MINUTES OF A MEETING OF THE
FANNIE MAE BOARD OF DIRECTORS

February 15, 2007
7:00 am

The Board of Directors of Fannie Mae met in Pasadena, California on February

The following members of the Board participated: Mr. Ashley (Chairman), Mr.
Beresford, Ms. Gaines, Ms. Horn (by phone), Ms. Macaskill (by phone), Mr. Mudd, Mr.
Pickett, Ms. Rahl (by phone), Mr. Smith, Mr. Swygert, and Mr. Wulff (by phone). Mr.
Duberstein did not participate in the meeting.

Messrs. Dallavecchia, Greener, and Levin, and Mss. Thompson, Williams,
Wilkinson and Reddy of Fannie Mae participated in portions of the meeting. Mr. Brome
of Cravath, Swaine & Moore LLP, as counsel to the non-management directors also
participated in a portion of the meeting.

Chairman Ashley called the meeting to order at 7:00 am.

Approval of Minutes

Upon motion duly made and seconded, the Board approved the minutes from the

Overview of the Day

Rob Levin, Chief Business Officer, provided the Board with an overview of the
planned schedule for the day's activities. Mr. Levin informed the Board that the
activities will include meeting with Mayor Antonio Villaraigosa of the City of Los Angeles,
to learn more about the Mayor's vision and strategy for increasing affordable housing in
Los Angeles, and Fannie Mae's planned assistance to support affordable housing development in targeted communities. Next, the Board will participate in a driving tour of the Skid Row neighborhood, which has the densest concentration of street homelessness in the United States. The tour will stop at Rainbow Apartments, a permanent supportive housing facility in which Fannie Mae has invested $9.2 million; additional Fannie Mae investments for supportive housing are planned through participation with the Corporation for Supportive Housing, the City of Los Angeles, and the California Housing Finance Agency in the Supportive Housing Acquisition Fund, Mr. Levin explained. Countrywide Financial Corporation will be the next destination for the Board during the day's activities, and there the Board will meet with senior executives from Countrywide, Fannie Mae's largest customer. Finally, Mr. Levin reminded the Board that a dinner with invited guests from Los Angeles area key investors, lender partners and public entity partners would conclude the day's activities. General Counsel Beth Wilkinson provided the Board with a series of reminders regarding appropriate and inappropriate conversations with the dinner guests, and the Board discussed likely questions and preferred responses to these questions.

Chairman Ashley advised the Board that the Compensation Committee would be meeting briefly in executive session to conclude the work from the prior night's meeting, and that the Board would then continue in executive session to receive a portion of the Compensation Committee's report. Chairman Ashley asked General Counsel Wilkinson to remain in the room, and asked all management participants, including Mr. Mudd to leave the room.
Compensation Committee Report

Committee Chair Macaskill provided the Board with the Compensation Committee’s analysis of the performance of the Company with respect to the Performance Share Plan (“PSP”) Cycles 17 (for the 2001-2003 time period) and Cycle 18 (for the 2002-2004 time period). The Compensation Committee review of the performance of the Company included a recalculation of CORE earnings in their quantitative analysis for periods covered during PSP 17 and 18. More specifically, Committee Chair Macaskill reviewed the Committee’s assessment of each goal and shared the Committee’s conclusion that the Company did not meet the threshold performance levels for PSP 17 and 18, and that therefore the Committee recommends that the Board not make any payments under PSP 17 and 18. The Board discussed the issues presented, and other Compensation Committee members noted that Committee Chair Macaskill provided a comprehensive summary of the Compensation Committee’s lengthy discussions and analysis on this matter.

Upon motion duly made and seconded, the non-management members of the Board approved the following resolution:

WHEREAS, in January 2004, based on information available at that time, the Compensation Committee determined that Fannie Mae’s performance against its financial and strategic goals for PSP Cycle 17 (covering the years 2001 – 2003) was at the level of 150 percent, and the first installment of PSP 17 was paid to eligible participants based on achievement against the goals at the level of 150 percent; and

WHEREAS, the second installment of PSP Cycle 17 was scheduled to be paid in 2005; and

WHEREAS, in January 2005, the Board, upon the recommendation of the Compensation Committee, resolved that no further payments should be made for PSP Cycle 17 until such time
as accurate data were available and a final determination was made; and

WHEREAS, the Board, upon the recommendation of the Compensation Committee, also resolved in January 2005 that no determination would be made as to whether the performance goals had been met and whether payments should be made for PSP Cycle 18 until such time as accurate data were available to make such determination; and

WHEREAS, Fannie Mae has now completed its accounting restatement and related determinations; and

WHEREAS, these determinations demonstrate that participants in PSP Cycle 17 were fully compensated for the average growth in core earnings per share (based on restated earnings) by the first installment of PSP Cycle 17 made in January 2004; and

WHEREAS, the non-management members of the Board, upon the recommendation of the Compensation Committee, hereby determines, based on information currently available, that performance against the five strategic measures (as set forth in BR01-04 and BR02-03) is below the 40 percent level of achievement that must be met as a minimum for PSP Cycles 17 and 18; and

WHEREAS, the accounting restatement and related determinations demonstrate that for PSP Cycle 18, compound growth in core earnings per share (based on restated earnings) is 7.52 percent, a growth level that is below the 10 percent compound growth level of achievement that must be met as a minimum for PSP Cycle 18; it is hereby

RESOLVED, that no further payments should be made under PSP Cycle 17; and it is further

RESOLVED, that no payments should be made under PSP Cycle 18.

[BR07-11]
At 7:45 am, Chairman Ashley invited management participants, Dallavecchia, Greener, Mudd, Levin and Reddy to rejoin the Board as it reconvened in open session and continued to receive the Compensation Committee report.

Compensation Committee Chair Macaskill explained that the Committee reviews and recommends for Board approval, the Annual Incentive Plan ("AIP") goals for the corporation, and that after making some revisions and clarifications to the goals and the target performance for each goal, was prepared to recommend Board approval of the 2007 AIP goals. The Board discussed the proposed goals, and the evolution of the process of setting performance goals. CEO Mudd explained that these goals are appropriate for driving the business forward, but that external market conditions will likely mean that adjustments may need to be made throughout the year, and so the Board should use its discretion on an ongoing basis to review the corporate performance against these goals and metrics in light of external market conditions.

Upon motion duly made and seconded, the non-management members of the Board approved the following resolution:

RESOLVED, that the following performance goals for certain awards ("Awards") that may be earned under the Company's Annual Incentive Plan (the "Plan") for the calendar year 2007 are hereby established:

(1) The Corporate Goals for calendar year 2007 shall be:

I. **Business Goals:** Optimize the Company's performance through achievement of targets for new business, book growth and economic returns and through the transformation of the IT platforms that support the businesses.

II. **Mission Goals:** Ensure that the Company achieves its housing mission through attainment of regulatory and minority housing goals.
III. Financial Goals: Complete and file the Form 10-K for FY2005 no later than Q3 2007 and complete and file the Form 10-K for FY2006 by the end of 2007, and remediate all known SOX material weaknesses (with the exclusion of Financial Reporting); while controlling administrative expenses in the process.

IV. Risk Goals: Detail and finalize risk tolerances for the Company's business lines and ensure compliance with these risk policies and risk limits.

V. Compliance and Culture: Enforce a comprehensive compliance, ethics and investigations program ensuring legal and regulatory compliance; continue to build and maintain constructive relationships with regulators; and take tangible steps to accelerate culture change.

(2) For calendar year 2007, participants in the Company's Internal Audit and Compliance and Ethics groups shall have Business Unit Goals rather than Corporate Goals, and determination of achievement of Business Unit Goals in the Internal Audit group shall be made by the Audit Committee of the Board and determination of achievement of Business Unit Goals in the Compliance and Ethics group shall be determined by the Compliance Committee of the Board.

[BR07-12]

Next, Compensation Committee Chair Macaskill asked the Board to consider the recommendation of the Committee that the Executive Pension Plan be amended to be less generous, and in conformity with the market. The proposed amendments to the Executive Pension Plan are based on the recommendation of the Board's compensation consultant, Roger Brossy.

Upon motion duly made and seconded, the non-management members of the Board approved the following resolution:

PROPRIETARY AND CONFIDENTIAL – CONFIDENTIAL TREATMENT REQUESTED BY FANNIE MAE
stock be redeemed on April 2, 2007 as a continuation of the capital strategy previously discussed with both the Committee and the Board.

Upon motion duly made, seconded and passed, the Risk Policy and Capital Committee approved the following resolution:

RESOLVED, that the Risk Policy and Capital Committee of the Board of Directors, recommends that the Board adopt the following resolution:

WHEREAS, under Section 3 of the Certificate of Designation of Terms of Variable Rate Non-Cumulative Preferred Stock, Series K (the “Series K Preferred Stock”), the corporation, through the Board of Directors or a duly authorized committee thereof, from time to time on or after March 18, 2005 may redeem in whole or in part the Series K Preferred Stock upon the terms set forth in such Certificate of Designation of Terms;

WHEREAS, on January 19, 2007, the Board of Directors declared a dividend to be paid on March 31, 2007 to the registered holders of the Series K Preferred Stock, as shown on the books of the corporation at the close of business on March 20, 2007, which dividend will accrue at a per annum rate of (i) 5.396 percent for the period from and including December 31, 2006 to but excluding March 18, 2007 and (ii) the Swap Rate (as defined in the Series K Certificate of Designation of Terms) plus 1.33 percent (subject to a cap of 8.000 percent per annum) for the period from and including March 18, 2007 to but excluding March 31, 2007;

WHEREAS, the Board of Directors deems it advisable to redeem all of the outstanding (8,000,000) shares of Series K Preferred Stock on April 2, 2007 (the “Redemption Date”) and desires to authorize the Executive Vice President, Capital Markets to take certain actions in connection with the redemption of the Series K Preferred Stock; it is therefore RESOLVED, that all of the outstanding shares of the Series K Preferred Stock are hereby deemed to be called for redemption on April 2, 2007, at a redemption price per share equal to the sum of $50 plus a dividend which will accrue at the Swap Rate (as defined in the Series K Certificate of Designation of Terms) plus 1.33 percent (subject to a cap of 8.000 percent per annum) for the period from and including March 31, 2007 to but excluding the Redemption Date;

RESOLVED, that the Executive Vice President, Capital Markets is hereby authorized and empowered to take the following steps with respect to the redemption of the Series K Preferred Stock in accordance with the Certificate of Designation of Terms: (a) authorize and direct the Secretary or an Assistant Secretary of the corporation to provide notice of redemption to the holders of the
Series K Preferred Stock; (b) retain a redemption agent with all duties and powers consequent thereto; and (c) take such other steps and sign such other documents as may be necessary, advisable, convenient or appropriate for the purpose of carrying out this resolution and the intent hereof (as may other officers of the corporation pursuant to the applicable Board resolutions);

RESOLVED, that the Series K Preferred Stock shall be redeemed at the office of the redemption agent by the payment of the redemption price upon surrender of certificates representing such shares properly endorsed or accompanied by other proper assignment in blank;

RESOLVED, that after certificates for said Series K Preferred Stock have been surrendered to it for redemption and the redemption price paid thereon, the redemption agent is hereby authorized and directed to cancel said certificates for the Series K Preferred Stock and to deliver the same to the corporation so cancelled;

RESOLVED, that from and after the date upon which any shares of Series K Preferred Stock are redeemed, dividends on any such Series K Preferred Stock will no longer be deemed outstanding, and all rights of the holders of such Series K Preferred Stock will cease, and, if any stockholder shall fail to surrender their certificate or certificates of such Series K Preferred Stock on the date fixed for redemption, such stockholder shall not in any event be entitled to receive further dividends thereon or to exercise any rights with respect thereto, except to receive from the corporation the amount of the redemption price set aside, without interest;

RESOLVED, that any shares of Series K Preferred Stock that are redeemed shall return to the status of authorized but unissued shares of preferred stock and as part of the total 200,000,000 authorized shares that the corporation has authority to issue pursuant to Section 2.02 of the bylaws; and

RESOLVED, that the Executive Vice President, Capital Markets or his/her officer designee is hereby authorized to take all actions necessary or appropriate to effectuate all of the foregoing resolutions in accordance with the Certificate of Designation of Terms.

[BR07-14]

Chairman Ashley asked that the Board consider the recommendation that all of the Series K preferred stock be redeemed on April 2, 2007. The Board discussed the regulatory and shareholder perceptions associated with the capital strategy.
Upon motion duly made, seconded and passed, the Board approved the following resolution:

WHEREAS, under Section 3 of the Certificate of Designation of Terms of Variable Rate Non-Cumulative Preferred Stock, Series K (the "Series K Preferred Stock"), the corporation, through the Board of Directors or a duly authorized committee thereof, from time to time on or after March 18, 2005 may redeem in whole or in part the Series K Preferred Stock upon the terms set forth in such Certificate of Designation of Terms;

WHEREAS, on January 19, 2007, the Board of Directors declared a dividend to be paid on March 31, 2007 to the registered holders of the Series K Preferred Stock, as shown on the books of the corporation at the close of business on March 20, 2007, which dividend will accrue at a per annum rate of (i) 5.396 percent for the period from and including December 31, 2006 to but excluding March 18, 2007 and (ii) the Swap Rate (as defined in the Series K Certificate of Designation of Terms) plus 1.33 percent (subject to a cap of 8.000 percent per annum) for the period from and including March 18, 2007 to but excluding March 31, 2007;

WHEREAS, the Board of Directors deems it advisable to redeem all of the outstanding (8,000,000) shares of Series K Preferred Stock on April 2, 2007 (the "Redemption Date") and desires to authorize the Executive Vice President, Capital Markets to take certain actions in connection with the redemption of the Series K Preferred Stock; it is therefore

RESOLVED, that all of the outstanding shares of the Series K Preferred Stock are hereby deemed to be called for redemption on April 2, 2007, at a redemption price per share equal to the sum of $50 plus a dividend which will accrue at the Swap Rate (as defined in the Series K Certificate of Designation of Terms) plus 1.33 percent (subject to a cap of 8.000 percent per annum) for the period from and including March 31, 2007 to but excluding the Redemption Date;

RESOLVED, that the Executive Vice President, Capital Markets is hereby authorized and empowered to take the following steps with respect to the redemption of the Series K Preferred Stock in accordance with the Certificate of Designation of Terms: (a) authorize and direct the Secretary or an Assistant Secretary of the corporation to provide notice of redemption to the holders of the Series K Preferred Stock; (b) retain a redemption agent with all duties and powers consequent thereto; and (c) take such other steps and sign such other documents as may be necessary, advisable, convenient or appropriate for the purpose of carrying out this resolution and the intent hereof (as may other officers of the corporation pursuant to the applicable Board resolutions);
RESOLVED, that the Series K Preferred Stock shall be redeemed at the office of the redemption agent by the payment of the redemption price upon surrender of certificates representing such shares properly endorsed or accompanied by other proper assignment in blank;

RESOLVED, that after certificates for said Series K Preferred Stock have been surrendered to it for redemption and the redemption price paid thereon, the redemption agent is hereby authorized and directed to cancel said certificates for the Series K Preferred Stock and to deliver the same to the corporation so cancelled;

RESOLVED, that from and after the date upon which any shares of Series K Preferred Stock are redeemed, dividends on any such Series K Preferred Stock called for redemption shall cease to accrue and such Series K Preferred Stock will no longer be deemed outstanding, and all rights of the holders of such Series K Preferred Stock will cease, and, if any stockholder shall fail to surrender their certificate or certificates of such Series K Preferred Stock on the date fixed for redemption, such stockholder shall not in any event be entitled to receive further dividends thereon or to exercise any rights with respect thereto, except to receive from the corporation the amount of the redemption price set aside, without interest;

RESOLVED, that any shares of Series K Preferred Stock that are redeemed shall return to the status of authorized but unissued shares of preferred stock and as part of the total 200,000,000 authorized shares that the corporation has authority to issue pursuant to Section 2.02 of the bylaws; and

RESOLVED, that the Executive Vice President, Capital Markets or his/her officer designee is hereby authorized to take all actions necessary or appropriate to effectuate all of the foregoing resolutions in accordance with the Certificate of Designation of Terms.

[BR07-15]

Chairman Ashley asked that Committee Chairs provide the Board with additional informational reports on their Committee activities, as there had been reduced time to consider these reports during the January Board meeting.

Audit Committee Report

Committee Chair Beresford provided the Board with a summary of the matters considered by the Audit Committee during its January 18th meeting. The Audit
WHEREAS, Section 20 of the Executive Pension Plan of the Federal National Mortgage Association (the "EPP") provides that the Board of Directors of Fannie Mae has the authority to amend the EPP; and

WHEREAS, the Compensation Committee has recommended that the Board approve the amendment to the EPP attached hereto entitled "Amendment to the Executive Pension Plan of the Federal National Mortgage Association," which amendment modifies the definition of total compensation effective March 1, 2007 and adds an appropriate actuarial reduction to the 100% joint and survivor annuity effective for new participants on or after March 1, 2007; it is therefore

RESOLVED, that the EPP shall be amended to provide as stated on the amendment attached hereto entitled "Amendment to the Executive Pension Plan of the Federal National Mortgage Association," effective as of the dates specified in such amendment.

[BR07-13]

Finally, Compensation Committee Chair Macaskill informed the Board that the Committee reviewed and is supportive of management's proposal to reduce executive perquisites, including financial counseling, unreimbursed personal use of company transportation, country club memberships, and tax gross-ups on executive life insurance and excess liability insurance. Executive life insurance and executive physical exams will continue to be provided as benefits. In conclusion, Committee Chair Macaskill explained that OFEHO had requested some changes to the employment contract provisions previously submitted by Fannie Mae, and that the Company agreed to make these changes.

Chairman Ashley asked that Risk Policy and Capital Committee Chair Rahl convene the Risk Policy and Capital Committee for consideration of a proposal to redeem preferred stock and declare a dividend. The Committee so convened, and considered management's recommendation that $400 million of Series K preferred
Committee discussed the Company's request that the Securities and Exchange Commission waive the requirement that it file quarterly 10-Qs and permit the Company to instead include the quarterly financial statements in its 2005 and 2006 10-K filings. In addition, among other matters, the Committee received a report from the CFO, an update on accounting policies, reports from the internal and external auditors, an update on the Sarbanes-Oxley remediation and testing and a report from the disclosure committee.

**Housing and Community Finance Committee Report**

Committee Chair Elect Swygert provided the Housing and Community Finance Committee report on behalf of Committee Chair Duberstein, who was unable to attend the meeting. Mr. Swygert informed the Board that Committee met on January 18th with nearly the full Board in attendance. Mr. Swygert went on to explain that during the meeting the Committee, among its activities, reviewed the five year earnings projections for the Company, discussed the 2007 HUD goals, reviewed the proposed business plan to be submitted to OFHEO, discussed the overview of 2006 business results and revised metrics reporting.

Chairman Ashley thanked Mr. Swygert for assuming the Chairmanship of the Committee, and also thanked Brenda Gaines for assuming the role as Chair of the Compliance Committee, both due to Mr. Duberstein's retirement effective as of February 15.
Risk Policy and Capital Committee Report

Committee member Joe Pickett provided the report at the request of Committee Chair Rahl, who was participating by phone. Mr. Pickett indicated that the Committee spent a considerable amount of time discussing spread risk, which takes on added significance with a fair value balance sheet. The Committee discussed the historical trends in the volatility of the spread over the last 15 years, and the potential impact on capital of spread risk. The Committee also reviewed the structure of the single family business risk office, and the housing and community development risk organization, Mr. Pickett reported. Next, the Committee discussed the Company’s subprime exposure, and the minimal exposure to credit deterioration barring a significant market downturn in housing and employment. The pilot phase of the Risk Transformation Facility has taken place, and the current status of the initiative is that the Company is waiting for OFHEO’s review of the initiative to be completed before engaging in further activity, the Committee learned.

Nominating and Corporate Governance Committee Report

Nominating and Corporate Governance Committee Chair Wulff reported that the Committee was not yet ready to recommend action on the prospective Board member he briefed the Board on during the January meeting. Committee Chair Wulff reviewed the Board and Committee self-assessment results, and his analysis of areas where progress had been made, and areas where there is opportunity for further improvements to be made. The Committee also reviewed the public company directorships held by Board members in compliance with the Committee’s charter and the Corporate Governance Guidelines.
Technology Committee Report

Technology Committee Chair Smith provided a brief report on the Technology Committee meeting, indicating that the CIO Merchant provided the Committee with his assessment that significant work will need to be done to ensure that the fundamental processes, discipline and controls are in place. Committee Chair Smith advised the Board that he would be having monthly conference calls with the new CIO in order to stay abreast of the work being done, and will also be in contact with Deloitte and Touche regarding information technology governance in general.

Management Report

CEO Mudd explained that he would be providing only a brief summary of the management report contained in the advance materials. He informed the Board that he had just returned from New Orleans, and was stunned at how little improvement and rebuilding had occurred, though there were clusters of bright spots. Fannie Mae employees worked on building playgrounds in New Orleans, and he spoke to the media about Fannie Mae’s ongoing involvement in the rebuilding efforts. CEO Mudd advised the Board that two Senior Vice Presidents in the Finance division, Scott Blackley and Eric Schuppenhauer, have been given new positions as Chief Financial Officers of business units. As the public announcement regarding the Foundation approaches, CEO Mudd has met with the Mayor of the District of Columbia, Mayor Fenty, and Fannie Mae will host a luncheon to make the announcement to local partners. CEO Mudd asked Chief Risk Officer, Enrico Dallavecchia, to provide the Board with a brief update. CRO Dallavecchia informed the Board that the Company’s subprime exposure has heavy credit enhancement protection, but that with the...
subprime market at large deteriorating we may see some deterioration. Single Family credit losses are increasing as housing prices decline, however the multifamily credit losses remain low. In addition, Fannie Mae is seeing an increase in Real Estate Owned properties and the results for January are currently behind the forecast. CEO Mudd asked CBO Levin to provide an update on the businesses. CBO Levin explained that the business growth is off to a good start. In addition, the market share is 56% versus Freddie Mac and 28% against the market as a whole (though there is seasonality in the 28%). COB Levin reported that the corporate tax situation has changed due to the Alternative Minimum Tax, and the Company expects therefore be a tax payer at the minimal alternative tax level for some time. The Board discussed subprime lending and the rescue mortgage product proposed to address consumers with adjustable rate mortgages and payment shock. Fannie Mae is working with lenders to ensure that this “rescue mortgage,” a low cost refinance into a Fannie Mae fixed rate product, is available to consumers who have adjustable rate mortgages, especially, the 2-28 products.

Executive Session

Chairman Ashley excused all members of management save General Counsel Wilkinson and outside counsel, Tom Brome of Cravath, Swaine & Moore, LLP joined the meeting via telephone. The Board discussed an omission from the minutes dated November 15, 2005, and upon motion duly made, seconded and approved, approved the following resolution:

WHEREAS in executive session on November 15, 2005, the independent directors approved the employment agreement with Mr. Mudd;

WHEREAS the minutes of that meeting reflect a discussion of the employment agreement but fail to record its approval; and

Confidential Treatment
Requested By Fannie Mae
WHEREAS the independent directors who were present at that meeting wish to amend the corporate records to fully reflect the action taken,

NOW THEREFORE BE IT RESOLVED that the following sentence be added after the last sentence of the minutes of the executive session of the Board of Directors held on November 15, 2005: "After discussion, Mr. Mudd's employment agreement was approved by unanimous vote of the independent directors."

[BR07-16]

Tom Brome left the conference call and General Counsel Wilkinson and Chairman Ashley left the meeting. Nominating and Corporate Governance Committee Chair Wulff reviewed the Board's assessment of the work of the Chair. Chairman Ashley rejoined the meeting and CEO Mudd, Kristy Williams and Betty Thompson joined the meeting for a discussion of executive succession planning and talent development.

The meeting was adjourned by Chairman Ashley at 9:05 a.m.

Beth A. Wilkinson
Corporate Secretary