



3900 Wisconsin Avenue NW
Washington, DC 20016

**NOTICE OF ANNUAL
MEETING OF STOCKHOLDERS
MAY 21, 2002**

We will hold the Annual Meeting of Stockholders of the Federal National Mortgage Association at The Knoxville Hilton, 501 West Church Street, Knoxville, Tennessee, at 10:00 A.M. on May 21, 2002, to: (1) elect thirteen directors; (2) ratify the selection by the Board of Directors of KPMG LLP as auditors for 2002; (3) consider a stockholder proposal to reinstate cumulative voting for directors; and (4) transact other business that may properly come before the meeting or any adjournment of the meeting. Only stockholders of record at the close of business on April 2, 2002, are entitled to notice of, and to vote at, the meeting. Dividend reinvestment shares will be voted in the same manner as shares registered in the name of the stockholder. Stockholders of record will be admitted to the meeting with verification of stock ownership. If your shares are not registered in your name, evidence of ownership (such as a recent bank or brokerage firm account statement, together with proper identification) must be presented for admission to the meeting.

Your proxy is important. Whether or not you plan to attend the meeting, we ask that you sign, date, and return the enclosed proxy card to ensure that your shares will be represented at the meeting. This year you may also give your proxy vote electronically through the Internet or by telephone. This will eliminate the need to return your proxy card. Instructions for Internet and telephone voting are on your proxy card. This will not prevent your voting in person at the meeting; you may revoke your proxy in writing at any time before it is exercised, with the following exceptions. Only Equiserve Trust Company, Escrow Agent for participants under the Fannie Mae Restricted Stock Plan for Directors, the Fannie Mae Stock Compensation Plan of 1986, and the Fannie Mae Stock Compensation Plan of 1993, is authorized to vote shares of restricted common stock granted under these Plans. The Escrow Agent must vote these shares according to the instructions of the participants. Only Fidelity Management Trust Company, Trustee of the Trust established under the Fannie Mae Employee Stock Ownership Plan (the "ESOP"), is authorized to vote shares held under the ESOP. If Fidelity Management Trust receives proxies of ESOP participants, it must vote expressly as the participants direct in their proxies.

By Order of the Board of Directors

A handwritten signature in black ink that reads "Thomas Donilon".

THOMAS E. DONILON
Secretary

Dated: April 2, 2002
Washington, D.C.

PROXY STATEMENT

Annual Meeting of Stockholders May 21, 2002

This statement is furnished in connection with the solicitation by the Board of Directors of proxies for the 2002 Annual Meeting of Stockholders of the Federal National Mortgage Association (later referred to as the "corporation" or "Fannie Mae"). This statement and the accompanying form of proxy are first being mailed to stockholders on or about April 25, 2002.

Shares may be voted if the holder is present or represented by proxy. When stockholders properly fill out, sign, and return the proxies in the accompanying form, the shares that the proxies represent will be voted at the meeting, but a stockholder giving a proxy may revoke it in writing at any time before it is voted. If the proxy is signed and returned without specifying choices, the Proxy Committee will vote the shares in accordance with the recommendations of the Board of Directors. However, only Equiserve Trust Company, Escrow Agent for participants under the Fannie Mae Restricted Stock Plan for Directors, the Fannie Mae Stock Compensation Plan of 1986, and the Fannie Mae Stock Compensation Plan of 1993, is authorized to vote shares of restricted common stock granted under these Plans, according to the instructions of the participants. Only Fidelity Management Trust Company, Trustee of the Trust established under the Fannie Mae Employee Stock Ownership Plan (the "ESOP"), is authorized to vote shares held under the ESOP. If Fidelity Management Trust receives proxies of ESOP participants, it must vote expressly as the participants direct in their proxies. These qualifications apply to all references in this statement about how proxies may be voted.

This year you may cast your proxy vote electronically through the Internet or by telephone. This will eliminate the need to return your proxy card. Instructions for Internet and telephone voting are on your proxy card.

Votes cast by proxy or in person at the annual meeting will be counted by the persons appointed by Fannie Mae to act as election inspectors for the meeting. The election inspectors will treat shares represented by proxies that reflect abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Abstentions do not constitute a vote "for" or "against" any matter and thus will be disregarded in the calculation of "votes cast" on any matter submitted to the stockholders for a vote.

The election inspectors will treat shares referred to as "broker non-votes" (i.e., shares held by brokers or nominees for which instructions have not been received from the beneficial owners or persons entitled to vote and for which the broker or nominee does not have discretionary power to vote on a particular matter) as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Broker non-vote shares do not constitute a vote "for" or "against" any matter and thus will be disregarded in the calculation of "votes cast" on any matter submitted to the stockholders for a vote.

At the Annual Meeting of Stockholders, stockholders will: (1) elect thirteen directors; (2) ratify the selection by the Board of Directors of KPMG LLP as auditors for 2002; (3) consider a stockholder proposal to reinstate cumulative voting for directors; and (4) transact other business that may properly come before the meeting or any adjournment of the meeting.

Shares Outstanding and Entitled to Be Voted at the Meeting

Each holder of common stock is entitled to one vote for each share of common stock standing in the name of the holder in Fannie Mae's records at the close of business on April 2, 2002. The presence in person or by proxy of a majority of the shares of common stock will constitute a quorum for the transaction of business at the meeting. The total number of shares of Fannie Mae common stock outstanding and entitled to vote at the close of business on April 2, 2002, was 995,850,690 shares. No other voting class of stock is outstanding.

Stock Ownership by Management and Others

The following table gives information about the beneficial ownership of Fannie Mae common stock by each Fannie Mae director, certain executive officers, and by all directors and executive officers as a group as of January 31, 2002. In addition, it gives information about the beneficial owners known to Fannie Mae that held more than 5 percent of Fannie Mae common stock as of December 31, 2001.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership ⁽¹⁾ ⁽²⁾</u>	<u>Percent of Stock (rounded)</u>
<u>Directors</u>		
*Victor Ashe	856	**
Stephen B. Ashley	17,351 ⁽³⁾	**
*Molly H. Bordonaro	856	**
Kenneth M. Duberstein	3,011	**
Stephen Friedman	14,061 ⁽⁴⁾	**
Thomas P. Gerrity	17,251 ⁽⁵⁾	**
Jamie S. Gorelick	46,021	**
*William R. Harvey	1,356	**
*Manuel J. Justiz	813	**
Ann McLaughlin Korologos	5,674	**
Vincent A. Mai	35,508	**
Donald B. Marron	1,871	**
Daniel H. Mudd	29,137	**
Anne M. Mulcahy	1,714	**
Joe K. Pickett	4,334	**
Franklin D. Raines	54,287	**
*Taylor C. Segue, III	856	**
H. Patrick Swygert	1,409	**
<u>Executive Officers</u>		
J. Timothy Howard	166,868 ⁽⁶⁾	**
Robert J. Levin	127,030 ⁽⁷⁾	**
All directors and executive officers as a group (25)	632,027	**
<u>5% Holders</u>		
<u>FMR Corp.</u>		
82 Devonshire Street Boston, Massachusetts 02109	104,047,328 ⁽⁸⁾	10.415%

The following table gives information about the beneficial ownership of Fannie Mae common stock for the nominees who were not directors on January 31, 2002. Mr. Malek was selected as a nominee by the Board, and the table reflects Fannie Mae common stock purchased by him after January 31, 2002.

<u>Nominee</u>		
Frederic V. Malek	1,000	**

* Directors appointed by the President of the United States.

** The number of shares beneficially owned does not exceed 1 percent of the corporation's outstanding common stock.

- (1) A beneficial owner, to Fannie Mae's best knowledge, has direct ownership of, and sole voting and/or investment power for, the shares indicated unless otherwise stated. The amounts include beneficial ownership of restricted common stock with sole voting power (including the power to direct the voting of restricted common stock through an escrow agent) and no investment power, as follows: Mr. Ashley, Mr. Duberstein, Mr. Friedman, Mr. Gerrity, Ms. McLaughlin Korologos, Mr. Mai, Mr. Marron, Ms. Mulcahy, Mr. Pickett, and Mr. Swygert, each 871 shares; Mr. Ashe, Ms. Bordonaro, Mr. Harvey, and Mr. Segue, each 856 shares; Mr. Justiz 813 shares; Ms. Gorelick, 5,000 shares; Mr. Mudd, 20,000 shares; and all directors and executive officers as a group, 106,547 shares.
- (2) The amounts do not include shares of common stock that may be acquired within 60 days through exercise of vested stock options as follows: Ms. McLaughlin Korologos and Mr. Mai, each 25,200 shares; Mr. Friedman and Mr. Pickett, each 24,000 shares; Mr. Gerrity, 18,000 shares; Mr. Ashley and Mr. Duberstein, each 16,000 shares; Ms. Mulcahy, 8,667 shares; Mr. Swygert, 7,666 shares; Mr. Marron, 4,000 shares; Mr. Ashe, Ms. Bordonaro, Mr. Harvey, and Mr. Segue, each 3,666 shares; Mr. Justiz, 2,666 shares; Mr. Raines, 787,607 shares; Mr. Mudd, 79,859 shares; Ms. Gorelick, 214,859 shares; Mr. Howard, 357,312 shares; Mr. Levin 362,454 shares; and all directors and executive officers as a group, 2,290,373 shares.

- (3) The amount includes 1,200 shares held by spouse.
- (4) The amount includes 11,670 shares held by Stephen and Barbara Friedman Foundation.
- (5) The amount includes 16,380 shares held jointly with spouse.
- (6) The amount includes 24,000 shares held by spouse and 11,100 shares held by Timothy Howard Family Trust.
- (7) The amount includes 127,006 shares held jointly with spouse and 24 shares held by son.
- (8) FMR Corp. has informed Fannie Mae that it owns 104,047,328 shares of common stock of the corporation; including 98,634,761 shares held by Fidelity Management & Research Company, 3,345,879 shares held by Fidelity Management Trust Company, and 1,690,546 shares owned by Fidelity International Limited. FMR Corp. has sole voting power for 4,846,331 shares and sole dispositive power for 104,047,328 shares. All of the information regarding this stock ownership is as of December 31, 2001.

Board of Directors

The Proxy Committee intends to vote proxies in the accompanying form at the Annual Meeting to elect the following nominees as directors with terms ending on the date of the 2003 Annual Meeting of Stockholders: Mr. Stephen B. Ashley, Mr. Kenneth M. Duberstein, Mr. Stephen Friedman, Mr. Thomas P. Gerrity, Ms. Jamie S. Gorelick, Ms. Ann McLaughlin Korologos, Mr. Frederic V. Malek, Mr. Donald B. Marron, Mr. Daniel H. Mudd, Ms. Anne M. Mulcahy, Mr. Joe K. Pickett, Mr. Franklin D. Raines, and Mr. H. Patrick Swygert. The Proxy Committee members are Mr. Ashley, Mr. Gerrity, and Mr. Pickett. The Board of Directors has no reason to believe that any nominee for election as a director will not be a candidate or will be unable to serve, but if for any reason one or more of these nominees is unavailable as a candidate or unable to serve when the election occurs, the Proxy Committee, in the absence of contrary instruction, will vote the proxies for the election of any of the other nominees or for a substitute nominee or nominees, if any, selected by the Board of Directors. A majority of the votes cast at the Annual Meeting is required for the election of each of the nominees for director. According to the Fannie Mae Charter Act, the President of the United States has the authority to appoint five additional directors for terms ending on the date of the 2003 Annual Meeting of Stockholders.

Nominees for Election as Directors

The following is information on the nominees for election as directors:

STEPHEN B. ASHLEY, age 62, has been Chairman and Chief Executive Officer of The Ashley Group, a group of commercial and multifamily real estate, brokerage, and investment companies, since January 1997. The Ashley Group is comprised of S.B. Ashley Management Corporation, S.B. Ashley Brokerage Corporation, and S.B. Ashley & Associates Venture Company, LLC. He also serves as a director of The Genesee Corporation and Exeter Fund, Inc. In addition, Mr. Ashley serves as a trustee of Cornell University. He is a past President of the Mortgage Bankers Association of America. Mr. Ashley has been a Fannie Mae director since 1995.

KENNETH M. DUBERSTEIN, age 57, has been Chairman and Chief Executive Officer of The Duberstein Group, Inc., an independent strategic planning and consulting company, since July 1989. He served as Chief of Staff to the President of the United States from 1988 to 1989. Mr. Duberstein also serves as a director of The Boeing Company; Conoco, Inc.; Fleming Companies, Inc.; and St. Paul Companies, Inc. In addition, he serves as a member of the Board of Governors of the National Association of Securities Dealers and the American Stock Exchange. Mr. Duberstein has been a Fannie Mae director since 1998.

STEPHEN FRIEDMAN, age 64, retired in 1994 as Chairman of Goldman Sachs & Co., an investment banking firm. From 1994 to 1998, he held the title of Senior Chairman of that firm. Since 1998, he has been a Senior Principal of Marsh & McLennan Capital, Inc. Mr. Friedman also serves as a director of Wal-Mart Stores, Inc. In addition, Mr. Friedman is Chairman Emeritus of the Board of Columbia University and is a trustee and Chairman of the Finance Committee of the Memorial Sloan-Kettering Cancer Center. Mr. Friedman has been a Fannie Mae director since 1996.

THOMAS P. GERRITY, age 60, has been Professor of Management since 1990 and Director, Wharton Electronic Business Initiative since July 1999, and was Dean of The Wharton School of the University of Pennsylvania, an educational institution, from July 1990 to July 1999. He was President of CSC Consulting and Vice President of Computer Sciences Corporation from May 1989 to June 1990 and Chairman and Chief Executive Officer of Index Group, Inc., from March 1969 to April 1989. Mr. Gerrity also serves as a director of CVS Corporation, Internet Capital Group, Inc., Knight-Ridder, Reliance Group Holdings, Inc., Sunoco, Inc., and Morgan Stanley Institutional Funds. Mr. Gerrity has been a Fannie Mae director since 1991.

JAMIE S. GORELICK, age 51, has been Vice Chair of the Board of Fannie Mae since May 1997. Before joining Fannie Mae, Ms. Gorelick was Deputy Attorney General of the United States, beginning in 1994. She

served as General Counsel of the United States Department of Defense from May 1993 to March 1994 and was a partner at Miller, Cassidy, Larroca & Lewin, a law firm, from January 1981 to April 1993. Ms. Gorelick also serves as a director of United Technologies Corporation and Schlumberger Limited. In addition, Ms. Gorelick is a member of the Harvard Board of Overseers. Ms. Gorelick has been a Fannie Mae director since 1997.

ANN McLAUGHLIN KOROLOGOS, age 60, has been Vice Chairman, RAND Board of Trustees, a nonprofit institution since May 2001. Ms. Korologos has been Chairman Emeritus of The Aspen Institute, a nonprofit organization, since August 2000, Chairman from October 1996 to August 2000, and Vice Chairman from August 1993 to September 1996. Ms. Korologos serves as Senior Advisor to Benedetto, Gartland and Company, Inc., an investment banking firm. Ms. Korologos also serves as a director of AMR Corporation (and its subsidiary, American Airlines), Harman International Industries, Inc., Host Marriott Corporation, Kellogg Company, Microsoft Corporation, and Vulcan Materials Company. Ms. Korologos has been a Fannie Mae director since 1994.

FREDERIC V. MALEK, age 65, has been Chairman of Thayer Capital Partners, a private equity investment firm, since 1993. He served as Co-Chairman of CB Commercial Real Estate Group from 1989 to 1996. He also served as President of Northwest Airlines from 1989 to 1990 and Vice Chairman from 1990 to 1992. Mr. Malek also serves as a director of Automatic Data Processing Corp., FPL Group, Northwest Airlines, Inc., Aegis Communications Group, Inc., American Management Systems, Inc., CB Richard Ellis, Manor Care, Inc., and UBS Brinson Mutual Fund Complex.

DONALD B. MARRON, age 67, has been Chairman of UBS America, a non-executive position, since January 2001. He is also Managing Member, Lightyear Capital, an independent private equity firm since November 2000. Mr. Marron was President of Paine Webber Group Inc. from 1977, CEO thereof from 1980, and Chairman and CEO thereof from 1981, until its merger with a subsidiary of UBS AG in November 2000, and CEO of UBS PaineWebber Inc. (formerly PaineWebber Incorporated), until January 2001. He is also a director of Shinsei Bank. He is a former director of the National Association of Securities Dealers and the New York Stock Exchange and former governor of the Securities Industries Association. Mr. Marron is also a trustee of the Center for Strategic and International Studies and Chairman of the Center for the Study of the Presidency. He is a member of the Board of Overseers and Managers, Memorial Sloan-Kettering Cancer Center and a trustee of the Museum of Modern Art. Mr. Marron has been a Fannie Mae director since 2001.

DANIEL H. MUDD, age 43, has been Vice Chairman of the Board and Chief Operating Officer of Fannie Mae since February 2000. Prior to his employment with the corporation, Mr. Mudd was President and Chief Executive Officer of GE Capital, Japan, a diversified financial services company and a wholly-owned subsidiary of the General Electric Company, from April 1999 to February 2000. He also served as President of GE Capital, Asia Pacific, from May 1996 to June 1999. Mr. Mudd has been a Fannie Mae director since 2000.

ANNE M. MULCAHY, age 49, has been Chairman of Xerox Corporation since January 2002 and Chief Executive Officer since August 2001. The Xerox Corporation is a global company serving document processing markets, with headquarters in Stamford, Connecticut. Ms. Mulcahy served as President and Chief Operating Officer from May 2000 through July 2001. She was Executive Vice President; President, General Markets Operations, from January 1999 to May 2000, and Senior Vice President, Chief Staff Officer from March 1997 to January 1999. Ms. Mulcahy also serves as a director of Target Corporation and Axel Johnson, Inc. Ms. Mulcahy has been a Fannie Mae director since 2000.

JOE K. PICKETT, age 56, retired from HomeSide International, Inc. on June 30, 2001, where he had served as Chairman from February 1996. He also served as Chief Executive Officer of HomeSide International, Inc. from February 1996 to February 2001. HomeSide International is the parent of HomeSide Lending, Inc., a mortgage banking company that was formerly known as BancBoston Mortgage Corporation. HomeSide International, Inc. was a wholly-owned subsidiary of National Australia Bank in 2001. Mr. Pickett also served as Chairman and Chief Executive Officer of HomeSide Lending from April 1990 to April 1999. Mr. Pickett is a past President of the Mortgage Bankers Association of America. Mr. Pickett has been a Fannie Mae director since 1996.

FRANKLIN D. RAINES, age 53, has been Chairman of the Board and Chief Executive Officer of Fannie Mae since January 1999 and was Chairman of the Board and Chief Executive Officer—Designate of Fannie Mae from May 1998 to December 1998. Prior to his current position with the corporation, Mr. Raines was Director of the United States Office of Management and Budget from September 1996 to May 1998. Previously, Mr. Raines had been Vice Chairman of the Board of Fannie Mae from September 1991 to September 1996. He joined Fannie Mae in July

1991 as Vice Chairman—Designate. Before joining Fannie Mae, Mr. Raines was with Lazard Freres & Co., an investment banking firm, which he joined in 1979 and was a General Partner from January 1985 to December 1990 and a Limited Partner from January 1991 to June 1991. Mr. Raines also serves as a director of AOL Time Warner, PepsiCo, Inc., and Pfizer Inc. Mr. Raines was a Fannie Mae director from 1991 to 1996 and has been a Fannie Mae director since 1998.

H. PATRICK SWYGERT, age 59, has been President of Howard University, a Washington, D.C. educational institution, since 1995. He also serves as a director of Hartford Financial Services Group, Inc. and United Technologies Corporation, Inc. Mr. Swygert has been a Fannie Mae director since 2000.

Directors Appointed by the President of the United States

The following is information on the directors appointed by President George W. Bush. Their terms end on the date of the 2002 Annual Meeting of Stockholders. President Bush has announced his intention to reappoint these five directors for the 2002 - 2003 Board term.

VICTOR H. ASHE, age 57, has been Mayor of Knoxville, Tennessee since 1987. Mr. Ashe is a member of the U.S. Conference of Mayors Executive Committee. He is a past President of the U.S. Conference of Mayors.

MOLLY H. BORDONARO, age 33, has been an associate at Norris, Beggs, & Simpson, a commercial real estate company providing mortgage banking, property management, brokerage and corporate real estate consulting, since 1999. She was owner and President of The Bordonaro Group from 1995 to 1999.

WILLIAM R. HARVEY, age 61, has been the President of Hampton University, a private educational institution, since 1978. He is owner of the Pepsi-Cola Bottling Company of Houghton, Michigan. Mr. Harvey also serves as a director of Wachovia Bank and Trigon Healthcare, Inc.

MANUEL J. JUSTIZ, age 53, has been Dean of the College of Education at the University of Texas, an educational institution, at Austin since 1990 and holds the A.M. Aikin Regents Chair in Education Leadership and the Lee Hage Jamail Regents Chair in Education. In addition he serves as a director of Voyager Expanded Learning.

TAYLOR C. SEGUE, III, age 47, has been a partner at Butzel, Long, P.C. since 1999. Mr. Segue was a partner at Segue, Fair, Adams, & Pope, P.L.C. from 1991 to 1999.

Committees of the Board of Directors

Fannie Mae's Board of Directors has standing Executive, Assets and Liabilities Policy, Audit, Compensation, Nominating and Corporate Governance, and Technology Committees. Mr. Raines is a member ex officio of the Assets and Liabilities Policy and Technology Committees.

The Executive Committee is composed of Mr. Raines (Chairman), Mr. Duberstein, Mr. Gerrity, Ms. McLaughlin Korologos, Mr. Mai, and Mr. Pickett. The Executive Committee has all the authority of the board during the interim periods between board meetings, except for certain specified powers that are stated in the Fannie Mae bylaws. The Executive Committee did not meet during 2001.

The Assets and Liabilities Policy Committee is composed of Mr. Duberstein (Chairman), Mr. Ashe, Ms. Bordonaro, Mr. Marron, Mr. Pickett, Mr. Segue, and Mr. Swygert. The function of the Assets and Liabilities Policy Committee is to review and make recommendations to the board about Fannie Mae's financial policies and goals. The Assets and Liabilities Policy Committee met four times during 2001.

The Audit Committee is composed of Mr. Gerrity (Chairman), Mr. Harvey, Mr. Mai, Ms. Mulcahy, and Mr. Segue. The Audit Committee oversees Fannie Mae's accounting, financial reporting, internal control, and internal auditing activities and the selection and activities of Fannie Mae's independent auditors. The Audit Committee also reviews and monitors Fannie Mae's code of business conduct for officers and employees and conflict of interests policy for directors and makes recommendations to the board concerning these policies. The Audit Committee met four times during 2001.

The Compensation Committee is composed of Mr. Mai (Chairman), Mr. Friedman, Ms. McLaughlin Korologos, and Ms. Mulcahy. The Compensation Committee reviews and makes recommendations to the board concerning the compensation of officers and the compensation policy for employees. The Compensation Committee met three times during 2001.

The Nominating and Corporate Governance Committee is composed of Ms. McLaughlin Korologos (Chairman), Mr. Ashley, Mr. Friedman, Mr. Gerrity, and Mr. Marron. The Nominating and Corporate Governance Committee proposes to the board lists of names for consideration as nominees for election by the stockholders as Fannie Mae directors. The Nominating and Corporate Governance Committee will consider nominees recommended by stockholders. Stockholders may submit written recommendations for nominees to the Office of the Secretary of the corporation or to the Chairman of the Nominating and Corporate Governance Committee. In addition, the Committee will consider matters relating to the principles of corporate governance. The Nominating and Corporate Governance Committee met four times in 2001.

The Technology Committee is composed of Mr. Pickett (Chairman), Mr. Ashe, Mr. Ashley, Ms. Bordonaro, Mr. Duberstein, Mr. Harvey, and Mr. Justiz. The Technology Committee reviews and makes recommendations to the board concerning the corporation's technology plans, uses, designs, budget and implementation, and it receives reports on the corporation's progress in carrying out these activities. The Technology Committee met two times in 2001.

The Board of Directors met eight times during 2001. Each stockholder-elected director attended at least 75 percent of the aggregate number of meetings of the Board of Directors and committees on which he or she served.

Executive Officers and Other Senior Management

FRANKLIN D. RAINES, age 53, has been Chairman of the Board and Chief Executive Officer since January 1999 and was Chairman of the Board and Chief Executive Officer—Designate from May 1998 to December 1998. Prior to his current position with the corporation, Mr. Raines was Director of the United States Office of Management and Budget from September 1996 to May 1998. Previously, Mr. Raines had been Vice Chairman of the Board of Fannie Mae from September 1991 to September 1996. He joined Fannie Mae in July 1991 as Vice Chairman—Designate.

DANIEL H. MUDD, age 43, has been Vice Chairman of the Board and Chief Operating Officer since February 2000. Prior to his employment with the corporation, Mr. Mudd was President and Chief Executive Officer of GE Capital, Japan, a diversified financial services company and a wholly-owned subsidiary of the General Electric Company, from April 1999 to February 2000. He also served as President of GE Capital, Asia Pacific, from May 1996 to June 1999.

JAMIE S. GORELICK, age 51, has been Vice Chair of the Board since May 1997. Before joining Fannie Mae, Ms. Gorelick was Deputy Attorney General of the United States, beginning in 1994. She served as General Counsel of the United States Department of Defense from May 1993 to March 1994 and was a partner at Miller, Cassidy, Larroca & Lewin, a law firm, from January 1981 to April 1993.

J. TIMOTHY HOWARD, age 53, has been Executive Vice President and Chief Financial Officer since February 1990. Mr. Howard became a member of the Office of the Chairman in November 2000. He joined Fannie Mae in 1982.

THOMAS E. DONILON, age 46, has been Executive Vice President—Law and Policy since May 2000. He served as Senior Vice President, General Counsel and Corporate Secretary from September 1999 to May 2000. Mr. Donilon was a partner with the law firm of O'Melveny & Myers from February 1991 to March 1993 and February 1997 to September 1999 when he joined Fannie Mae. Mr. Donilon served as Assistant Secretary of State for Public Affairs and Chief of Staff to the Secretary of State from March 1993 to November 1996.

LOUIS W. HOYES, age 53, has been Executive Vice President—Single-Family Mortgage Business since May 2000. He served as Senior Vice President—Multifamily Lending and Investment from July 1995 to May 2000. Prior to his employment with the corporation, Mr. Hoyes was a managing director of Citicorp Real Estate, holding various management positions over his 22-year career in their commercial real estate division and Latin American banking group. He also served as a Senior Credit Officer of Citibank, N.A., from 1982 until he joined Fannie Mae.

ROBERT J. LEVIN, age 46, has been Executive Vice President—Housing and Community Development since June 1998. He was Executive Vice President—Marketing from June 1990 to June 1998. He joined Fannie Mae in 1981.

ADOLFO MARZOL, age 41, has been Executive Vice President and Chief Credit Officer since June 1998. He was Senior Vice President—Single-Family Business Management from July 1996 to June 1998. He was Senior Vice President—Capital Markets from February 1996 to July 1996. Prior to his employment with the corporation, Mr. Marzol was Executive Vice President and Chief Financial Officer from July 1993 to January 1996 and Senior Vice President—Interest Rate Risk from January 1991 to June 1993 of Chase Manhattan Mortgage Corporation, a mortgage company.

JULIE ST. JOHN, age 50, has been Executive Vice President and Chief Technology Officer since July 2000. She served as Senior Vice President—Mortgage Business Technology from November 1999 to July 2000. She was Senior Vice President—Guaranty and Franchise Technologies from November 1993 to November 1999. Ms. St. John joined Fannie Mae in 1990.

MICHAEL J. WILLIAMS, age 44, has been President—Fannie Mae eBusiness since June 2000. He served as Senior Vice President—e-Commerce from February 2000 to June 2000. He was Senior Vice President—Customer Applications and Technology Integration from November 1993 to February 2000. Mr. Williams joined Fannie Mae in 1991.

KENNETH J. BACON, age 47, has been Senior Vice President—Multifamily Lending and Investment since May 2000. He was Senior Vice President—American Communities Fund from September 1998 to May 2000. He was Senior Vice President—Northeastern Regional Office from May 1993 to September 1998. Mr. Bacon joined Fannie Mae in 1993.

ARNE L. CHRISTENSON, age 40, has been Senior Vice President—Regulatory Policy since January 1999. Prior to joining Fannie Mae, he was chief of staff to the Speaker of the House, Newt Gingrich, from November 1996 to January 1999. Mr. Christenson joined Fannie Mae in 1999.

KATHY GALLO, age 42, has been Senior Vice President—Human Resources since March 2002. Prior to joining Fannie Mae she was a partner at McKinsey and Company where she was employed from 1985 to March 2002.

VADA HILL, age 42, has been Senior Vice President and Chief Marketing Officer since January 2002. He was Senior Vice President—Marketing from March 2000 to January 2002 and Senior Vice President—Single Family Marketing from October 1999 to March 2000. Prior to his employment with Fannie Mae, Mr. Hill was the Chief Marketing Officer for the Taco Bell Corporation and a brand manager at Proctor & Gamble.

ANN M. KAPPLER, age 44, has been Senior Vice President and General Counsel since May 2000. She was Senior Vice President and Deputy General Counsel from January 1999 to May 2000. Prior to joining Fannie Mae in January of 1999, Ms. Kappler was a partner with Jenner & Block, a law firm, from January 1994 to December 1998.

LINDA K. KNIGHT, age 52, has been Senior Vice President and Treasurer since February 1993. She joined Fannie Mae in 1982.

THOMAS A. LAWLER, age 49, has been Senior Vice President—Portfolio Management since November 1989. He joined Fannie Mae in 1984.

THOMAS LUND, age 43, has been Senior Vice President—Investor Channel since August 2000. He was Senior Vice President—Southwestern Regional Office from July 1996 to August 2000. Mr. Lund served as Vice President for Marketing from January 1995 to July 1996. He joined Fannie Mae in 1995.

WILLIAM R. MALONI, age 57, has been Senior Vice President—Government and Industry Relations since March 1989. He joined Fannie Mae in 1983.

PETER NICULESCU, age 42, has been Senior Vice President—Portfolio Strategy since March 1999. Prior to his employment with Fannie Mae, Mr. Niculescu was a Managing Director and Co-Head of Fixed Income Research for Goldman Sachs. He joined Goldman Sachs in 1990 and held a variety of positions including Managing Director—Mortgage Research, Vice President—Mortgage Research and Corporate Bond Strategist.

MICHAEL A. QUINN, age 47, has been Senior Vice President—Single-Family Mortgage Business since June 1998. He was Senior Vice President—Credit Loss Management from March 1994 until June 1998. Mr. Quinn was Senior Vice President and Controller from March 1991 to March 1994.

LEANNE G. SPENCER, age 46, has been Senior Vice President and Controller since November 1998. From June 1993 to November 1998 she served as Vice President of Financial Reporting. Ms. Spencer joined Fannie Mae in 1991.

Under the corporation's bylaws, each officer holds office until his or her successor is chosen and qualified or until he or she dies, resigns, retires, or is removed from office by the Board of Directors, whichever occurs first.

Board of Directors' Compensation Committee Report on Executive Compensation

Fannie Mae's Compensation Philosophy

Since Fannie Mae's founding in 1938, the corporation has helped millions of low-, moderate-, and middle-income American families afford decent housing. Fannie Mae became a stockholder-owned corporation in 1968, and since that time has become one of the world's largest financial institutions. In carrying out its mission, Fannie Mae has become the country's largest source of financing for home mortgages, its largest issuer of private-sector corporate debt and mortgage-backed securities, and its largest private-sector equity investor in low- and moderate-income housing.

Because of the scope and complexity of Fannie Mae's activities and the importance of its mission, it is imperative that the corporation always be in a position to attract and retain the best possible talent. Sound and effective management of Fannie Mae is a benefit to the public as well as to the corporation's stockholders. To this end, Fannie Mae's Board of Directors has adopted a compensation policy designed to help the corporation compete with other large, sophisticated financial services companies for the talent Fannie Mae needs.

In formulating and implementing Fannie Mae's compensation policies, the Board of Directors, through its Compensation Committee, has also carefully considered its statutory obligations under the Fannie Mae Charter Act (the "Charter Act"). The Charter Act states that the Board of Directors shall pay executive officers and other employees of Fannie Mae compensation which the Board determines to be "reasonable and comparable with compensation for employment in other similar businesses (including other publicly held financial institutions or major financial services corporations) involving similar duties and responsibilities." Moreover, the Charter Act requires that "a significant portion of potential compensation of all executive officers . . . of [Fannie Mae] shall be based on the performance of [Fannie Mae]." The Compensation Committee has based its compensation philosophy on these statutory requirements and has established review processes to ensure that this philosophy is implemented rigorously and carefully.

The core idea of Fannie Mae's compensation philosophy is to pay for performance. This philosophy is reflected in the structure of the corporation's compensation programs. Other than base salary, all major elements of the corporation's compensation program for the most senior members of the executive officer group are tied to annual and long-term performance goals. Furthermore, through the use of stock vesting over multi-year terms, Fannie Mae aligns the interests of executives with those of stockholders.

Another key element of Fannie Mae's compensation approach is comparability. Fannie Mae's compensation should be reasonable and comparable with the compensation for executives in other similar businesses that involve similar duties and responsibilities. Every year, under the guidance of the Compensation Committee of the Board of Directors, Fannie Mae selects for comparison a peer group of publicly held financial institutions and major financial services companies, with comparable market capitalization, that compete for executives whose skill and experience are consistent with those sought by Fannie Mae. Using information and analyses collected both internally and through the use of established independent sources, Fannie Mae's Compensation Committee sets tiered targets as related to performance for officers' total compensation as well as for individual components such as salary, annual bonus, and long-term incentives.

Finally, Fannie Mae's Compensation Committee, assisted by third-party data collection and analysis, annually reviews the corporation's compensation practices and compares them, relative to corporate performance, with those of the peer group, from both annual and multiyear perspectives. The Committee then makes recommendations to the Board of Directors for whatever adjustments are necessary to maintain adherence to Fannie Mae's compensation philosophy, competitive position, and obligations under the Charter Act.

Guidelines for Determining Executive Compensation in 2001

In carrying out the corporation's compensation philosophy, the Board of Directors sets and the Compensation Committee administers the policies that govern Fannie Mae's annual compensation and stock ownership plans. After consideration and recommendation by the Committee, the Board approves salaries and long-term incentives for all officers at the level of executive vice president and above. The Committee is composed entirely of outside directors and employs, as a third-party resource, Hewitt Associates, a prominent compensation consulting firm.

The executive compensation program has three primary tools: base salary, an annual bonus award, and long-term performance awards. Fannie Mae's compensation program is structured to align the executive officers' interests with those of the stockholders over one-year, three-year, five-year, and ten-year periods. The program ties a large portion of each officer's total compensation to growth in earnings per share over one- and three-year periods, and Fannie Mae's stock price over time. To achieve a balanced result, this pay-for-performance approach is divided into two components:

- a cash payment for achieving annual performance goals, and
- stock-based awards for long-term performance generating increases in stockholder returns over time.

The distinction between the two components is important. The annual bonus focuses executives' attention on near-term achievements. The long-term performance component encourages executives to take actions to build mid-term and long-term stockholder value over multiple year periods.

The guidelines for determining the compensation of the executive officers are related to the level of compensation for comparable positions in the market and to the corporation's public policy mission. Every year, under the guidance of the Compensation Committee, Fannie Mae selects for comparison a peer group of publicly-held financial institutions and major financial services companies that compete for executives whose skill and experience are consistent with those sought by Fannie Mae. This peer group is selected based on the availability of compensation practice information and an entity's comparability to Fannie Mae in terms of asset size, lines of business, and market capitalization.

Base Salary. The appropriate level of base salary for executive officers is determined on the basis of the Compensation Committee's subjective assessment of individual performance, experience, and other relevant factors, such as demonstrated leadership, job knowledge, and management skills. In general, the Compensation Committee seeks to target annual total cash (salary plus bonus) at the midpoint of the peer group. Annual or other salary adjustments are based on individual performance as well as other factors, such as changes in competitive salary practices and Fannie Mae's financial performance.

Annual Bonus Awards and Long-Term Incentive Compensation. The nonsalary components of the total compensation (annual bonus awards and long-term incentive compensation) are performance-based. The proportion of the total compensation package tied to performance measures increases with the rank of the executive officer.

Annual Incentive Plan. The Annual Incentive Plan is designed to put part of each executive officer's total compensation package at risk. At the beginning of each year, performance goals and a range of bonus opportunity (expressed as a percentage of base salary) are established under the Annual Incentive Plan for each executive officer. The annual bonus payout is based exclusively on performance during the year as measured against the preestablished goals. Annual bonuses for the Office of the Chairman and executive vice presidents are based exclusively on corporate performance, measured in 2001 by growth in earnings per share.

Long-Term Incentive Compensation. Long-term incentive compensation under Fannie Mae's Stock Compensation Plan consists of performance shares, stock options and, in some cases, shares of restricted stock. The long-term incentive stock components of total compensation are designed to yield a more aggressively competitive pay opportunity. Salary and bonus and the long-term incentive awards when aggregated are targeted at the 65th percentile of competitive practice within the selected peer group. All long-term compensation programs are paid solely in Fannie Mae stock (thus reinforcing the link between the interests of executives and those of the stockholders) and depend on the achievement of multiyear performance goals set by the Board of Directors and the price of Fannie Mae's stock over multiyear vesting periods.

Performance Shares are pay-for-performance incentive awards that compensate senior management for meeting performance objectives over a three-year period. Each year, the Compensation Committee establishes designated award periods (“cycles”) of three years. At the beginning of each cycle, at the Committee’s request, the Board of Directors establishes program targets based on goals for growth in earnings per share and the Compensation Committee’s scorecard of corporate performance in the following strategic areas: risk management; housing impact; delivery of value through technology and customer relationships; preserving Fannie Mae’s franchise; and work force development. Each executive’s ultimate award will be measured on the basis of actual achievement against the cycle’s goals. The Compensation Committee determines the number of Performance Shares granted to each of the selected executives. At the end of a cycle, the Compensation Committee determines each executive’s actual award for the cycle by multiplying the executive’s performance shares by a numerical performance factor (ranging from 40% to 150%) that represents the extent of achievement of the program target. If Fannie Mae does not meet the requirement to achieve the minimum performance factor (40%), no award will be paid.

Stock options link the interests of executives and stockholders by providing value to the executive only when the stock price increases over a number of years. As discussed above, stock options, together with Performance Shares, are targeted to bring total compensation to the 65th percentile of the peer group. As a result, the number of options currently held by an executive is not considered in determining the size of an option award.

Fannie Mae has made grants of restricted common stock to a select group of senior management as an important long-term retention device to reinforce the mutuality of interest between senior management and the corporation’s stockholders. In making each award of restricted common stock, the Compensation Committee establishes a five-year schedule for vesting, subject to possible acceleration upon a change of control.

For 2001, the corporation met and exceeded EPS and other corporate performance measures set for the year by the Committee and the Board of Directors. Maximum payouts of the award opportunity range were achieved under the Annual Incentive Plan for 2001 based on an EPS goal. Similarly, maximum payouts of the award opportunity range were achieved for the three-year Performance Share cycle that concluded in 2001 based on targets for growth in EPS and the Compensation Committee’s rating of corporate performance in strategic areas. In addition, as a result of the corporation’s extraordinary performance during 2001, the Board of Directors approved a special award to each of the corporation’s employees. Officers received these awards in shares of common stock.

Chief Executive Officer Compensation. The executive compensation policies described above are applied in setting the compensation and assessing the performance of Mr. Raines. When deciding on the compensation to be paid to the Chairman and evaluating his performance, the Committee meets privately without the Chairman present. All nonmanagement members of the Board also participate in the review of Mr. Raines’ performance.

Base Salary. For 2001, the Board set Mr. Raines’ cash base salary at \$992,250, unchanged since 2000, and slightly below the midpoint of the peer group. For the purposes of calculating his pension, life insurance benefits and bonus opportunity, however, the Board set Mr. Raines’ annual base salary at \$1,041,863, reflecting a five percent merit increase over the prior year. Consistent with Fannie Mae’s “pay for performance” philosophy, the difference between Mr. Raines’ cash base salary and annual base salary is awarded as additional long-term, equity-based compensation, bringing Mr. Raines’ total compensation target to the 65th percentile of Fannie Mae’s peer group.

Annual Bonus Award. For 2001, Mr. Raines’ annual bonus opportunity ranged from 0 to 250% of his annual base salary. As described above, the corporate performance goal was based entirely on growth in earnings per share over the prior year. The corporation exceeded that goal, resulting in a maximum payout to all executive officers, including Mr. Raines, under the Annual Incentive Plan. Like all employees, Mr. Raines also received a 2001 Special Award, and like all officers that award was payable exclusively in shares of Fannie Mae’s common stock.

Long-term Incentive Compensation. Mr. Raines’ performance share payout in 2001 reflects the completion of a successful three-year cycle that began in January 1999. At the beginning of that cycle, at the Compensation Committee’s request, the Board of Directors established program goals based on growth in earnings per share and the Compensation Committee’s scorecard of corporate performance in strategic areas.

Without Mr. Raines present, the Board discussed the Committee's review of Mr. Raines' performance and the performance of the corporation. The Board as a whole assessed Mr. Raines' performance according to a broad range of criteria including the following: strategic thinking, providing vision and direction, accelerating change, intellectual honesty, integrity, motivating and energizing people, teamwork and partnering, influencing ideas and initiatives, delivering results, valuing all people, and developing management.

Mr. Raines' performance also was measured against the preestablished performance goals for the completed three-year cycle by recognizing Fannie Mae's:

- record financial results;
- implementation of industry-leading financial safety and soundness initiatives;
- achievement of the highest level of affordable housing finance activity in its history;
- improvements in its technology management and customer service;
- successful management of credit and interest rate risk; and
- attention paid to the development and diversity of its work force.

Under Mr. Raines' direction, the corporation developed a successful five-year strategy that produced extraordinary financial performance, keeping Fannie Mae ahead of schedule to achieve its goal, set in 1999, to double earnings per share by the end of 2003. As a result of this strategy, Fannie Mae's 2001 performance improved as:

- the corporation's book of business grew 19.0 percent for 2001 versus 9.3 percent in 2000;
- taxable-equivalent revenue growth was 30.2 percent compared with 12.2 percent in 2000;
- growth in guarantee fee income was 9.7 percent versus 5.4 percent in 2000;
- growth in adjusted net interest income was 32.2 percent versus 15.9 percent in 2000; and
- credit related losses declined to their lowest level since 1983 at \$81.3 million compared with \$89.1 million in 2000.

Following its consideration of the corporation's performance against its goals for the cycle, the Compensation Committee awarded maximum payouts to Mr. Raines under the Performance Share component of the Stock Compensation Plan based on the attainment of goals for growth in EPS and the Compensation Committee's subjective rating of Mr. Raines' performance in applicable strategic areas. Please refer to the Summary Compensation Table on page 14 and the relevant footnotes for additional information.

For 2001, the Compensation Committee also granted Mr. Raines stock options vesting over four years and awarded performance shares for the three-year period beginning in January 2001. This long-term incentive compensation was set to target Mr. Raines' total compensation to the 65th percentile of the peer group for 2001.

Conclusion. As previously mentioned, the Compensation Committee of the Board of Directors is assisted by Hewitt Associates, which has one of the country's most comprehensive databases on executive compensation. Using Hewitt data, the Committee evaluated Fannie Mae's compensation plans against its peer group and determined that they are, in its judgment, positioned to attract and retain executives, and well-structured to pay for performance. The Committee believes both the design of Fannie Mae's plans and the actual total compensation levels described in this proxy statement reflect adherence to the Board of Directors' obligations under the Charter Act and careful thinking about what is fair from both executive and stockholder perspectives, and clearly reflect Fannie Mae's compensation philosophy.

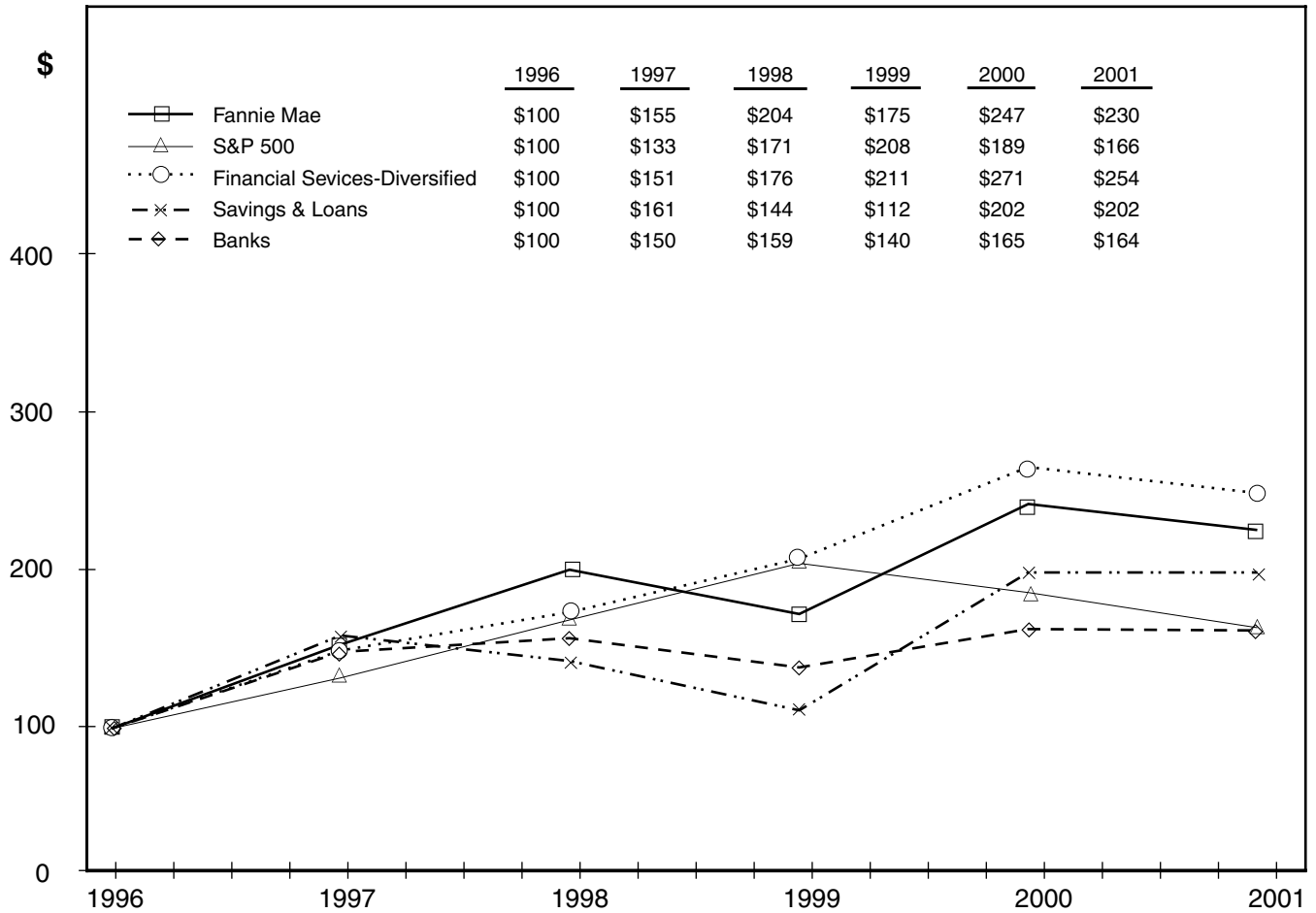
The Compensation Committee

Vincent A. Mai, Chairman
Stephen Friedman

Ann McLaughlin Korologos
Anne M. Mulcahy

Performance Graph

**COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN*
FANNIE MAE, S&P 500, DOW JONES FINANCIAL SERVICES-DIVERSIFIED,
DOW JONES SAVINGS & LOANS, AND DOW JONES BANKS INDICES**



* "Cumulative Total Return" is calculated under the assumption of dividend reinvestment. \$100 invested in Fannie Mae at the end of 1996 yielded \$230 by December 31, 2001, versus \$166 for the S&P 500, \$202 for Dow Jones Savings and Loans, \$164 for Dow Jones Banks, and \$254 for the Dow Jones Financial Services—Diversified. Returns shown are not necessarily indicative of future performance.

Compensation of Executive Officers

The following summary compensation table sets forth the compensation earned by the chief executive officer and the four most highly compensated executive officers of the corporation whose total cash compensation exceeded \$100,000 in 2001.

SUMMARY COMPENSATION TABLE								
Name and Principal Position	Year	Annual Compensation ¹			Long Term Compensation			
		Salary ² (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Restricted Stock Award(s) ³ (\$)	Securities Underlying Options/ SARs (#)	LTIP Payouts ⁴ (\$)	All Other Compensation ⁵ (\$)
Franklin D. Raines Chairman of the Board and Chief Executive Officer	2001	\$992,250	\$3,125,650	\$20,519		277,335	\$2,779,934	\$7,982
	2000	992,250	2,480,625	23,635		207,810	2,588,636	7,560
	1999	945,000	1,890,000	35,007		373,550	1,329,448	5,908
Daniel H. Mudd Vice Chairman of the Board and Chief Operating Officer	2001	656,429	1,083,109	23,148		87,194	1,188,846	5,775
	2000	537,063	735,130	165,988	\$1,319,533	204,585	414,090	229,241
Jamie S. Gorelick Vice Chair of the Board	2001	656,429	1,083,109	32,244		87,194	2,591,060	6,509
	2000	625,170	859,609	29,261		89,730	2,458,528	6,330
	1999	595,400	818,675	29,903		80,930	1,292,693	5,786
J. Timothy Howard Executive Vice President and Chief Financial Officer	2001	463,315	694,983	10,853		75,617	1,987,119	5,640
	2000	435,540	544,425	16,996		72,570	2,088,542	5,543
	1999	414,800	518,500	6,009		47,300	860,464	5,088
Robert J. Levin Executive Vice President— Housing & Community Development	2001	457,317	686,028	5,084		44,735	1,987,119	5,416
	2000	435,540	544,425	1,095		43,430	964,977	5,359
	1999	414,800	518,500	1,049		47,300	860,464	4,982

- (1) "Salary" includes annual salary for 2001 but deferred to later years. "Bonus" includes both the amounts accrued under the Annual Incentive Plan and the value of shares that each of the following executive officers was awarded under the 2001 Special Award program described below: Mr. Raines, \$520,994; Mr. Mudd, \$180,519; Ms. Gorelick, \$180,519; Mr. Howard, \$115,839; and Mr. Levin, \$114,382. "Other Annual Compensation" includes certain payments for tax counseling and financial planning services, health insurance, and other benefits.
- (2) The 2002 cash base salaries payable to the individuals named in the summary compensation table are as follows: Mr. Raines, \$992,250; Mr. Mudd, \$689,250; Ms. Gorelick, \$689,250; Mr. Howard, \$498,750; and Mr. Levin, \$480,180.
- (3) Because restricted common stock is held in escrow until vested, as of December 31, 2001, Equiserve Trust Company acting as escrow agent, held 20,000 of unvested restricted common stock for Mr. Mudd, subject to a vesting schedule through February 2005 in the aggregate amount of \$1,590,000 and held 5,000 shares of unvested restricted common stock for Ms. Gorelick, subject to a vesting schedule through May 2002, in the aggregate amount of \$397,500. Dividends are paid on restricted common stock at the same rate as the dividends paid on Fannie Mae's common stock.
- (4) "LTIP Payouts" reported are net of amounts related to shares irrevocably deferred under the deferral provisions of the LTIP. For 2001, the following shares were deferred: Mr. Raines, 49,699 shares and Ms. Gorelick, 2,471 shares.
- (5) "All Other Compensation" includes the 2001 employer match under the Retirement Savings Plan for Employees (the "Plan"). Fannie Mae matches 100 percent of an employee's contributions to the Plan, up to 3 percent of salary, but not more than 1 percent of salary for after-tax contributions. For 2001, the limit on the annual compensation that can be considered for contributions under the Plan was \$170,000; thus the maximum match any Participant may receive is \$5,100, which was received by each of the named executive officers. "All Other Compensation" also includes split-dollar life insurance payments. As to the split-dollar life insurance payments, the executive insurance program has been designed so that its cost to Fannie Mae is not expected to be more than the cost of comparable coverage under the group term life insurance program available to all employees. Generally, under the terms of the executive insurance program, the corporation and the officer Participant enter into an agreement for a period defining the division or "split" between them of premium payments, death

(Footnote Continued)

benefits, and the cash value of the life insurance policy. At the end of the period, Fannie Mae will recover its costs by withdrawing cash from the policy. The agreement will then be canceled and all the benefits of the life insurance policy will accrue to the officer Participant. An officer Participant who terminates employment before the end of the period generally may purchase the policy from Fannie Mae. Each officer (other than Mr. Raines, Mr. Mudd, and Ms. Gorelick) has coverage in the executive insurance program based on annual salary. The coverage for Mr. Raines, Mr. Mudd, and Ms. Gorelick each equals approximately two times salary. The named executive officers had split-dollar life insurance premiums paid on their behalf as follows: Mr. Raines, \$2,063; Mr. Mudd, \$675; Ms. Gorelick, \$1,409; Mr. Howard, \$540; and Mr. Levin, \$316. Fannie Mae also has provided to Mr. Raines an additional insurance benefit in the amount of \$900,000, with an annual premium of \$819.

Fannie Mae Benefit Plans

Annual Incentive Plan. Officers and nonofficer management level employees are eligible to participate in the Annual Incentive Plan, a pay-for-performance plan that provides for payment of annual bonuses of certain percentages of annual salaries based on meeting corporate goals, individual goals, or both. At the beginning of each year, performance goals and a range of bonus opportunity are established under the Annual Incentive Plan for each participant. The annual bonus payout is based exclusively on performance during the year measured against the preestablished goals. For additional information regarding the administration of the Annual Incentive Plan as applied to Fannie Mae's executive officers, see "Board of Directors' Compensation Committee Report on Executive Compensation—Guidelines for Determining Executive Compensation in 2001."

2001 Special Award. During 2001, the corporation's performance exceeded the highest corporate goal established by the Compensation Committee under the Annual Incentive Plan. In light of this extraordinary performance, the Board of Directors approved a 2001 Special Award for all regular full-time and part-time employees of the corporation. All officers received their special award in the form of shares of Fannie Mae common stock, while the others received their special award in cash.

Fannie Mae Stock Compensation Plans. The Fannie Mae Stock Compensation Plan of 1986 (the "Plan") is an "umbrella plan" with programs for stock options, performance shares, and restricted stock. The purpose of the Plan is to promote Fannie Mae's interests by encouraging and enabling the officers and other key employees of the corporation to acquire shares of its common stock. The Plan is intended not only to attract and retain outstanding management, but also to promote a close identity of interests between Fannie Mae's management and its stockholders. The Plan is designed to link management's compensation directly to the corporation's performance. It is available only to employees of the corporation. The Compensation Committee of the Board (the "Committee") administers the Plan. No member of the Committee is eligible to receive awards or grants under the Plan. This Plan was approved by stockholders at their 1987 Annual Meeting. No shares are available for issue under the Plan.

The Fannie Mae Stock Compensation Plan of 1993 (the "1993 Plan") was approved by the stockholders in May 1993. The 1993 Plan incorporates provisions of the umbrella plan that were previously approved by stockholders and includes certain changes. In structuring the 1993 Plan, the Board of Directors sought not only to authorize all of the more commonly used stock incentive awards of the past, such as stock options, restricted stock, and performance shares, but also to respond to changing developments in management compensation, to offer competitive incentives, and to tailor benefits to specific needs and circumstances by being able to offer new forms of incentive benefits related to Fannie Mae securities.

Stock Options. Stock options link the interests of employees and stockholders by providing value to the employee only when the stock price increases. The Committee grants options to Participants at and below the level of senior vice president. The Nonmanagement Board makes all grants to the chairman and vice chairmen, and the Board makes all grants to the executive vice presidents. The option price may not be less than the Fair Market Value of the common stock on the grant date. Options become exercisable on the Participant's retirement (at age 65 or later), early retirement (from age 60 to 65, with at least five years of service), disability, or death, and in certain cases upon a change in control. Generally, if a Participant leaves Fannie Mae for any reason other than death, disability, retirement, or early retirement, all the Participant's rights to exercise any vested option terminate at the earlier of the option expiration date or as provided by the 1993 Plan. No Participant has any rights as a stockholder for any shares subject to an option before the shares are issued to the Participant.

OPTION GRANTS TABLE
Option Grants in 2001*

Name	Individual Grants				
	Options Granted #	% of Total Options Granted to Employees in 2001	Exercise or Base Price (\$/Sh)	Expiration Date	Grant Date Present Value (\$)
Franklin D. Raines	277,335	7.44%	\$80.95	11/18/11	\$7,945,648
Daniel H. Mudd	87,194	2.34%	80.95	11/18/11	2,498,108
Jamie S. Gorelick	87,194	2.34%	80.95	11/18/11	2,498,108
J. Timothy Howard	75,617	2.03%	80.95	11/18/11	2,166,427
Robert J. Levin	44,735	1.20%	80.95	11/18/11	1,281,658

* Stock option grants do not represent cash compensation and stock options may not be disposed of for cash. If the stock does not appreciate, no value will ever be realized. Further, no options granted to officers in 2001 could be exercised in 2001. The grant date present value is a theoretical number derived from a modified Black-Scholes pricing model that considers various plan design features that include the following: an exercise price on the option of \$80.95, equal to the fair market value of the underlying stock on the date of grant; an option term of 10 years; an interest rate of 4.86% that represents the interest rate on a U.S. Treasury security with a maturity date corresponding to that of the option term; volatility of 34.08% calculated using four-year weekly volatility prior to the grant date; and current dividends at the rate of \$1.20 per share representing the annualized dividends paid with respect to a share of common stock and representing a constant percentage of 1.48% at the date of grant. The per share grant date present value for these options is \$28.65. Options for a total of 3,726,115 shares were granted to employees in 2001.

All options granted in 2001 are nonqualified and will expire ten years after the date of grant. Vesting, at 25 percent per year, starts on the first anniversary of the grant date. Each optionee who terminates employment with Fannie Mae on or after attaining age 55 and five years of service with the corporation or due to death or disability will have the right to exercise the vested portion of the November 2001 option grant until the option expires by its terms. Vesting for all options is accelerated for each optionee who terminates on or after attaining age 60 with five years of service or at age 65 or later. Partial accelerated vesting can occur under certain limited circumstances. The options granted to officers at and above the level of executive vice president are subject to accelerated vesting under certain circumstances. Mr. Raines generally will have the right to exercise any vested nonqualified stock option, whenever granted, until it expires by its terms, regardless of whether he is a Fannie Mae employee. No options granted to officers in 2001 were exercisable during 2001.

Each nonmanagement director is granted an annual nonqualified stock option to purchase 4,000 shares of common stock at the fair market value on the date of grant. The date of grant is the date of the annual meeting of stockholders. A nonmanagement director appointed or elected as a mid-term replacement will automatically be granted a nonqualified stock option to purchase at the fair market value on the date of grant a pro rata number of shares equal to the fraction of the remainder of the term. The stock options will be immediately exercisable. In May 2001, each nonmanagement director, other than Mr. Ashe, Ms. Bordonaro, Mr. Harvey, Mr. Justiz, and Mr. Segue, received an option to purchase 4,000 shares of common stock, with a fair market value on date of grant of \$75.56. In July, 2001, Mr. Ashe, Ms. Bordonaro, Mr. Harvey, and Mr. Segue each received an option to purchase 3,666 shares, with a fair market value at date of grant of \$84.815. In October 2001, Mr. Justiz received an option to purchase 2,666 shares, with a fair market value at date of grant of \$82.775. Each option granted in 2001 will expire ten years after the date of grant and was vested immediately on the date of grant. The options held by nonmanagement directors who have served on the Board for at least 10 years may be exercised for a period of one year following retirement from the Board.

Under the terms of the 1986 Plan and the 1993 Plan, as amended, Participants may transfer options to charities or to family members, or may defer options under the corporation's deferred compensation programs.

OPTION EXERCISES AND YEAR-END VALUE TABLE

Aggregated Option Exercises in 2001 and December 31, 2001 Option Value ⁽¹⁾

Name	Shares Acquired on Exercise (#)	Values Realized (\$)	Number of Securities Underlying Unexercised Options December 31, 2001 (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options December 31, 2001* (\$) Exercisable/ Unexercisable
Franklin D. Raines	None	0	649,149 / 756,776	\$8,094,448 / \$3,942,173
Daniel H. Mudd	None	0	51,145 / 240,634	821,123 / 2,463,454
Jamie S. Gorelick	None	0	214,859 / 211,745	4,093,519 / 656,599
J. Timothy Howard	19,400	\$1,280,585	357,312 / 164,608	15,533,485 / 431,276
Robert J. Levin	None	0	362,454 / 111,871	15,891,394 / 378,714

* The values represent the spread between the exercise price set at the date of grant and the \$79.50 closing price of Fannie Mae common stock on December 31, 2001.

(1) The information reported is net of options irrevocably transferred to or for the benefit of charitable organizations or family members or irrevocably deferred under the corporation's deferred compensation programs.

Earnings Per Share Challenge Option Grants. As previously reported, on January 18, 2000, the Board of Directors approved a special grant of Earnings Per Share Challenge Options for all regular full-time and part-time employees. The purpose of this grant was to serve as an incentive to all employees to double the corporation's earnings per share ("EPS"). EPS Challenge Options also are awarded on a pro rata basis annually to all new or promoted employees. Under the terms of the grant, vesting of the EPS Challenge Options is contingent on the achievement of this aggressive EPS goal. If EPS equals or exceeds \$6.46 per share by December 31, 2003, then all EPS Challenge Options will become exercisable in January 2004. If the EPS goal is not met, the EPS Challenge Option will not immediately vest but instead each EPS Challenge Option will become exercisable in 25 percent annual increments over four years beginning in January 2005. However, if the EPS goal is not met, the Board has retained the discretion to reduce or eliminate future compensation awards to offset this vesting.

On December 31, 2001, in addition to the options described in the tables above, the executive officers named in the Summary Compensation Table held EPS Challenge Options (all unexercisable and subject to the contingent vesting provisions described above) to purchase the following number of shares: Mr. Raines, 213,548 shares; Mr. Mudd, 116,710 shares; Ms. Gorelick, 96,787 shares; Mr. Howard, 56,572 shares; and Mr. Levin, 56,572 shares.

Performance Shares. Performance shares are pay-for-performance incentive awards that compensate senior management for attaining certain Fannie Mae long-term performance measures. The Committee is authorized to establish designated Award Periods ("cycles"). At the beginning of each cycle, at the Committee's request, the Board establishes a Program Target based on financial and other objectives for the corporation. The Program Target for the cycle is a schedule that sets the relationship between accomplishing the Program Target and Awards the Participants may earn. Each Participant's ultimate Award will be measured on the basis of a contingent grant of Performance Shares. The Committee determines the number of Performance Shares granted to each selected Participant and may make pro rata Participant Grants to new Participants after the beginning of a cycle. The Nonmanagement Board makes all grants to the chairman and vice chairmen, and the Board makes all grants to the executive vice presidents. At the end of a cycle, the Committee determines each Participant's Actual Award for the cycle by multiplying the Participant's Performance Shares by a performance factor, ranging from 40 percent to 150 percent, representing the degree of achievement of the Program Target. If the corporation does not meet the requirement to achieve 40 percent Awards, no Award will be paid.

At the beginning of an Award Period, the Committee establishes a maximum Fair Value for each Performance Share that will limit the total value participants can earn in Actual Awards for the cycle. The Committee also provides for installment payments of Actual Awards. In making grants, the Committee has set three times the fair market value of Fannie Mae's common stock on the grant date as the maximum value for each Performance Share. Any Participant whose employment terminates during a cycle (except for retirement at age 55 or later, in accordance with the provisions of Fannie Mae's retirement programs, or disability, or death)

will cease to be a Participant unless the Board or the Nonmanagement Board provides otherwise. In 1991, the Committee directed that Awards be paid wholly in stock, starting with the 1989-1991 cycle. Performance Shares are not shares of common stock, and a Participant has no rights as a stockholder with respect to any Performance Shares.

Except in the case of a Participant's death, retirement at age 55 or later, in accordance with the provisions of Fannie Mae's retirement programs, or because of disability, Participants receive one-half of the Actual Award at the end of each cycle and receive the remainder, with accrued dividends, in January of the succeeding year if the Participant is employed by Fannie Mae on those dates. Participants who retire at age 55, or later, will receive an Actual Award on a pro rata basis, based upon the actual achievement of the Program Targets for the Award cycles in which the Participant participated for at least 18 months. In addition, upon retirement the Participant will receive performance shares that were previously earned, but remained unpaid. A Participant may irrevocably elect to defer receipt until a later date.

LONG-TERM INCENTIVE PLAN AWARDS Long-Term Incentive Plan Awards in 2001			
<u>Name</u>	<u>Number of Shares, Units or Other Rights * (#)</u>	<u>Performance or Other Period Until Maturation or Payout</u>	<u>Payout Period (if any)</u>
	Performance Shares	Award Cycle	
Franklin D. Raines	120,462	2002-2004	2005,2006
Daniel H. Mudd	37,873	2002-2004	2005,2006
Jamie S. Gorelick	37,873	2002-2004	2005,2006
J. Timothy Howard	32,844	2002-2004	2005,2006
Robert J. Levin	19,431	2002-2004	2005,2006

* Actual awards range from 40 percent to 150 percent of a Participant's Performance Shares. If the corporation does not meet the requirement to achieve 40 percent Awards, no Award will be paid.

Contingent grants of Performance Shares were made in 2001 for the 2002-2004 cycle for which distributions would be made in 2005 and 2006. Contingent grants will become Actual Awards only if, and to the extent that, Fannie Mae achieves the Program Targets set for the cycle. The value of an Actual Award depends on the level of achievement and the value of the corporation's common stock at the end of the cycle. The Fair Value of a Performance Share for the 2002-2004 cycle is subject to a limit of three times the fair market value of Fannie Mae's common stock on November 20, 2001, the date of grant. The fair market value of Fannie Mae's common stock on the date of grant was \$80.95.

Mr. Raines, Mr. Mudd, and Ms. Gorelick will each receive his or her Actual Award for the 2002-2004 cycle on a pro rata basis, based upon the actual achievement of Program Targets for that award cycle, if during that cycle he or she has been employed for at least 18 months, and his or her employment is terminated by Fannie Mae without cause, for any reason within six months after a change in control of Fannie Mae, by Fannie Mae's failure to extend the contractual employment term or due to serious illness or disability.

Restricted Stock. Fannie Mae has made grants of Restricted Common Stock to a select group of senior management as an important long-term retention device to reinforce the mutuality of interest between senior management and the corporation's stockholders. Restricted Common Stock is common stock that cannot be sold until it vests over an extended period of time, with vesting contingent on the Participant's continued employment. In making each award of Restricted Common Stock, the Committee (or in the case of the chairman, vice chairmen, and executive vice presidents, the Board) establishes a schedule for its vesting and the ending of the Restricted Period, subject to possible accelerated vesting upon a change in control. Until the expiration of the Restricted Period, the stock is held by an escrow agent. Upon the vesting of any portion of an award (i.e., when all restrictions are removed), the escrow agent delivers to the Participant a stock certificate for the full shares of vested common stock. Each Participant has all of the rights and privileges of a stockholder as to his or her Restricted Common Stock, other than the ability to transfer it, including the right to receive any cash or stock dividends declared with respect to the stock (\$1.20 per share in 2001) and the right to direct the escrow agent in the exercise of voting rights. Termination of a Participant's employment because of retirement at age 65 or later, retirement from age 60 to 65 with at least five years of service, disability, or death accelerates the expiration of the Restricted Period for any outstanding Restricted Common Stock. If the Participant's employment terminates for any other reason, the Participant loses all rights as to Restricted Common Stock then subject to Restrictions (unless the Board or the Nonmanagement Board provides otherwise). The Restricted Common Stock granted to officers at the executive vice president level and above is subject to accelerated vesting under certain circumstances. Awards of Restricted Common Stock are disclosed in the Summary Compensation Table.

Fannie Mae Retirement Systems. Fannie Mae has several retirement systems for its employees: the Civil Service retirement system, the Federal National Mortgage Association Retirement Plan for Employees Not Covered Under Civil Service Retirement Law (the "Fannie Mae Retirement Plan"), the Federal National Mortgage Association Supplemental Pension Plan (the "Supplemental Pension Plan"), and the Executive Pension Plan of Federal National Mortgage Association (the "Executive Pension Plan").

Civil Service Retirement System. Under Section 309(d)(2) of the Charter Act, employees who were employed before January 31, 1972, and who, immediately before employment, were subject to the federal Civil Service retirement law, continue to be subject to that law so long as their Fannie Mae employment continues without a break in the continuity of service. During 2001, employees subject to this provision contributed 7 percent of their covered pay into the Civil Service retirement fund. No individual named in the summary compensation table participates in the Civil Service retirement system.

Fannie Mae Retirement Plan. The Fannie Mae Retirement Plan provides benefits for those employees who are not covered by the federal Civil Service retirement law. Normal retirement benefits are computed on a single life basis using a formula based on final average annual earnings and years of credited service. Participants are fully vested when they complete five years of credited service. Since 1989, Internal Revenue Code provisions have limited the amount of annual compensation that can be used for calculating pension benefits. In 2001, no more than \$170,000 of annual salary could be used to determine an employee's annual benefit accrual. Before 1989, some employees accrued benefits based on higher income levels. For employees who retire before age 65, benefits are reduced by stated percentages for each year that they are younger than 65.

The Fannie Mae Retirement Plan does not provide for employee contributions. Corporate contributions are intended to provide for benefits attributed to service to date and those expected to be earned in the future. The Fannie Mae policy is to fund the pension expense accrued each year, up to the contribution that would be tax deductible for that year. Mr. Levin has approximately twenty one years of credited service; Mr. Howard has approximately twenty years of credited service; Mr. Raines has approximately ten years of credited service; Ms. Gorelick has approximately five years of credited service; and Mr. Mudd has approximately two years of credited service.

Supplemental Pension Plan. Fannie Mae adopted the Supplemental Pension Plan to provide supplemental retirement benefits to employees who do not participate in the Executive Pension Plan and whose compensation exceeds the statutory compensation cap applicable to the Fannie Mae Retirement Plan or whose benefit under the Fannie Mae Retirement Plan is limited by the statutory benefit cap applicable to that Plan. For 2001, the statutory compensation and benefit caps were \$170,000 and \$140,000 respectively, and for 2002 they are \$200,000 and \$160,000 respectively.

The following table shows the estimated annual benefits that are payable under the Fannie Mae Retirement Plan and, if applicable, the Supplemental Pension Plan to an employee who does not participate in the Executive Pension Plan and who turns 65 and retires on January 1, 2002, using years of service accrued through January 1, 2002.

Fannie Mae Retirement and Supplemental Pension Plans						
Final Average Annual Earnings	Estimated Annual Pension for Representative Years of Service					
	10	15	20	25	30	35
\$ 50,000	\$ 8,028	\$ 12,358	\$ 17,163	\$ 21,968	\$ 26,773	\$ 31,578
100,000	18,028	27,358	37,163	46,968	56,773	66,578
150,000	28,028	42,358	57,163	71,968	86,773	101,578
200,000	38,028	57,358	77,163	96,968	116,773	136,578
250,000	48,028	72,358	97,163	121,968	146,773	171,578
300,000	58,028	87,358	117,163	146,968	176,773	206,578
350,000	68,028	102,358	137,163	171,968	206,773	241,578
400,000	78,028	117,358	157,163	196,968	236,773	276,578
450,000	88,028	132,358	177,163	221,968	266,773	311,578
500,000	98,028	147,358	197,163	246,968	296,773	346,578
550,000	108,028	162,358	217,163	271,968	326,773	381,578
600,000	118,028	177,358	237,163	296,968	356,773	416,578
650,000	128,028	192,358	257,163	321,968	386,773	451,578
700,000	138,028	207,358	277,163	346,968	416,773	486,578
1,250,300	248,088	372,448	497,283	622,118	746,953	871,788

Executive Pension Plan. Fannie Mae has adopted an Executive Pension Plan to supplement the benefits that are payable to key officers under the Fannie Mae Retirement Plan. The Compensation Committee of the Board of Directors selects the Participants and determines the pension benefits for each Participant. The Board of Directors approves the pension benefits for Participants who are at the level of executive vice president and above. Payments are reduced by any amounts payable under the Fannie Mae Retirement Plan, any amounts payable under the Civil Service retirement system attributable to Fannie Mae's contributions for service with it, and, in certain circumstances, any amounts attributable to employer contributions payable under a prior employer's tax-qualified plan. Participants are granted pension benefits ranging from 30 percent to 60 percent of high-three total compensation. High-three total compensation is the average total compensation for the three consecutive years of the Participant's last ten years of Fannie Mae employment when total compensation is the highest. Total compensation generally is a Participant's average annual base salary, including deferred compensation, plus the Participant's other taxable compensation paid by Fannie Mae for the relevant year, up to 50 percent of annual base salary for that year. (Payments earned over multiyear periods are allocated equally over the years.) Participants who retire before age 60 generally receive a reduced benefit. Participants usually vest fully in their pension benefit after ten years of Fannie Mae service as Participants in the Executive Pension Plan, with partial vesting usually beginning after five years. Usually, the benefit payment is a monthly amount equal to one-twelfth of the Participant's annual retirement benefit payable during the lives of the Participant and the Participant's surviving spouse. If a Participant dies before receiving benefits under the Executive Pension Plan, generally his or her surviving spouse will be entitled to a death benefit that begins when the spouse reaches age 55, based on the Participant's pension benefit at the date of death. The assets in a trust, established in 1987, defray Fannie Mae's obligations under the Executive Pension Plan. Income earned by the trust is included in the corporation's taxable income. Estimated annual benefits payable upon retirement, assuming that Fannie Mae's corporate performance causes Participants' other compensation to equal or exceed 50 percent of annual base salary and full vesting at normal retirement age, for each of the individuals named in the summary compensation table are as follows: Mr. Raines, (60 percent pension benefit), \$984,560; Mr. Mudd (50 percent pension benefit), \$516,938; Ms. Gorelick (50 percent pension benefit), \$516,938; Mr. Howard (40 percent pension benefit), \$299,250; and Mr. Levin (40 percent pension benefit), \$288,108.

Compensation of Directors

During 2001, Fannie Mae paid directors an annual retainer of \$23,000, plus \$1,000 for attending each board or board committee meeting. Committee chairpersons received an additional \$500 for each committee meeting they chaired. Directors who participated in telephone conference meetings of the board or board committees received \$600 per meeting plus an additional \$300 for each telephone conference committee meeting that they chaired. In addition, each nonmanagement director has Restricted Common Stock under the Fannie Mae Restricted Stock Plan for Directors and stock options under the Fannie Mae Stock Compensation Plan of 1993. Fannie Mae officers who serve on the Board of Directors do not receive compensation for serving as directors other than the compensation they receive as Fannie Mae officers. Fannie Mae officers are not eligible to participate in the Fannie Mae Restricted Stock Plan for Directors and are not eligible to receive nonmanagement director stock options under the Fannie Mae Stock Compensation Plan of 1993. Commencing January 1, 2002 the annual retainer paid to Fannie Mae directors was increased to \$35,000.

Fannie Mae Restricted Stock Plan for Directors

The purpose of the Federal National Mortgage Association Restricted Stock Plan for Directors (the “1986 Plan”) is to reinforce the mutuality of interest between nonmanagement directors and the corporation’s stockholders. Restricted Common Stock is common stock that cannot be sold until it vests over an extended period of time, with vesting contingent on the director’s continued service on the Board. Fannie Mae’s Benefit Plans Committee (comprised of officers of the corporation) administers the 1986 Plan. No member of the Benefit Plans Committee or other employee may receive an Award under the 1986 Plan. The 1986 Plan provides for three consecutive five-year cycles of awards of Restricted Common Stock to nonmanagement members of the Board of Directors. Restricted Common Stock is issued to Participants in the 1986 Plan, subject to restrictions on their right to transfer the stock, which is held in an escrow account for each Participant until it vests. At vesting, the Restricted Period ends and the Escrow Agent delivers stock certificates to Participants. Each Participant has all of the rights and privileges of a stockholder as to the Restricted Common Stock, other than the ability to transfer it, including the right to receive any cash or stock dividends declared with respect to the stock and the right to instruct the Escrow Agent in voting the stock.

Awards vest over five years at the rate of 20 percent per year, provided the Participant is serving on the Board. If directors join the Board during a five-year cycle, they receive the number of shares of Restricted Common Stock that represents their pro rata portion of the grant for the cycle, based on the time remaining in the cycle. These grants vest in the same annual amounts as those of directors who participate in the full five-year cycle. Vesting accelerates upon departure from the Board due to death, disability, or the 70th birthday of an elected director. Under the first cycle (which was between 1986 and 1991), Awards to each director had a fair market value on the grant date in 1986 of \$30,000. The final portion of the first-cycle grants vested and were distributed to directors on May 15, 1991. Awards to each director for the second cycle (which was between 1991 and 1996) had a fair market value on the grant date in May 1991 of \$45,000. Awards to each Participant for the third cycle (which was between 1996 and 2001) had a fair market value at grant date of \$60,000, as set by the Board. Also, the Fannie Mae Stock Compensation Plan of 1993 authorizes Awards for another cycle (which is between 2001-2006). Awards to each director for the 2001-2006 cycle had a fair market value on the grant date in May 2001 of \$65,813.

In May 2001, 871 shares of Restricted Common Stock were granted to each nonmanagement director, other than Mr. Ashe, Ms. Bordonaro, Mr. Harvey, Mr. Justiz, and Mr. Segue for the 2001-2006 cycle. In July 2001, 856 shares of Restricted Common Stock were granted to Mr. Ashe, Ms. Bordonaro, Mr. Harvey, and Mr. Segue for the 2001-2006 cycle and in October 2001, 813 shares of Restricted Common Stock were granted to Mr. Justiz for the 2001-2006 cycle.

In May 2001, each of the following nonmanagement directors vested in 380 shares of Restricted Common Stock; Mr. Ashley, Mr. Birk, Mr. Duberstein, Mr. Friedman, Mr. Gerrity, Mr. Jackson, Ms. McLaughlin Korologos, Mr. Mai, Mr. Mauro, Ms. Mulcahy, Mr. Pickett, Mr. Quinn, Mr. Segal, and Mr. Swygert. In addition, in May 2001, Mr. Torres vested in 190 shares of Restricted Common Stock.

Fannie Mae Director’s Charitable Award Program

In 1992, the corporation established the Federal National Mortgage Association Director’s Charitable Award Program (the “Program”). The purpose of the Program is to acknowledge the service of Fannie Mae’s directors,

recognize the interest of Fannie Mae and its directors in supporting worthy institutions, and enhance Fannie Mae's director benefit program so that the corporation is able to continue to attract and retain directors of the highest caliber. Under the Program, when a director dies, the corporation will donate up to \$1,000,000 in \$100,000 increments to no more than five charitable organizations or educational institutions of the director's choice. To be eligible to receive a donation, a recommended organization must be an educational institution or charitable organization and must qualify to receive tax-deductible donations under the Internal Revenue Code. The Program is funded by life insurance contracts on the lives of participating directors; the funding is structured in a manner that will allow the corporation to recover the entire program cost through the receipt of life insurance benefits. The Program has no direct compensation value to directors because they do not receive any direct cash or tax savings.

Employment Arrangements

Fannie Mae's Employment Agreements with Mr. Raines, Mr. Mudd, and Ms. Gorelick end on May 20, 2003, February 22, 2003, and April 30, 2003, respectively. Under the agreements, his or her current salary may not be reduced, and the agreements may be extended for additional periods. Among other things, the agreements provide that if the officer is discharged other than for cause, or is not nominated for election to the Board, or is removed from his or her current position, or if the agreement is not extended after the end of its term, or if there is a material change in responsibilities, or if, for any reason, his or her employment is terminated within six months after a change in control of the corporation, the officer will be entitled to receive the then current annual salary until the later of the close of the remaining term of the Employment Agreement or one year after its termination or nonextension (reduced, starting six months after termination, by amounts earned through other employment). Each Employment Agreement contains a similar provision if the officer's employment terminates due to disability, except that the amount of annual salary will be reduced by any disability benefits received, to the extent that the benefits are attributable to payments made by the corporation, and by any amounts earned through other employment, until the Employment Agreement expires, when payments will cease. If Mr. Raines dies during the term of his Employment Agreement, his designated beneficiary will receive a cash sum equal to two times Mr. Raines' annual salary in effect when he dies. His surviving spouse will begin to receive the Executive Pension Plan Surviving Spouse's Benefit immediately, regardless of her age, and the benefit will be reduced only if Mr. Raines dies before age 55. If Mr. Mudd or Ms. Gorelick dies during the term of his or her Employment Agreement, the designated beneficiary or estate will receive a cash sum equal to his or her annual salary in effect at death.

Fannie Mae has agreements with Mr. Howard and Mr. Levin, executive vice presidents of the corporation. Each agreement provides that if the officer is discharged for reasons other than for cause, he will continue to receive his base salary for a period of 12 months from the date of termination and will continue to be covered by the corporation's life, medical, and long-term disability insurance plans for a 12-month period, or until re-employment that provides certain coverage, whichever occurs first. Any disability benefits that the officer receives during the 12-month period will reduce the amount otherwise payable by Fannie Mae, but only to the extent the benefits are attributable to payments made by the corporation.

Certain Transactions with Directors and Nominees and Indebtedness of Executive Officers

During 2001, Fannie Mae was a party to certain business transactions with institutions related to directors and nominees. These transactions were done in the ordinary course of business, with terms and conditions substantially the same as those prevailing for comparable transactions with other persons. They represent an insignificant portion of Fannie Mae's business.

Mr. Duberstein is Chairman and Chief Executive Officer of The Duberstein Group, an independent strategic planning and consulting company, and is a nominee for election to the Board of Directors. The firm has provided services to the corporation since 1991. During 2001, the firm provided services on an annual fixed-fee basis of \$375,000 and will continue to provide similar services during 2002.

Mr. Pickett retired on June 30, 2001, as Chairman of HomeSide International, Inc., and is a nominee for election to the Board of Directors. HomeSide, through its primary operating subsidiary HomeSide Lending, Inc. (HSL), was active during 2001 in the mortgage banking and servicing business and, as such, regularly engaged with Fannie Mae in the types of transactions described above. During 2001, HSL transferred \$11,935 million of mortgages pursuant to swap transactions involving Fannie Mae; Fannie Mae purchased mortgages with aggregate principal balances of \$858 million for its own portfolio from HSL; and HSL serviced 818,679 mortgages in Fannie Mae MBS and portfolio with balances of \$76,519 million. Fees generated from such servicing were approximately \$287 million. After June 30, 2001, Mr. Pickett had no formal relationship with HomeSide.

As part of Fannie Mae's support of community revitalization efforts in many cities, the corporation is participating in an initiative in the LeDroit Park area surrounding Howard University in which Fannie Mae, the District of Columbia Housing Finance Agency, Howard University, and other community leaders are strategic partners. One element of the broader strategic partnership was an \$800,000 line of credit extended in May 1998 to Howard University, a nonprofit, educational institution of which Mr. Swygert, a nominee for election to the Board, is President. Amounts drawn under the line of credit carried interest at the rate of 7.1% per annum. During 2001, the largest amount outstanding under the line of credit was \$800,000. The line of credit was repaid in full on June 29, 2001.

Mr. Swygert's son is employed by Fannie Mae as a manager eBusiness Marketing.

Until January 22, 2001, prior to his election to Fannie Mae's Board in May 2001, Mr. Marron served as Chief Executive Officer of UBS PaineWebber Inc., a wholly-owned subsidiary of UBS AG. During 2001, UBS AG, directly and through its subsidiaries, provided various investment banking services to Fannie Mae and may continue to provide similar or other services during 2002. Mr. Marron currently serves as Chairman of UBS America, a non-executive position.

In connection with Mr. Lund's relocation to the Washington, D.C. area from Dallas, Texas, he received a three-year interest free loan in July 2000 of \$200,000. Mr. Lund is a Senior Vice President.

In connection with the purchase of a new home in June 2001, Ms. Kappler, Fannie Mae's Senior Vice President and General Counsel, received a \$100,000 interest free loan. The loan was repaid in full in March 2002.

Board of Directors' Audit Committee Report

The Audit Committee of the Fannie Mae Board of Directors is composed of five independent directors and operates under a written charter that is reviewed annually and was last approved by the Board of Directors in April 2001. Each of the members of the Audit Committee is, in the business judgement of the Board, independent and meets the qualifications and expertise requirements of the New York Stock Exchange listing standards.

As part of its review and assessment of the activities of the independent outside auditor, the Audit Committee has

- reviewed, and discussed with management, the audited financial statements for the year ended December 31, 2001;
- discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (SAS 61);
- received the written disclosures and the letter from the independent auditors, KPMG LLP, required by Independence Standards Board Standard No. 1 ("Independence Discussions with Audit Committees"); and
- discussed with the independent auditors their independence from Fannie Mae and its management.

In reliance on the reviews, reports, and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the audited financial statements be included in Fannie Mae's Annual Report for the year ended December 31, 2001.

In addition, as part of its review and assessment of the activities of the outside auditor, the Audit Committee recommended to the Board of Directors the reappointment of the corporation's outside auditor, KPMG LLP, for the year 2002, subject to ratification by the stockholders at the 2002 Annual Meeting.

Further, in February 2002, the Audit Committee recommended to the Board of Directors, and the Board of Directors adopted, the following Board Audit Policies:

- *Selection of Audit Firm*

Management and the Audit Committee will conduct an extensive due diligence effort prior to bringing the issue of appointment of an auditor to the Board each year, including a focus on the independence, competence, and reputation of the proposed independent audit firm. The due diligence will be conducted in a manner consistent with the Audit Committee Charter.

- *Policy on Hiring Former Employees of the Auditor*

The corporation shall not hire any member or employee of the company's audit firm who has worked on the Fannie Mae account within the preceding three-year period, or assisted the audit firm in evaluating the adequacy of Fannie Mae's external reporting systems, or provided consulting services related to Fannie Mae's external financial reporting systems.

- *Policy on Internal Audit Function*
The corporation shall not use Fannie Mae's independent audit firm to perform internal audit functions.
- *Policy Limitations on Hiring of Audit Firm to Perform Consulting*
The corporation shall not hire its independent audit firm to perform information systems design and implementation.

The Audit Committee

Thomas P. Gerrity, Chairman
William R. Harvey
Vincent A. Mai

Anne M. Mulcahy
Taylor C. Segue

Fees Paid to Auditor in 2001

During fiscal year 2001, Fannie Mae paid KPMG LLP, its independent auditor, the following amounts:

Audit fees (annual financial statements and review of quarterly financial statements for the year ended December 31, 2001)		\$1,050,000
Financial Information Systems Design and Implementation Fees		\$ 0
All Other Fees:		
Audit related services (comfort letters and related procedures)	\$ 352,200	
Tax services (tax consultation and strategies)	\$ 482,295	
REMIC services		
• REMIC pricing and closing letters	\$2,449,500	
• REMIC payment validation	\$ 225,096	
• REMIC tax services	\$3,470,275	
Total REMIC services	\$6,144,871	
Other services	\$ 146,870	
Total all other fees		\$7,126,236

The Audit Committee concluded that the provision of these other non-audit services is compatible with maintaining the independence of KPMG LLP.

Selection of Auditors

In February 2002, the Chairman of the Audit Committee and the Chairman of the Board conducted due diligence to ascertain the independence, competence, and reputation of KPMG LLP. The results of their due diligence were reviewed by the Audit Committee. As a result of this process, KPMG LLP, who have been Fannie Mae's auditors since 1969, have been selected as auditors for 2002.

The Board of Directors recommends that stockholders vote to ratify this selection. If the stockholders do not approve this selection, the Board of Directors will consider appointing other independent certified public accountants. Representatives of KPMG LLP will be present at the Annual Meeting and will be given the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.

Unless stockholders specify otherwise in the proxy, proxies solicited by the Board of Directors will be voted by the Proxy Committee at the Annual Meeting to ratify the selection of KPMG LLP as Fannie Mae's auditors for 2002. A majority of the votes cast at the Annual Meeting will be required for ratification.

The Board of Directors recommends that stockholders vote FOR the ratification of the selection of KPMG LLP.

Stockholder Proposal

Mrs. Evelyn Y. Davis, 2600 Virginia Avenue, NW, Suite 215, Washington, DC 20037, who owns 600 shares of Fannie Mae common stock, has advised Fannie Mae that the following resolution will be presented for approval of the stockholders at the Annual Meeting. She has submitted the following statement in support of such resolution:

RESOLVED: "That the stockholders of Fannie Mae, assembled in Annual Meeting in person and by proxy, hereby request the Board of Directors to take the necessary steps to provide for cumulative voting in the election of directors, which means each stockholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate, or any two or more of them as he or she may see fit."

REASONS: "Many states have mandatory cumulative voting, so do National Banks."

"In addition, many corporations have adopted cumulative voting."

"Last year the owners of 153,725,965 shares, representing approximately 20.79% of shares voting, voted FOR this proposal."

"If you AGREE, please mark your proxy FOR this resolution."

The Board of Directors recommends that stockholders vote AGAINST this proposed resolution for the reasons stated below:

Stockholders of the corporation voted overwhelmingly at the 1988 Annual Meeting to eliminate cumulative voting. In each of the last thirteen years they have rejected proposals similar to this one to reinstate cumulative voting.

The Board of Directors believes that the "one share, one vote" or straight voting method of electing directors results in a more efficient and unified board, a board where each director represents the interests of all stockholders.

Under the cumulative voting method for election of the corporation's directors, a stockholder would be entitled to cast votes equal to the number of shares that the stockholder owns multiplied by the number of directors to be elected. Thus, all votes of a stockholder could be cast for a single candidate or distributed among several nominees. If a stockholder wished, he or she could cast all 13 votes for each owned share for one candidate. This method could permit a well-organized minority stockholder bloc to concentrate votes and elect one or more candidates to the Fannie Mae Board. If this occurs, the operation of the Board could become factionalized, resulting in inefficient functioning and serious harm to corporate operations. It is for this reason that the Board recommended eliminating cumulative voting in 1988 and now, as it did in 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, and 2001 recommends against the reimposition of cumulative voting.

Unless stockholders specify otherwise in the proxy, proxies solicited by the Board of Directors will be voted by the Proxy Committee at the Annual Meeting against this proposal. A majority of the votes cast at the Annual Meeting will be required for approval of this proposal.

The Board of Directors recommends that stockholders vote AGAINST this proposal.

Stockholder Proposals for 2003 Proxy Statement

Any stockholder proposal intended to be presented at the 2003 Annual Meeting of Stockholders must be received by Fannie Mae for inclusion in the Proxy Statement and form of proxy for that meeting no later than December 20, 2002. Further, the Proxy Committee for the 2003 Annual Meeting of Stockholders will use its discretionary voting authority with respect to any proposal presented at the meeting by a stockholder who does not provide the corporation with written notice of such proposal prior to March 5, 2003.

Other Matters

As of the date of this statement, the Board of Directors does not know of any business that will come before the meeting other than that described in this proxy statement. If other business is brought up, the Board intends that the Proxy Committee will vote proxies in the accompanying form on such matters according to the judgment of members of the Proxy Committee (except for those voted by Fidelity Management Trust Company, as Trustee of the Trust established under the ESOP, and Equiserve Trust Company, Escrow Agent under the Escrow Agreements executed in accordance with the Fannie Mae Restricted Stock Plan for Directors, the Fannie Mae Stock Compensation Plan of 1986, and the Fannie Mae Stock Compensation Plan of 1993).

Fannie Mae will pay all costs of this solicitation of proxies, which will be done by mail. Officers and regular employees of Fannie Mae may also solicit proxies by telephone or personal interview. To assist in soliciting proxies, Fannie Mae has retained Morrow & Company, Inc., New York, New York, for a fee of \$15,000 plus reimbursement of out-of-pocket expenses. Fannie Mae expects to request brokers and nominees who hold stock in their names to provide this proxy material to their customers and to solicit proxies from them, and will reimburse such brokers and nominees for their out-of-pocket and reasonable clerical expenses in connection with it.

If you would like to have a copy of the corporation's most recent Information Statement, which contains financial and other information about the corporation, Fannie Mae will send you one without charge. Write or call the Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, NW, Washington, DC 20016 (telephone: 202-752-7115).

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "Thomas Donilon". The signature is written in a cursive style with a prominent initial "T".

THOMAS E. DONILON
Secretary

Dated: April 2, 2002
Washington, D.C.

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