, we will pay dividends (if declared) on the Preferred Stock on the succeeding business day, without interest from that Dividend Payment Date to the date of actual payment. A “Business Day” is any day other than a Saturday, Sunday or other day on which banking institutions in New York, New York are authorized or required by law to close. We will compute dividends payable on the Preferred Stock for any period greater or less than a full dividend period on the basis of a 360-day year consisting of twelve 30-day months. We will compute dividends payable on the Preferred Stock for each full dividend period by dividing the per annum dividend rate by four. The amount of quarterly dividends per share will be rounded to the fourth digit after the decimal point. (If the fifth digit to the right of the decimal point is five or greater, the fourth digit will be rounded up by one.)

If declared, the dividend rate for the period from and including March 20, 2000 to but excluding March 31, 2002 will be 6.295% per annum. Thereafter, dividends will accrue at a variable per annum rate (not greater than 11%) equal to the “CMT Rate” (as defined below) minus 0.16%, without taking into account any adjustments as described below under “—Changes in the Dividends-Received Percentage”. On March 31, 2002, and on March 31 every two years thereafter, the previous dividend rate will be replaced by the then-current CMT Rate minus 0.16%. The CMT Rate for each two-year period will be determined by Fannie Mae on the second Business Day immediately preceding the first day of such period (each, a “CMT Determination Date”). If declared, the initial dividend, which will be for the Dividend Period from and including March 20, 2000 to but excluding June 30, 2000, will be \$0.8830 per share and will be payable on June 30, 2000. Thereafter, the Dividend Period relating to a Dividend Payment Date will be the period from and including the preceding Dividend Payment Date to but excluding the related Dividend Payment Date.

The “CMT Rate” for any CMT Determination Date with respect to any Dividend Period will be the rate equal to (in the following order of priority):

- (1) the one-week average yield on 2-year United States Treasury securities at “constant maturity” as estimated from the United States Department of the Treasury’s weekly yield curve, as published in the latest H.15(519) (as defined below) available on the applicable CMT Determination Date with respect to such Dividend Period, provided that such H.15(519) was first available not earlier than ten calendar days before such CMT Determination Date, under the column “Week Ending” for the week most recently ended opposite the heading “U.S. government securities-Treasury Constant Maturities, 2-year.”

- (2) if the latest H.15(519) available on the applicable CMT Determination Date with respect to such Dividend Period was first available prior to ten calendar days before such CMT Determination Date, the CMT Rate will be such 2-year United States Treasury constant maturity rate (or other 2-year United States Treasury rate) for such CMT Determination Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that Fannie Mae determines to be comparable to the rate formerly published in H.15(519).

- (3) if the CMT Rate as described in clause (2) is not published by 10:00 a.m. (New York City time) on the applicable CMT Determination Date, the CMT Rate will be calculated by

Fannie Mae and will be a yield to maturity (expressed as a bond equivalent and as a decimal on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m. (New York City time) on such CMT Determination Date of three leading primary United States government securities dealers in The City of New York selected by Fannie Mae (from five such dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for direct noncallable fixed rate obligations of the United States (“Treasury Notes”) most recently issued with an original maturity of approximately two years and a remaining term to maturity of not less than one year. If three or four (and not five) of such dealers are quoting as described in this clause (3), then the CMT Rate will be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations will be eliminated.

(4) if fewer than three dealers selected by Fannie Mae are quoting as described in clause (3), the CMT Rate will be calculated by Fannie Mae and will be a yield to maturity (expressed as a bond equivalent and as a decimal on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m. (New York City time) on the applicable CMT Determination Date of three leading primary United States government securities dealers in The City of New York selected by Fannie Mae (from five such dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for Treasury Notes with an original maturity of approximately ten years and a remaining term to maturity closest to two years. If three or four (and not five) of such dealers are quoting as described in this clause (4), then the CMT Rate will be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations will be eliminated.

(5) if fewer than three dealers selected by Fannie Mae are quoting as described in clause (4), the CMT Rate will be the CMT Rate in effect for the prior Dividend Period.

In the case of clause (4), if two Treasury Notes with an original maturity of approximately ten years have remaining terms to maturity equally close to two years, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.

“H.15(519)” means the weekly statistical release designated as the H.15(519), as officially published by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”). We understand that the Federal Reserve Board’s method of official publication is by hard copy release, although the Federal Reserve Board does provide unofficial rates through its World Wide Web site and possibly other means.

Fannie Mae’s determination of the CMT Rate and the dividend rate will be final and binding.

The Preferred Stock will rank prior to the common stock of Fannie Mae with respect to the payment of dividends to the extent provided in the Certificate of Designation. As a result, unless dividends have been declared and paid or set apart (or ordered to be set apart) on the Preferred Stock for the then current quarterly Dividend Period, no dividend may be declared or paid or set apart for payment on Fannie Mae’s common stock (or on any other stock of Fannie Mae ranking, as to the payment of dividends, junior to the Preferred Stock), other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, the common stock of Fannie Mae or any other stock of Fannie Mae ranking junior to the Preferred Stock as to the payment of dividends and the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae. When dividends are not paid in full upon the Preferred Stock and all other classes or series of stock of Fannie Mae, if any, ranking on a parity as to the payment of dividends with the Preferred Stock, all dividends declared upon shares of Preferred Stock and all such other stock of Fannie Mae will be declared pro rata so that the amount of dividends declared per share on the Preferred Stock and all such other stock will in all cases bear to each other the same ratio that accrued dividends per share on the shares of Preferred Stock (including any adjustment in the amount of dividends payable due to

changes in the Dividends-Received Percentage (as defined below) but without accumulation of unpaid dividends for prior Dividend Periods) and each other stock bear to each other.

Dividends on the Preferred Stock will not be cumulative. If we do not pay a dividend on the Preferred Stock, the Holders of Preferred Stock will have no claim in respect of such non-payment so long as no dividend (other than those referred to in the preceding paragraph) is paid on Fannie Mae's common stock (or any other stock of Fannie Mae ranking, as to the payment of dividends, junior to the Preferred Stock) for the then-current quarterly Dividend Period.

The Board of Directors, or a duly authorized committee thereof, may, in its discretion, choose to pay dividends on the Preferred Stock without the payment of any dividends on Fannie Mae's common stock (or any other stock of Fannie Mae ranking, as to the payment of dividends, junior to the Preferred Stock).

No dividends may be declared or paid or set apart for payment on any shares of the Preferred Stock if at the same time any arrears exist or default exists in the payment of dividends on any outstanding class or series of stock of Fannie Mae ranking prior to the Preferred Stock with respect to the payment of dividends. At the time of issuance of the Preferred Stock, there will be no class or series of stock of Fannie Mae which ranks prior to the Preferred Stock with respect to the payment of dividends.

Holder of Preferred Stock will not be entitled to any dividends, whether payable in cash or property, other than as described above and will not be entitled to interest, or any sum in lieu of interest, in respect of any dividend payment.

See also “—Regulatory Matters” for a description of certain regulatory restrictions on Fannie Mae's payment of dividends.

***Changes in the Dividends-Received Percentage.*** If, prior to September 20, 2001, one or more amendments to the Internal Revenue Code of 1986, as amended (the “Code”), are enacted that eliminate or reduce the percentage of the dividends-received deduction applicable to the Preferred Stock (currently 70 percent) as specified in section 243(a)(1) of the Code or any successor provision (the “Dividends-Received Percentage”), certain adjustments may be made in respect of the dividends payable by Fannie Mae, and Post Declaration Date Dividends and Retroactive Dividends (as such terms are defined below) may become payable, as described below.

The amount of each dividend payable (if declared) per share of Preferred Stock for dividend payments made on or after the effective date of such change in the Code will be adjusted by multiplying the amount of the dividend that would otherwise be payable (before adjustment) by a factor, which will be the number determined in accordance with the following formula (the “DRD Formula”), and rounding the result to the nearest cent (with one-half cent rounded up):

$$\frac{1-.35(1-.70)}{1-.35(1-DRP)}$$

For the purposes of the DRD Formula, “DRP” means the Dividends-Received Percentage (expressed as a decimal) applicable to the dividend in question; *provided, however*, that if the Dividends-Received Percentage applicable to the dividend in question shall be less than 50%, then the DRP shall equal .50. If the amount of any dividend payable on the Preferred Stock is adjusted through such application of the DRD Formula, the resulting dividend rate may exceed 11% per annum. No amendment to the Code, other than a change in the percentage of the dividends-received deduction applicable to the Preferred Stock as set forth in section 243 (a) (1) of the Code or any successor provision, will give rise to an adjustment. Notwithstanding the foregoing provisions, if, with respect to any such amendment, Fannie Mae receives either an unqualified opinion of nationally recognized independent tax counsel selected by Fannie Mae or a private letter ruling or similar form of assurance from the Internal Revenue Service (the “IRS”) to the effect that such an amendment does not apply to a dividend payable on the Preferred Stock, then such amendment will not result in the adjustment provided for

pursuant to the DRD Formula with respect to such dividend. The opinion referenced in the previous sentence shall be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation. Unless the context otherwise requires, references to dividends in this Offering Circular will mean dividends as adjusted by the DRD Formula. Fannie Mae's calculation of the dividends payable as so adjusted shall be final and not subject to review.

Notwithstanding the foregoing, if any such amendment to the Code is enacted after the dividend payable on a Dividend Payment Date has been declared but before such dividend is paid, the amount of the dividend payable on such Dividend Payment Date will not be increased; instead, additional dividends (the "Post Declaration Date Dividends"), equal to the excess, if any, of (1) the product of the dividend paid by Fannie Mae on such Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage applicable to the dividend in question and .50) over (2) the dividend paid by Fannie Mae on such Dividend Payment Date, will be payable (if declared) to Holders of Preferred Stock on the record date applicable to the next succeeding Dividend Payment Date.

If any such amendment to the Code is enacted and the reduction in the Dividends-Received Percentage retroactively applies to a Dividend Payment Date as to which Fannie Mae previously paid dividends on the Preferred Stock (each, an "Affected Dividend Payment Date"), Fannie Mae will pay (if declared) additional dividends (the "Retroactive Dividends") to Holders of Preferred Stock on the record date applicable to the next succeeding Dividend Payment Date (or, if such amendment is enacted after the dividend payable on such Dividend Payment Date has been declared, to Holders of Preferred Stock on the record date applicable to the second succeeding Dividend Payment Date following the date of enactment) or, if the Preferred Stock is called for redemption prior to such record date, to Holders of Preferred Stock on the applicable redemption date, as the case may be, in an amount equal to the excess of (1) the product of the dividend paid by Fannie Mae on each Affected Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage and .50 applied to each Affected Dividend Payment Date) over (2) the sum of the dividend paid by Fannie Mae on each Affected Dividend Payment Date. Fannie Mae will only make one payment of Retroactive Dividends for any such amendment. Notwithstanding the foregoing provisions, if, with respect to any such amendment, Fannie Mae receives either an unqualified opinion of nationally recognized independent tax counsel selected by Fannie Mae or a private letter ruling or similar form of assurance from the IRS to the effect that such amendment does not apply to a dividend payable on an Affected Dividend Payment Date for the Preferred Stock, then such amendment will not result in the payment of Retroactive Dividends with respect to such Affected Dividend Payment Date. The opinion referenced in the previous sentence shall be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation.

Notwithstanding the foregoing, Fannie Mae will not make any adjustment in the dividends payable by Fannie Mae, and Fannie Mae will not be required to pay Post Declaration Date Dividends or Retroactive Dividends, in respect of the enactment after September 20, 2001 of any amendment to the Code that eliminates or reduces the Dividends-Received Percentage.

In the event that the amount of dividends payable per share of the Preferred Stock is adjusted pursuant to the DRD Formula and/or Post Declaration Date Dividends or Retroactive Dividends are to be paid, Fannie Mae will give notice of each such adjustment and, if applicable, any Post Declaration Date Dividends and Retroactive Dividends to the Holders of Preferred Stock.

Investors may obtain the dividend rates for the current and preceding Dividend Periods by writing or calling the Treasurer's Office at Fannie Mae at 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (phone number: (800) 701-4791 or (202) 752-5499).

## **Optional Redemption**

The Preferred Stock will not be redeemable prior to March 31, 2002. On that date and on March 31 every two years thereafter, subject to the notice provisions set forth below and subject to any further limitations which may be imposed by law, Fannie Mae, at its option, may redeem the Preferred Stock, in whole or in part, out of funds legally available therefor, at the redemption price of \$50 per share plus an amount equal to the dividend (whether or not declared) for the then-current quarterly Dividend Period accrued to but excluding the date of such redemption, including any adjustments in dividends payable due to changes in the Dividends-Received Percentage but without accumulation of unpaid dividends on the Preferred Stock for prior Dividend Periods. If less than all of the outstanding shares of the Preferred Stock are to be redeemed, Fannie Mae will select shares to be redeemed from the outstanding shares not previously called for redemption by lot or pro rata (as nearly as possible) or by any other method that the Board of Directors, or a duly authorized committee thereof, in its sole discretion deems equitable.

Fannie Mae will give notice of any such redemption by mail to Holders of Preferred Stock not less than 30 days prior to the date fixed by the Board of Directors, or duly authorized committee thereof, for such redemption. Each notice will state the number of shares of Preferred Stock to be redeemed and, if fewer than all of the shares of Preferred Stock held by the applicable Holder are to be redeemed, the number of shares to be redeemed from such Holder, the redemption price, the redemption date and the place at which such Holder's certificate(s) representing shares of the Preferred Stock must be presented upon such redemption.

Under certain circumstances, Fannie Mae may need the approval of the Director prior to exercising its right to redeem shares of Preferred Stock. See “—Regulatory Matters.”

Holders of Preferred Stock will have no right to require redemption of Preferred Stock.

Once proper notice has been given, from and after the redemption date, dividends on the Preferred Stock called for redemption will cease to accrue and such Preferred Stock called for redemption will no longer be deemed outstanding, and all rights of the Holders thereof as registered holders of the Preferred Stock will cease.

## **Liquidation Rights**

Upon any voluntary or involuntary dissolution, liquidation or winding up of Fannie Mae, after payment or provision for the liabilities of Fannie Mae and the expenses of such dissolution, liquidation or winding up, the Holders of the outstanding shares of the Preferred Stock will be entitled to receive the amount of \$50 per share plus an amount equal to the dividend (whether or not declared) for the then-current quarterly dividend period accrued to but excluding the date of such liquidation payment, including any adjustments in dividends payable due to changes in the Dividends-Received Percentage but without accumulation of unpaid dividends on the Preferred Stock for prior Dividend Periods, out of the assets of Fannie Mae or proceeds thereof available for distribution to stockholders, before any payment or distribution of assets is made to holders of Fannie Mae's common stock (or any other stock of Fannie Mae ranking, as to the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, junior to the Preferred Stock). If the assets of Fannie Mae available for distribution in such event are insufficient to pay in full the aggregate amount payable to Holders of the Preferred Stock and holders of all other classes or series of stock of Fannie Mae, if any, ranking, as to the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, equally with the Preferred Stock, the assets will be distributed to the Holders of Preferred Stock and holders of such other stock pro rata, based on the full respective preferential amounts to which they are entitled (including any adjustments in dividends payable due to changes in the Dividends-Received Percentage but without accumulation of unpaid dividends on the Preferred Stock for prior Dividend Periods). After payment of the full amount of the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae to which they are entitled, the Holders of Preferred Stock will not be entitled to any further participation in any distribution of assets by Fannie Mae.

Notwithstanding the foregoing, Holders of Preferred Stock will not be entitled to be paid any amount in respect of a dissolution, liquidation or winding up of Fannie Mae until holders of any class or series of stock of Fannie Mae ranking, as to the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, prior to the Preferred Stock have been paid all amounts to which such classes or series are entitled. At the time of issuance of the Preferred Stock, there will be no class or series of stock of Fannie Mae ranking prior to the Preferred Stock with respect to the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae.

Neither the sale, lease or exchange (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of Fannie Mae, nor the merger, consolidation or combination of Fannie Mae into or with any other corporation, nor the merger, consolidation or combination of any other corporation or entity into or with Fannie Mae, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of these provisions on liquidation rights.

### **Regulatory Matters**

Holders of Preferred Stock are entitled to receive dividends if, as and when declared by the Board of Directors, or a duly authorized committee thereof. However, certain provisions of the 1992 Act may operate to restrict the ability of the Board to declare dividends in certain circumstances. The 1992 Act established risk-based capital, minimum capital and critical capital levels for Fannie Mae, and required the Director of OFHEO to establish, by regulation, a risk-based capital test to be used to determine the amount of total capital Fannie Mae must have to exceed the risk-based capital level from time to time. See “Government Regulation and Charter Act” regarding the status of the proposed risk-based capital regulations. Until one year after the final regulations establishing the risk-based capital test are in effect, a dividend may be paid without the prior approval of the Director if Fannie Mae meets the minimum capital level established under the 1992 Act and the dividend payment would not decrease Fannie Mae’s base capital below such level. See “Government Regulation and Charter Act” regarding the final rule applicable to the minimum capital level.

One year after final regulations establishing the risk-based capital test take effect, a dividend may be paid without the prior approval of the Director if Fannie Mae meets both the risk-based capital and minimum capital levels and the dividend payment would not decrease Fannie Mae’s total capital below the risk-based capital level or its core capital below the minimum capital level. If Fannie Mae meets either the risk-based capital standard or the minimum capital standard, it may make a dividend payment without obtaining the approval of the Director only if the dividend payment would not cause Fannie Mae to fail to meet another capital standard. At any time when Fannie Mae does not meet the risk-based capital standard but meets the minimum capital standard, Fannie Mae is prohibited from making a dividend payment that would cause Fannie Mae to fail to meet the minimum capital standard. If Fannie Mae meets neither the risk-based capital standard nor the minimum capital standard but does meet the critical capital standard established under the 1992 Act, it may make a dividend payment only if Fannie Mae would not fail to meet the critical capital standard as a result of such payment and the Director approves the payment after finding that it satisfies certain statutory conditions. The Director has the authority to require Fannie Mae to submit a report to the Director regarding any capital distribution (including any dividend) declared by Fannie Mae before Fannie Mae makes the distribution. See “Government Regulation and Charter Act” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Balance Sheet Analysis—Regulatory Capital Requirements” in the Information Statement regarding the capital standards applicable to Fannie Mae.

If the Director determines that Fannie Mae is engaging in conduct not approved by the Director that could result in a rapid depletion of core capital or that the value of the property subject to mortgages held or securitized by Fannie Mae has decreased significantly, the Director is authorized to treat Fannie Mae as not meeting one of the capital standards that it otherwise meets. In addition, Fannie Mae is required to submit a capital restoration plan if it fails to meet any of the capital

standards. If the Director does not approve the plan or determines that Fannie Mae has failed to make reasonable efforts to comply with the plan, then the Director may treat Fannie Mae as not meeting one of the capital standards that it otherwise meets. Also, if Fannie Mae fails to meet or is treated by the Director as not meeting one of the capital standards and the Director has reasonable cause to believe that Fannie Mae or any executive officer or director of Fannie Mae is engaging in or about to engage in any conduct that threatens to result in a significant depletion of Fannie Mae's core capital, then the Director is authorized to commence proceedings pursuant to which, after a hearing, the Director could issue a cease and desist order prohibiting such conduct. The Director could issue such an order without a hearing, which would be effective until completion of the cease-and-desist proceedings, if the Director determined that the conduct in question was likely to cause a significant depletion of core capital. Prior approval of the Director is required for Fannie Mae to pay a dividend if the dividend would decrease Fannie Mae's capital below risk-based capital or minimum capital levels established under the 1992 Act.

### **Voting Rights; Amendments**

Except as provided below, the Holders of Preferred Stock will not be entitled to any voting rights.

Without the consent of the Holders of Preferred Stock, we may amend, alter, supplement or repeal any terms of the Preferred Stock

- to cure any ambiguity, or to cure, correct or supplement any provision contained in the Certificate of Designation that may be defective or inconsistent; or
- to make any other provision with respect to matters or questions arising with respect to the Preferred Stock that is not inconsistent with the provisions of the Certificate of Designation, so long as such action does not materially and adversely affect the interests of the Holders of Preferred Stock.

The following are deemed not to materially and adversely affect the interests of the Holders of Preferred Stock:

- any increase in the amount of authorized or issued Preferred Stock; or
- the creation and issuance, or an increase in the authorized or issued amount, of any other class or series of stock of Fannie Mae, whether ranking prior to, on a parity with or junior to the Preferred Stock as to dividends or liquidation or otherwise.

Otherwise, the terms of the Preferred Stock may be amended, altered, supplemented or repealed only with the consent of the Holders of at least two-thirds of the outstanding shares of Preferred Stock. On matters requiring their consent, Holders of Preferred Stock will be entitled to one vote per share.

### **New York Stock Exchange Listing**

Application has been made to list the Preferred Stock on the NYSE under the symbol "FNMprF". Trading of the Preferred Stock on the NYSE is expected to commence within a thirty-day period after the initial delivery of the Preferred Stock.

## LEGALITY OF INVESTMENT

National banks may purchase, hold and invest in for their own accounts the shares of Preferred Stock without regard to limitations generally applicable to investment securities. The Preferred Stock would be subject to a 100% risk weighting for capital adequacy purposes.

Federal savings associations and federal savings banks may invest in the shares of Preferred Stock without regard to limitations generally applicable to investments. Preferred Stock held by a federal savings association or federal savings bank would be subject to a 100% risk weighting for capital adequacy purposes.

Federally insured state-chartered banks, state-chartered savings banks and state-chartered savings and loan associations may invest in the shares of Preferred Stock to the extent permitted by the Secondary Mortgage Market Enhancement Act of 1984 (“SMMEA”) and by applicable state law, after complying with any procedures imposed by the state. Preferred Stock held by such an institution would be subject to a 100% risk weighting for federal capital adequacy purposes.

Federal credit unions may purchase the shares of Preferred Stock without regard to limitations generally applicable to investments.

The shares of Preferred Stock are “stock . . . of a corporation which is an instrumentality of the United States” within the meaning of § 7701(a)(19)(C)(ii) of the Code for purposes of the 60 percent of assets limitation applicable to domestic building and loan associations.

In addition to the specific authorizations discussed above, § 106(a)(1) of SMMEA provides that any person, trust, corporation, partnership, association, business trust or business entity created pursuant to or existing under the laws of the United States or any state (including the District of Columbia and Puerto Rico) (an “investor”) is authorized to purchase, hold and invest in securities issued or guaranteed by Fannie Mae (including the shares of Preferred Stock) to the same extent that such investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Prior to October 4, 1991, states were authorized by SMMEA to enact legislation that either prohibited or limited an investor’s authority to purchase, hold or invest in securities issued or guaranteed by Fannie Mae. To the best of our knowledge, 18 states currently have legislation limiting to varying extents the ability of certain entities (in most cases, insurance companies) to invest in securities issued or guaranteed by Fannie Mae, including the shares of Preferred Stock.

Notwithstanding the above, investors should consult their legal advisors to determine whether and to what extent the shares of Preferred Stock constitute legal investments for such investors or are eligible to be used as security for borrowings. The foregoing does not take into consideration the application of statutes, regulations, orders, guidelines or agreements generally governing investments made by a particular investor, including but not limited to “prudent investor” provisions, safety and soundness conditions and percentage-of-assets limits. The regulatory authorities that administer the legal provisions referred to above generally reserve discretion whether securities, such as the Preferred Stock, that are otherwise acceptable for investment may be purchased or pledged by the institutions subject to their jurisdiction. An institution under the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, or any other federal or state agency with similar authority should review any applicable regulations, policy statements and guidelines before purchasing the Preferred Stock.

## UNITED STATES TAXATION

The Preferred Stock and payments thereon are not generally exempt from taxation by the United States or other U.S. or non-U.S. taxing jurisdictions.

In the opinion of Arnold & Porter, our special tax counsel, the following discussion correctly describes the principal aspects of the U.S. federal income tax treatment of U.S. Persons (as defined below) that are beneficial holders of the Preferred Stock (“Shareholders”). This discussion does not address the U.S. federal income tax treatment of Shareholders that are not U.S. Persons. This discussion is based on the Internal Revenue Code of 1986, as amended (“the Code”), its legislative history, existing and proposed Treasury regulations, revenue rulings and judicial decisions, changes to any of which subsequent to the date of this Offering Circular may affect, possibly on a retroactive basis, the tax consequences described herein.

This summary discusses only the Preferred Stock purchased in this offering and held as a capital asset (within the meaning of federal tax law). This discussion does not purport to address all of the U.S. federal income tax consequences that may be applicable to a particular investors in light of their individual circumstances or to Shareholders subject to special rules, such as dealers in securities, tax-exempt organizations, life insurance companies, persons liable for alternative minimum tax, persons that hold the Preferred Stock as part of a straddle or a hedging or conversion transaction, certain financial institutions and certain securities traders. In all cases, investors are advised to consult their own tax advisors regarding the U.S. federal tax consequences to them of holding, owning and disposing of Preferred Stock, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

For purposes of this discussion, “U.S. Person” generally means (1) a citizen or individual resident of the United States, (2) a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof, (3) an estate the income of which is includible in its gross income for U.S. federal income tax purposes without regard to its source, or (4) a trust if a court within the United States is able to exercise primary supervision over its administration and at least one United States person has the authority to control all substantial decisions of the trust.

### Dividends

Dividends declared and paid on the Preferred Stock will be dividends for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits, as determined for federal income tax purposes, and will be taxable as ordinary income. Although we expect that our current and accumulated earnings and profits will be such that all dividends paid with respect to the Preferred Stock will qualify as dividends for federal income tax purposes, we cannot guarantee that result. Our accumulated earnings and profits or our current earnings and profits in future years will depend in significant part on our future profits or losses, which we cannot accurately predict. To the extent that the amount of any dividend paid on a share of Preferred Stock exceeds our current or accumulated earnings and profits for federal income tax purposes attributable to that share, the dividend will be treated first as a return of capital (rather than as ordinary income) and will be applied against and reduce the Shareholder’s adjusted tax basis in that share of Preferred Stock. The amount of any such dividend in excess of the Shareholder’s adjusted tax basis will then be taxed as capital gain. For purposes of the remainder of this discussion, it is assumed that dividends paid with respect to the Preferred Stock will constitute dividends for U.S. federal income tax purposes.

Dividends received by Shareholders that are corporations generally will be eligible for the 70-percent dividends-received deduction under section 243 of the Code. The 70-percent dividends-received deduction will not be available with respect to a dividend received on Preferred Stock that a Shareholder has held for 45 days or less (including the day of disposition, but excluding the day of acquisition) during the 90-day period beginning on the day which is 45 days before the date on which the Preferred Stock becomes ex-dividend. If the dividend is attributable to a period or periods

aggregating more than 366 days, the dividends-received deduction will be available only if the Shareholder has held the Preferred Stock for more than 90 days (including the day of disposition, but excluding the day of acquisition) during the 180-day period beginning 90 days before the date on which the Preferred Stock becomes ex-dividend. The length of time that a corporate shareholder is deemed to have held stock for these purposes is reduced by periods during which the shareholder's risk of loss with respect to the stock is diminished by reason of the existence of certain options, contracts to sell, short sales or other similar transactions. The aggregate dividends-received deduction allowed a corporate shareholder cannot exceed 70 percent of its taxable income (with certain adjustments). Moreover, the dividends-received deduction may be reduced if the stock is "debt financed." Stock is "debt financed" if a corporate shareholder incurs indebtedness "directly attributable" to a "portfolio stock" investment in another company, which would include an investment in the Preferred Stock.

### **Dispositions, Including Redemptions**

Any sale, exchange, redemption (except as discussed below) or other disposition of the Preferred Stock generally will result in taxable gain or loss equal to the difference between the amount of cash received and the Shareholder's adjusted tax basis in the Preferred Stock. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holding period for the Preferred Stock exceeds one year. Tax rates on capital gain for individual Shareholders vary depending on each Shareholder's income and holding period for the Preferred Stock. Shareholders that are individuals should contact their own tax advisors for more information or for the capital gains tax rate applicable to specific shares of Preferred Stock. The deduction of capital losses is subject to certain limitations.

A redemption of Preferred Stock may be treated as a dividend, rather than as payment in exchange for the Preferred Stock, unless the redemption is "not essentially equivalent to a dividend" with respect to the Shareholder within the meaning of section 302(b)(1) of the Code, "is in complete redemption of all of the stock" of Fannie Mae held by the Shareholder as described in section 302(b)(3) of the Code or otherwise meets the requirements of one of the other exceptions from dividend treatment provided in section 302(b) of the Code. In applying these rules, the Shareholder must take into account not only the Preferred Stock and other stock of Fannie Mae that it owns directly, but also the Preferred Stock and other stock in Fannie Mae that it constructively owns within the meaning of section 318 of the Code. Because of the complex nature of these rules, each Shareholder should consult its tax advisor to determine whether a redemption of Preferred Stock will be treated as a dividend or as payment in exchange for the Preferred Stock. If the redemption payment is treated as a dividend, the rules discussed above under "Dividends" apply.

### **Information Reporting and Backup Withholding**

Payments of dividends on shares of Preferred Stock held of record by U.S. Persons other than corporations and other exempt holders are required to be reported to the IRS.

Backup withholding of U.S. federal income tax at a rate of 31 percent may apply to payments made with respect to shares of Preferred Stock, as well as a payments of proceeds from the sale of shares of Preferred Stock, to holders or Shareholders that are not "exempt recipients" and that fail to provide certain identifying information (such as the taxpayer identification number of the holder or Shareholder) in the manner required. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

**The U.S. federal tax discussion set forth above is included for general information only and may not be applicable depending upon a Shareholder's particular situation. Each Shareholder should consult its own tax advisor with respect to the tax consequences to it of the ownership and disposition of the Preferred Stock, including the tax consequences under the tax laws of the United States, states, localities, countries other than the United States and any other taxing jurisdiction and the possible effects of changes in such tax laws.**

## UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement (the “Underwriting Agreement”), Fannie Mae has agreed to sell to each of the underwriters named below, and each of the Underwriters, for whom Goldman, Sachs & Co., First Tennessee Bank National Association, Lehman Brothers Inc. and Morgan Stanley & Co. Incorporated (the “Representatives”) are acting as representatives, has severally agreed to purchase, the number of shares of Preferred Stock set forth opposite its name below:

<u>Underwriter</u>	<u>Number of Shares</u>
Goldman, Sachs & Co. ....	7,560,000
First Tennessee Bank National Association .....	1,200,000
Lehman Brothers Inc. ....	1,200,000
Morgan Stanley & Co. Incorporated.....	1,200,000
Vining-Sparks IBG, L.P. ....	600,000
Redwood Securities Group, Inc. ....	<u>240,000</u>
Total.....	<u><u>12,000,000</u></u>

In the Underwriting Agreement, the Underwriters have severally agreed, subject to the terms and conditions set forth therein, to purchase all the Preferred Stock offered hereby if any is purchased.

The Representatives have advised Fannie Mae that the Underwriters propose initially to offer the Preferred Stock to the public at the initial public offering price set forth on the cover page of this Offering Circular, and to certain dealers at such price less a concession not in excess of \$0.30 per share. The Underwriters may allow, and such dealers may reallow, a discount not in excess of \$0.25 per share on sales to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

Fannie Mae has granted the Underwriters an option exercisable for 30 days after the date of this Offering Circular to purchase up to an aggregate of 1,800,000 additional shares of Preferred Stock solely to cover overallocments, if any. If the Underwriters exercise their overallocation option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of shares to be purchased by each of them, as shown in the foregoing table, bears to the 12,000,000 shares of Preferred Stock offered.

Prior to this offering, there has been no public market for the Preferred Stock. Application has been made to list the Preferred Stock on the New York Stock Exchange under the symbol “FNMprF.” Trading of the Preferred Stock on the New York Stock Exchange is expected to commence within a thirty-day period after the initial delivery of the Preferred Stock. The Representatives have advised Fannie Mae that they intend to make a market in the Preferred Stock prior to the commencement of trading on the New York Stock Exchange, but are not obligated to do so and may discontinue any such market making at any time without notice.

In the Underwriting Agreement, Fannie Mae and the Underwriters have agreed to indemnify each other against and contribute toward certain liabilities.

The Underwriters and certain affiliates thereof engage in transactions with and perform services for Fannie Mae in the ordinary course of business.

The Underwriters may engage in certain transactions that stabilize the price of the Preferred Stock. These transactions may include entering stabilizing bids, which means the placing of a bid or the effecting of a purchase for the purpose of pegging, fixing or maintaining the price of the Preferred Stock. Neither we nor the Underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Preferred Stock. The Underwriters are not required to engage in any of these transactions. When so doing, the

Underwriters act on their own behalf and not as our representatives. Any such transactions, if commenced, may be discontinued at any time.

## **RATING**

Moody's is expected to assign the Preferred Stock a rating of "aa3." A rating of "aa" is the second highest rating that Moody's assigns to preferred stock. An issue which is rated "aa" is considered by Moody's to be a "high-grade preferred stock." According to Moody's, this rating indicates that "there is a reasonable assurance the earnings and asset protection will remain relatively well maintained in the foreseeable future." The numerical modifier "3" indicates that the issue ranks in the lower end of the generic rating category of "aa". A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or may be withdrawn at any time by the assigning rating organization.

## **ACCOUNTANTS**

The financial statements of Fannie Mae as of December 31, 1998 and 1997 and for each of the years in the three-year period ended December 31, 1998, incorporated by reference herein, have been included in reliance upon the report of KPMG LLP, independent certified public accountants, and upon the authority of that firm as experts in accounting and auditing.

## **VALIDITY OF THE PREFERRED STOCK**

The validity of the Preferred Stock will be passed upon for Fannie Mae by Brown & Wood LLP, New York, New York, and for the Underwriters by Sullivan & Cromwell, Washington, D.C. Certain U.S. federal income tax matters will be passed upon for Fannie Mae by Arnold & Porter, Washington, D.C.

## **ADDITIONAL INFORMATION ABOUT FANNIE MAE**

This Offering Circular should be read only in conjunction with our Information Statement dated March 31, 1999 (the "Information Statement") and the Supplements thereto dated May 14, 1999, August 13, 1999, November 15, 1999 and February 1, 2000, all of which are incorporated herein by this reference. This Offering Circular, together with the Information Statement and the Supplements thereto and any other documents incorporated herein by reference, are referred to as the "Offering Circular." Any Information Statement, supplement to it, or proxy statement published by us subsequent to the date of this Offering Circular and prior to the termination of the offering of the Preferred Stock shall be deemed to be incorporated herein by this reference. You should rely only on the information provided or incorporated by reference in this Offering Circular, and you should rely only on the most current information.

You can obtain copies of any or all documents incorporated in this Offering Circular by reference without charge from the Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (telephone: (202) 752-7115) or by accessing our World Wide Web site at [www.fanniemae.com](http://www.fanniemae.com). In addition, copies of such documents can be obtained from any of the Underwriters. You can read the Information Statement, proxy statements and other information concerning us at the offices of the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange.

**CERTIFICATE OF DESIGNATION OF TERMS OF  
VARIABLE RATE NON-CUMULATIVE PREFERRED STOCK, SERIES F**

**1. Designation, Par Value and Number of Shares.**

The designation of the series of preferred stock of the Federal National Mortgage Association (“Fannie Mae”) created by this resolution shall be “Variable Rate Non-Cumulative Preferred Stock, Series F” (the “Series F Preferred Stock”), and the number of shares initially constituting the Series F Preferred Stock is Twelve Million (12,000,000)<sup>1</sup>. Shares of Series F Preferred Stock will have no par value and a stated value and liquidation preference of \$50.00 per share. The Board of Directors of Fannie Mae, or a duly authorized committee thereof, in its sole discretion, may reduce the number of shares of Series F Preferred Stock, provided such reduction is not below the number of shares of Series F Preferred Stock then outstanding.

**2. Dividends.**

(a) Holders of record of Series F Preferred Stock (each individually a “Holder”, or collectively the “Holders”) will be entitled to receive, when, as and if declared by the Board of Directors of Fannie Mae, or a duly authorized committee thereof, in its sole discretion out of funds legally available therefor, non-cumulative quarterly cash dividends which will accrue from and including March 20, 2000 and will be payable on March 31, June 30, September 30 and December 31 of each year (each, a “Dividend Payment Date”), commencing June 30, 2000. If a Dividend Payment Date is not a Business Day, the related dividend (if declared) will be paid on the next succeeding Business Day with the same force and effect as though paid on the Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. A “Business Day” shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in New York, New York are authorized by law to close. Dividends will be paid to Holders on the record date fixed by the Board of Directors or a duly authorized committee thereof, which may not be earlier than 45 days or later than 10 days prior to the applicable Dividend Payment Date.

If declared, the dividend rate for the period from and including March 20, 2000 to but excluding March 31, 2002 will be 6.295% per annum. Thereafter, dividends will accrue at a variable per annum rate (not greater than 11%) equal to the “CMT Rate” (as defined below) minus 0.16%, without taking into account any adjustments pursuant to clause (c) of this Section 2. On March 31, 2002, and on March 31 every two years thereafter, the previous dividend rate will be replaced by the then-current CMT Rate minus 0.16%. The CMT Rate for each two-year period will be determined by Fannie Mae on the second Business Day immediately preceding the first day of such period (each, a “CMT Determination Date”). If declared, the initial dividend, which will be for the “Dividend Period” from and including March 20, 2000 to but excluding June 30, 2000, will be \$0.8830 per share and will be payable on June 30, 2000. Thereafter, the Dividend Period relating to a Dividend Payment Date will be the period from and including the preceding Dividend Payment Date to but excluding the related Dividend Payment Date. If Fannie Mae redeems the Series F Preferred Stock, the dividend that would otherwise be payable for the Dividend Period ending on the date of redemption will be included in the redemption price of the shares redeemed and will not be separately payable.

Dividends payable on the Series F Preferred Stock for any period greater or less than a full Dividend Period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Series F Preferred Stock for each full Dividend Period will be computed by dividing the per annum dividend rate by four. The amount of quarterly dividends per share will be rounded to the fourth digit after the decimal point. (If the fifth digit to the right of the decimal point is five or greater, the fourth digit will be rounded up by one.)

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<sup>1</sup> Plus up to 1,800,000 additional shares pursuant to the Underwriters’ overallotment option.

(b) The “CMT Rate” for any CMT Determination Date with respect to any Dividend Period will be the rate equal to (in the following order of priority):

(1) the one-week average yield on 2-year United States Treasury securities at “constant maturity” as estimated from the United States Department of the Treasury’s weekly yield curve, as published in the latest H.15(519) (as defined below) available on the applicable CMT Determination Date with respect to such Dividend Period, provided that such H.15(519) was first available not earlier than ten calendar days before such CMT Determination Date, under the column “Week Ending” for the week most recently ended opposite the heading “U.S. government securities-Treasury Constant Maturities, 2-year.”

(2) if the latest H.15(519) available on the applicable CMT Determination Date with respect to such Dividend Period was first available prior to ten calendar days before such CMT Determination Date, the CMT Rate will be such 2-year United States Treasury constant maturity rate (or other 2-year United States Treasury rate) for such CMT Determination Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that Fannie Mae determines to be comparable to the rate formerly published in H.15(519).

(3) if the CMT Rate as described in clause (2) is not published by 10:00 a.m. (New York City time) on the applicable CMT Determination Date, the CMT Rate will be calculated by Fannie Mae and will be a yield to maturity (expressed as a bond equivalent as a decimal on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m. (New York City time) on such CMT Determination Date of three leading primary United States government securities dealers in The City of New York selected by Fannie Mae (from five such dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for direct noncallable fixed rate obligations of the United States (“Treasury Notes”) most recently issued with an original maturity of approximately two years and a remaining term to maturity of not less than one year. If three or four (and not five) of such dealers are quoting as described in this clause (iii), then the CMT Rate will be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations will be eliminated.

(4) if fewer than three dealers selected by Fannie Mae are quoting as described in clause (3), the CMT Rate will be calculated by Fannie Mae and will be a yield to maturity (expressed as a bond equivalent and as a decimal on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m. (New York City time) on the applicable CMT Determination Date of three leading primary United States government securities dealers in The City of New York selected by Fannie Mae (from five such dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for Treasury Notes with an original maturity of approximately ten years and a remaining term to maturity closest to two years. If three or four (and not five) of such dealers are quoting as described in this clause (4), then the CMT Rate will be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations will be eliminated.

(5) if fewer than three dealers selected by Fannie Mae are quoting as described in clause (4), the CMT Rate will be the CMT Rate in effect for the prior Dividend Period.

In the case of clause (4), if two Treasury Notes with an original maturity of approximately ten years have remaining terms to maturity equally close to two years, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.

“H.15(519)” means the weekly statistical release designated as the H.15(519), as officially published by the Board of Governors of the Federal Reserve System.

Fannie Mae's determination of the CMT Rate and the dividend rate will be final and binding.

(c) If, prior to September 20, 2001, one or more amendments to the Internal Revenue Code of 1986, as amended (the "Code"), are enacted that eliminate or reduce the percentage of the dividends-received deduction applicable to the Series F Preferred Stock as specified in section 243(a)(1) of the Code or any successor provision thereto (the "Dividends-Received Percentage"), certain adjustments may be made in respect of the dividends payable by Fannie Mae, and Post Declaration Date Dividends and Retroactive Dividends (as such terms are defined below) may become payable, as described below.

The amount of each dividend payable (if declared) per share of Series F Preferred Stock for dividend payments made on or after the effective date of such change in the Code will be adjusted by multiplying the amount of the dividend payable pursuant to clause (a) of this Section 2 (before adjustment) by a factor, which will be the number determined in accordance with the following formula (the "DRD Formula"), and rounding the result to the nearest cent (with one-half cent rounded up):

$$\frac{1-.35(1-.70)}{1-.35(1-DRP)}$$

For the purposes of the DRD Formula, "DRP" means the Dividends-Received Percentage (expressed as a decimal) applicable to the dividend in question; provided, however, that if the Dividends-Received Percentage applicable to the dividend in question shall be less than 50%, then the DRP shall equal .50. No amendment to the Code, other than a change in the percentage of the dividends-received deduction applicable to the Series F Preferred Stock as set forth in section 243(a)(1) of the Code or any successor provision thereto, will give rise to an adjustment. Notwithstanding the foregoing provisions, if, with respect to any such amendment, Fannie Mae receives either an unqualified opinion of nationally recognized independent tax counsel selected by Fannie Mae or a private letter ruling or similar form of assurance from the Internal Revenue Service (the "IRS") to the effect that such an amendment does not apply to a dividend payable on the Series F Preferred Stock, then such amendment will not result in the adjustment provided for pursuant to the DRD Formula with respect to such dividend. The opinion referenced in the previous sentence shall be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation. Unless the context otherwise requires, references to dividends herein will mean dividends as adjusted by the DRD Formula. Fannie Mae's calculation of the dividends payable as so adjusted shall be final and not subject to review.

Notwithstanding the foregoing, if any such amendment to the Code is enacted after the dividend payable on a Dividend Payment Date has been declared but before such dividend is paid, the amount of the dividend payable on such Dividend Payment Date will not be increased; instead, additional dividends (the "Post Declaration Date Dividends"), equal to the excess, if any, of (1) the product of the dividend paid by Fannie Mae on such Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage applicable to the dividend in question and .50) over (2) the dividend paid by Fannie Mae on such Dividend Payment Date, will be payable (if declared) to Holders on the record date applicable to the next succeeding Dividend Payment Date.

If any such amendment to the Code is enacted and the reduction in the Dividends-Received Percentage retroactively applies to a Dividend Payment Date as to which Fannie Mae previously paid dividends on the Series F Preferred Stock (each, an "Affected Dividend Payment Date"), Fannie Mae will pay (if declared) additional dividends (the "Retroactive Dividends") to Holders on the record date applicable to the next succeeding Dividend Payment Date (or, if such amendment is enacted after the dividend payable on such Dividend Payment Date has been declared, to Holders on the record date applicable to the second succeeding Dividend Payment Date following the date of enactment) or, if the Series F Preferred Stock is called for redemption prior to such record date, to Holders on the applicable redemption date, as the case may be, in an amount equal to the excess of (1) the product of the dividend paid by Fannie Mae on each Affected Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received

Percentage and .50 applied to each Affected Dividend Payment Date) over (2) the sum of the dividend paid by Fannie Mae on each Affected Dividend Payment Date. Fannie Mae will only make one payment of Retroactive Dividends for any such amendment. Notwithstanding the foregoing provisions, if, with respect to any such amendment, Fannie Mae receives either an unqualified opinion of nationally recognized independent tax counsel selected by Fannie Mae or a private letter ruling or similar form of assurance from the IRS to the effect that such amendment does not apply to a dividend payable on an Affected Dividend Payment Date for the Series F Preferred Stock, then such amendment will not result in the payment of Retroactive Dividends with respect to such Affected Dividend Payment Date. The opinion referenced in the previous sentence shall be based upon legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation.

Notwithstanding the foregoing, no adjustment in the dividends payable by Fannie Mae shall be made, and no Post Declaration Date Dividends or Retroactive Dividends shall be payable by Fannie Mae, in respect of the enactment of any amendment to the Code after September 20, 2001 that eliminates or reduces the Dividends-Received Percentage.

In the event that the amount of dividends payable per share of Series F Preferred Stock is adjusted pursuant to the DRD Formula and/or Post Declaration Date Dividends or Retroactive Dividends are to be paid, Fannie Mae will cause notice of each such adjustment and, if applicable, Post Declaration Date Dividends and Retroactive Dividends to be given as soon as practicable to the Holders of Series F Preferred Stock.

(d) No dividend (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, the common stock of Fannie Mae or any other stock of Fannie Mae ranking, as to the payment of dividends and the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, junior to the Series F Preferred Stock) may be declared or paid or set apart for payment on Fannie Mae's common stock (or on any other stock of Fannie Mae ranking, as to the payment of dividends, junior to the Series F Preferred Stock) unless dividends have been declared and paid or set apart (or ordered to be set apart) on the Series F Preferred Stock for the then current quarterly Dividend Period; provided, however, that the foregoing dividend preference shall not be cumulative and shall not in any way create any claim or right in favor of the Holders of Series F Preferred Stock in the event that dividends have not been declared or paid or set apart (or ordered to be set apart) on the Series F Preferred Stock in respect of any prior dividend period. If the full dividend on the Series F Preferred Stock is not paid for any quarterly dividend period, the Holders of Series F Preferred Stock will have no claim in respect of the unpaid amount so long as no dividend (other than those referred to above) is paid on Fannie Mae's common stock (or any other stock of Fannie Mae ranking, as to the payment of dividends, junior to the Series F Preferred Stock) for such Dividend Period.

(e) The Board of Directors of Fannie Mae, or a duly authorized committee thereof, may, in its discretion, choose to pay dividends on the Series F Preferred Stock without the payment of any dividends on Fannie Mae's common stock (or any other stock of Fannie Mae ranking, as to the payment of dividends, junior to the Series F Preferred Stock).

(f) No full dividends shall be declared or paid or set apart for payment on any stock of Fannie Mae ranking, as to the payment of dividends, on a parity with the Series F Preferred Stock for any period unless full dividends have been declared and paid or set apart for payment on the Series F Preferred Stock for the then-current quarterly dividend period. When dividends are not paid in full upon the Series F Preferred Stock and all other classes or series of stock of Fannie Mae, if any, ranking, as to the payment of dividends, on a parity with the Series F Preferred Stock, all dividends declared upon shares of Series F Preferred Stock and all such other stock of Fannie Mae will be declared pro rata so that the amount of dividends declared per share of Series F Preferred Stock and all such other stock will in all cases bear to each other the same ratio that accrued dividends per share of Series F Preferred Stock (including any adjustments in dividends payable due to changes in the

Dividends-Received Percentage but without accumulation of unpaid dividends on the Series F Preferred Stock for prior Dividend Periods) and such other stock bear to each other.

(g) No dividends may be declared or paid or set apart for payment on any shares of Series F Preferred Stock if at the same time any arrears exist or default exists in the payment of dividends on any outstanding class or series of stock of Fannie Mae ranking, as to the payment of dividends, prior to the Series F Preferred Stock.

(h) Holders of Series F Preferred Stock will not be entitled to any dividends, whether payable in cash or property, other than as herein provided and will not be entitled to interest, or any sum in lieu of interest, in respect of any dividend payment.

### **3. Optional Redemption.**

(a) The Series F Preferred Stock shall not be redeemable prior to March 31, 2002. On that date and on March 31 every two years thereafter, subject to the notice provisions set forth in Section 3 (b) below and subject to any further limitations which may be imposed by law, Fannie Mae may redeem the Series F Preferred Stock, in whole or in part, out of funds legally available therefor, at the redemption price of \$50.00 per share plus an amount, determined in accordance with Section 2 above, equal to the amount of the dividend (whether or not declared) for the then-current quarterly Dividend Period accrued to but excluding the date of such redemption, including any adjustments in dividends payable due to changes in the Dividends-Received Percentage but without accumulation of unpaid dividends on the Series F Preferred Stock for prior Dividend Periods. If less than all of the outstanding shares of Series F Preferred Stock are to be redeemed, Fannie Mae will select the shares to be redeemed from the outstanding shares not previously called for redemption by lot or pro rata (as nearly as possible) or by any other method that the Board of Directors of Fannie Mae, or a duly authorized committee thereof, in its sole discretion deems equitable.

(b) In the event Fannie Mae shall redeem any or all of the Series F Preferred Stock as aforesaid, Fannie Mae will give notice of any such redemption to Holders of Series F Preferred Stock not less than 30 days prior to the date fixed by the Board of Directors of Fannie Mae, or duly authorized committee thereof, for such redemption. Each such notice will state: (1) the number of shares of Series F Preferred Stock to be redeemed and, if fewer than all of the shares of Series F Preferred Stock held by a Holder are to be redeemed, the number of shares to be redeemed from such Holder; (2) the redemption price; (3) the redemption date; and (4) the place at which a Holder's certificate(s) representing shares of Series F Preferred Stock must be presented upon such redemption. Failure to give notice, or any defect in the notice, to any Holder of Series F Preferred Stock shall not affect the validity of the proceedings for the redemption of shares of any other Holder of Series F Preferred Stock being redeemed.

(c) Notice having been given as herein provided, from and after the redemption date, dividends on the Series F Preferred Stock called for redemption shall cease to accrue and such Series F Preferred Stock called for redemption will no longer be deemed outstanding, and all rights of the Holders thereof as registered holders of such shares of Series F Preferred Stock will cease. Upon surrender in accordance with said notice of the certificate(s) representing shares of Series F Preferred Stock so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of Fannie Mae, or a duly authorized committee thereof, shall so require and the notice shall so state), such shares shall be redeemed by Fannie Mae at the redemption price aforesaid. Any shares of Series F Preferred Stock that shall at any time have been redeemed shall, after such redemption, be cancelled and not reissued. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the Holder thereof.

(d) The Series F Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. In addition, Holders of Series F Preferred Stock will have no right to require redemption of any shares of Series F Preferred Stock.

#### **4. Liquidation Rights.**

(a) Upon any voluntary or involuntary dissolution, liquidation or winding up of Fannie Mae, after payment or provision for the liabilities of Fannie Mae and the expenses of such dissolution, liquidation or winding up, the Holders of outstanding shares of the Series F Preferred Stock will be entitled to receive out of the assets of Fannie Mae or proceeds thereof available for distribution to stockholders, before any payment or distribution of assets is made to holders of Fannie Mae's common stock (or any other stock of Fannie Mae ranking, as to the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, junior to the Series F Preferred Stock), the amount of \$50.00 per share plus an amount, determined in accordance with Section 2 above, equal to the dividend (whether or not declared) for the then-current quarterly dividend period accrued to but excluding the date of such liquidation payment, including any adjustments in dividends payable due to changes in the Dividends-Received Percentage but without accumulation of unpaid dividends on the Series F Preferred Stock for prior Dividend Periods.

(b) If the assets of Fannie Mae available for distribution in such event are insufficient to pay in full the aggregate amount payable to Holders of Series F Preferred Stock and holders of all other classes or series of stock of Fannie Mae, if any, ranking, as to the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, on a parity with the Series F Preferred Stock, the assets will be distributed to the Holders of Series F Preferred Stock and holders of all such other stock pro rata, based on the full respective preferential amounts to which they are entitled (including any adjustments in dividends payable due to changes in the Dividends-Received Percentage but without accumulation of unpaid dividends on the Series F Preferred Stock for prior Dividend Periods).

(c) Notwithstanding the foregoing, Holders of Series F Preferred Stock will not be entitled to be paid any amount in respect of a dissolution, liquidation or winding up of Fannie Mae until holders of any classes or series of stock of Fannie Mae ranking, as to the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, prior to the Series F Preferred Stock have been paid all amounts to which such classes or series are entitled.

(d) Neither the sale, lease or exchange (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of Fannie Mae, nor the merger, consolidation or combination of Fannie Mae into or with any other corporation or the merger, consolidation or combination of any other corporation or entity into or with Fannie Mae, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 4.

(e) After payment of the full amount of the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae to which they are entitled pursuant to paragraphs (a), (b) and (c) of this Section 4, the Holders of Series F Preferred Stock will not be entitled to any further participation in any distribution of assets by Fannie Mae.

#### **5. No Conversion Or Exchange Rights.**

The Holders of shares of Series F Preferred Stock will not have any rights to convert such shares into or exchange such shares for shares of any other class or classes, or of any other series of any class or classes, of stock or obligations of Fannie Mae.

#### **6. No Pre-Emptive Rights.**

No Holder of Series F Preferred Stock shall be entitled as a matter of right to subscribe for or purchase, or have any pre-emptive right with respect to, any part of any new or additional issue of stock of any class whatsoever, or of securities convertible into any stock of any class whatsoever, or any other shares, rights, options or other securities of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of dividend.

## **7. Voting Rights; Amendments.**

(a) Except as provided below, the Holders of Series F Preferred Stock will not be entitled to any voting rights, either general or special.

(b) Without the consent of the Holders of Series F Preferred Stock, Fannie Mae will have the right to amend, alter, supplement or repeal any terms of this Certificate or the Series F Preferred Stock (1) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designation that may be defective or inconsistent with any other provision herein or (2) to make any other provision with respect to matters or questions arising with respect to the Series F Preferred Stock that is not inconsistent with the provisions of this Certificate of Designation so long as such action does not materially and adversely affect the interests of the Holders of Series F Preferred Stock; provided, however, that any increase in the amount of authorized or issued Series F Preferred Stock or the creation and issuance, or an increase in the authorized or issued amount, of any other class or series of stock of Fannie Mae, whether ranking prior to, on a parity with or junior to the Series F Preferred Stock, as to the payment of dividends or the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, or otherwise, will not be deemed to materially and adversely affect the interests of the Holders of Series F Preferred Stock.

(c) Except as set forth in paragraph (b) of this Section 7, the terms of this Certificate or the Series F Preferred Stock may be amended, altered, supplemented or repealed only with the consent of the Holders of at least two-thirds of the shares of Series F Preferred Stock then outstanding, given in person or by proxy, either in writing or at a meeting of stockholders at which the Holders of Series F Preferred Stock shall vote separately as a class. On matters requiring their consent, Holders of Series F Preferred Stock will be entitled to one vote per share.

(d) The rules and procedures for calling and conducting any meeting of Holders (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents, and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules that the Board of Directors of Fannie Mae, or a duly authorized committee thereof, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of any national securities exchange on which the Series F Preferred Stock are listed at the time.

## **8. Additional Classes or Series of Stock.**

The Board of Directors of Fannie Mae, or a duly authorized committee thereof, shall have the right at any time in the future to authorize, create and issue, by resolution or resolutions, one or more additional classes or series of stock of Fannie Mae, and to determine and fix the distinguishing characteristics and the relative rights, preferences, privileges and other terms of the shares thereof. Any such class or series of stock may rank prior to, on a parity with or junior to the Series F Preferred Stock as to the payment of dividends or the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, or otherwise.

## **9. Priority.**

For purposes of this Certificate of Designation, any stock of any class or series of Fannie Mae shall be deemed to rank:

(a) Prior to the shares of Series F Preferred Stock, either as to the payment of dividends or the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Fannie Mae, as the case may be, in preference or priority to the Holders of shares of Series F Preferred Stock.

(b) On a parity with shares of Series F Preferred Stock, either as to the payment of dividends or the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, whether or not the dividend rates or amounts, dividend payment dates or redemption or liquidation prices per share, if any, be different from those of the Series F Preferred Stock, if the holders of such class or series

shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Fannie Mae, as the case may be, in proportion to their respective dividend rates or amounts or liquidation prices, without preference or priority, one over the other, as between the holders of such class or series and the Holders of shares of Series F Preferred Stock.

(c) Junior to shares of Series F Preferred Stock, either as to the payment of dividends or the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae, if such class shall be common stock of Fannie Mae or if the Holders of shares of Series F Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Fannie Mae, as the case may be, in preference or priority over the holders of such class or series.

(d) The shares of Preferred Stock of Fannie Mae designated “6.41% Non-Cumulative Preferred Stock, Series A” (the “Series A Preferred Stock”), “6.50% Non-Cumulative Preferred Stock, Series B” (the “Series B Preferred Stock”), “6.45% Non-Cumulative Preferred Stock, Series C” (“the Series C Preferred Stock”), “5.25% Non-Cumulative Preferred Stock, Series D” (“the Series D Preferred Stock”) and “5.10% Non-Cumulative Preferred Stock, Series E” (“the Series E Preferred Stock”) shall be deemed to rank on a parity with shares of Series F Preferred Stock as to the payment of dividends and the distribution of assets upon dissolution, liquidation or winding up of Fannie Mae. Accordingly, the holders of record of Series A Preferred Stock, the holders of record of Series B Preferred Stock, the holders of record of Series C Preferred Stock, the holders of record of Series D Preferred Stock, the holders of record of Series E Preferred Stock and the Holders of Series F Preferred Stock shall be entitled to the receipt of dividends and of amounts distributable upon dissolution, liquidation or winding up of Fannie Mae, as the case may be, in proportion to their respective dividend rates or amounts or liquidation prices, without preference or priority, one over the other.

#### **10. Transfer Agent, Dividend Disbursing Agent and Registrar.**

Fannie Mae hereby appoints First Chicago Trust Company a division of EquiServe as its initial transfer agent, dividend disbursing agent and registrar for the Series F Preferred Stock. Fannie Mae may at any time designate an additional or substitute transfer agent, dividend disbursing agent and registrar for the Series F Preferred Stock.

#### **11. Notices.**

Any notice provided or permitted by this Certificate of Designation to be made upon, or given or furnished to, the Holders of Series F Preferred Stock by Fannie Mae shall be made by first-class mail, postage prepaid, to the addresses of such Holders as they appear on the books and records of Fannie Mae. Such notice shall be deemed to have been sufficiently made upon deposit thereof in the United States mail. Notwithstanding anything to the contrary contained herein, in the case of the suspension of regular mail service or by reason of any other cause it shall be impracticable, in Fannie Mae’s judgment, to give notice by mail, then such notification may be made, in Fannie Mae’s discretion, by publication in a newspaper of general circulation in The City of New York or by hand delivery to the addresses of Holders as they appear on the books and records of Fannie Mae.

**Receipt and acceptance of a share or shares of the Series F Preferred Stock by or on behalf of a Holder shall constitute the unconditional acceptance by such Holder (and all others having beneficial ownership of such share or shares) of all of the terms and provisions of this Certificate of Designation. No signature or other further manifestation of assent to the terms and provisions of this Certificate of Designation shall be necessary for its operation or effect as between Fannie Mae and the Holder (and all such others).**

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**12,000,000 Shares**



**Variable Rate Non-Cumulative Preferred Stock, Series F**  
(stated value \$50 per share)

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**OFFERING CIRCULAR**

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**Goldman, Sachs & Co.**  
**First Tennessee Bank N.A.**  
**Lehman Brothers**  
**Morgan Stanley Dean Witter**

**Vining-Sparks IBG, L.P.**  
**Redwood Securities Group, Inc.**

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