MINUTES OF A MEETING OF THE
FANNIE MAE BOARD OF DIRECTORS

May 21, 2007
7:00 p.m.

The Board of Directors of Fannie Mae met at the Fannie Mae headquarters in Washington, D.C. on May 21, 2007.

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

Ms. Wilkinson of Fannie Mae participated in the meeting. Mr. Wulff served as Chair of the meeting in Chair Ashley's absence, and called the meeting to order at 7:00 pm.

Mr. Wulff explained that the Nominating and Corporate Governance Committee met earlier in the day, and recommended that the Board elect Louis Freeh. Mr. Wulff advised the Board that the Company completed its due diligence process with respect to Mr. Freeh, and informed the Committee that OFHEO notified the Company on May 17, 2007 that it had no objection to Mr. Freeh joining the Company's Board. Mr. Wulff also stated that Cravath, Swaine and Moore LLP had provided a comprehensive legal opinion

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Mr. Freeh would initially serve on the Compensation and Compliance Committees, if elected to the Board, Mr. Wulff explained.

Upon motion duly made, seconded and approved, the Board approved the following resolutions with respect to Mr. Freeh:

WHEREAS, the Federal National Mortgage Association Charter Act, 12 U.S.C. Section 1723(b), provides that any elective seat on the Board of Fannie Mae that becomes vacant after the annual election of directors shall be filled by the Board, but only for the unexpired portion of the term;

WHEREAS, an elective seat on the Board is vacant;

WHEREAS, under its Charter, the Nominating and Corporate Governance Committee ("Committee") is responsible for evaluating prospective candidates for the Board;

WHEREAS, the Committee has evaluated and considered Louis J. Freeh for appointment to fill a vacancy on the Board;

WHEREAS, as part of this process, the Committee has evaluated Mr. Freeh's qualifications for service on the Board based on criteria set forth in the Committee's Charter and Fannie Mae's Corporate Governance Guidelines;

WHEREAS, the Committee, REDACTED PRIVILEGED has assessed Mr. Freeh's independence in light of the director independence standards of the New York Stock Exchange and Fannie Mae's own independence standards, as set forth in Fannie Mae's Corporate Governance Guidelines; and

WHEREAS, the Committee has considered whether Mr. Freeh will have sufficient time to devote to his duties and responsibilities as a Fannie Mae director in light of his current professional activities, including the outside boards on which he serves, in accordance with the Corporate Governance Examination Guidance issued by the Office of Federal Housing Enterprise Oversight ("OFHEO") on November 8, 2006; it is hereby

RESOLVED, that, based on the recommendation of the Committee, the Board hereby determines that Mr. Freeh is qualified for service on the Board based on the criteria set forth in the Nominating and Corporate Governance Committee's Charter and Fannie Mae's Corporate Governance Guidelines; and it is further

RESOLVED, that, based on the recommendation of the Committee, the Board hereby appoints Mr. Freeh to the Board to serve for a term expiring at the next Annual Meeting of Shareholders; and it is further

RESOLVED, that, based on the recommendation of the Committee, the Board hereby determines that Mr. Freeh is independent under the director independence standards of the New York Stock Exchange and Fannie Mae's own independence standards; and it is further

RESOLVED, that, Mr. Freeh is appointed to the Compensation Committee and the Compliance Committee of the Board of Directors; and it is further

RESOLVED, that based on the recommendation of the Committee, the Board hereby determines that Mr. Freeh is a "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934; and it is further

RESOLVED, that the officers, directors, and any other authorized representative of Fannie Mae be, and each of them hereby is, authorized and directed to execute and deliver all documents and to take all actions as they may deem necessary, advisable or appropriate, in order to carry out the purposes of these resolutions.

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Mr. Wulff adjourned the Board meeting at 7:15 p.m, and stated that the Board would reconvene at 9:30 a.m. the next day.

May 22, 2007
9:30 a.m.

The Board of Directors of Fannie Mae met at the Fannie Mae headquarters in Washington, D.C. on May 22, 2007.

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

Messrs. Blakely, Dallavecchia, Duncan, Greener, Levin, Niculescu, Swad and Williams and Mss. Wilkinson and Reddy of Fannie Mae participated in portions of the meeting. Ms. Webster of Cravath, Swaine & Moore LLP, as counsel to the non-management directors, also participated in the meeting. Messrs. Oliver and Mulhern of PriceWaterhouseCoopers participated in a portion of the meeting.

Mr. Wulff served as Chair of the meeting in Chair Ashley's absence, and called the meeting to order at 9:30 a.m.

Approval of Minutes

Upon motion duly made and seconded, the Board approved the minutes from the Board meetings held on April 13, 2007, April 21, 2007 and May 1, 2007.

Nominating and Corporate Governance Committee Report

Committee Chair Wulff provided an update to the Board on the recent activities of the Nominating and Corporate Governance Committee. The Committee recommended candidate Louis Freeh to the Board, and has recommended that the Board approve changes to the Committee's charter to clarify which conflict of interest related activities the Committee will review with respect to senior executive officers of the Company. He explained that, when specified senior executives are offered directorships in public companies, the Committee will review these offers, as well as any other matters with respect to these senior officers which may relate to potential or actual conflicts of interest.

Upon motion duly made and seconded, the Board approved the following resolution:

> RESOLVED, that the Board of Directors adopts the revised Nominating and Corporate Governance Committee Charter in the form attached hereto as Exhibit A.

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Next, the Committee discussed a related party transaction, and approved the proposed transaction, which was a severance arrangement. The Committee also discussed director compensation, and Committee Chair Wulff advised the Board that the changes to the compensation proposed were intended to bring compensation to the 50% percentile of peer comparators, and also simplify the compensation. The proposed compensation would be composed of an annual fee, and a grant of restricted shares. There are a number of open items that need to be addressed, including the timing of a transistion to the new compensation structure, required disclosures, and the average number of Committee meetings that should be used as a baseline. In response to questions from the Board, Committee Chair Wulff clarified that the option to elect deferred compensation will continue to be available and that, while required share ownership amounts will continue, the proposed time to aggregate the holdings would increase to five years. A proposal will be brought to the Board in July.

Committee Chair Wulff informed the Board that after considering a number of possible shareholder proposals, including those related to proxy access and executive compensation, the Nominating and Corporate Governance Committee will likely recommend that the Board adopt a majority voting bylaw with a resignation policy for Directors who do not receive a majority of shareholder votes cast. Committee Chair Wulff asked that Board members continue to share their thoughts on possible shareholder proposals and related Board actions with him. The next item the Committee considered was Director and Officer insurance coverage. While the current provider and coverage will be retained, due to changes in the market and in the Company's position, the cost of the coverage is expected to decrease by nearly 20%, explained Committee Chair Wulff.

The Committee also reviewed guidelines for delivering Committee reports at the Board meeting and determined that it would be useful for each Board member to receive all of the Committee materials. The Board discussed the proposal and agreed that receipt of all Committee materials would be useful.

Next, Committee Chair Wulff asked that John Oliver and Michael Mulhern of PriceWaterhouseCoopers ("PWC") join the meeting, and they did so. Mr. Oliver and Mulhern explained that in conjunction with the OFHEO Consent Order, the Company retained PWC to evaluate management and Board reporting. PWC interviewed senior management and Board members, and benchmarked the Company against six other financial services companies.

Mr. Mulhern explained that several key themes emerged as a result of the interviews PWC held with individual Board members and the benchmarking PWC performed. One theme was that the volume of material, particularly material with a regulatory focus, was not always useful to Board members. Increased summarization, and a focus on standardized reporting of key business metrics would be more useful to the Board. This standardized reporting should contain consistent data and formatting, and the oral presentations should be similarily consistent. The use of a web-based portal to facilitate electronic delivery of Board materials should be explored, and permitting two weekends for review of materials would be optimal. In addition, the Board indicated in interviews with PWC that it would like additional information from analysts and competitive and strategic information. The Board discussed the results and recommendations, and considered which recommendations should be prioritized for implementation. CEO Mudd advised the Board that he would convene the Senior Management Executive Committee and develop a plan with specific accountabilities and a timeline for implementation for the Board's consideration.

Audit Committee Report

Committee Chair Beresford provided the Board with a summary of the matters considered by the Audit Committee during its recent meetings. The Audit Committee reviewed the performance metrics, met with Steve Swad, reviewed the new schedule for filing the 2006 Form 10-K, received a new Internal Audit Report format and learned that there are no significantly negative Internal Audit reports. Internal Audit and the Audit Committee have agreed to pursue a greater degree of coordination between the external auditor, Deloitte and Touche, and Internal Audit.

The newly elected International Managing Partner of Deloitte and Touche, Jim Quigley, attended yesterday's Audit Committee meeting and provided a report to the Committee. The current plan is to close the general ledger on September 30th ,2007 to provide Deloitte and Touche sufficient time to perform its audit, so that by year end, the Company will be positioned to be a timely filer of a 2007 Form 10-K (which will be filed in February/March of 2008). Chief Compliance Officer Senhauser reported to the Audit Committee that there are no new outstanding compliance investigations regarding accounting whistleblower complaints. The Committee also received a report on the status of the Sarbanes-Oxley remediation matters, and the most significant weaknesses continue to relate to information technology access, Committee Chair Beresford explained. Finally, the Committee received as an information item, materials showing the differences between Fannie Mae and Freddie Mac financial reporting. Some of the key differences relate to the fact that Fannie Mae uses a trust to securitize mortgage assets, and Freddie Mac does not.

Risk Policy and Capital Committee Report

Risk Policy and Capital Committee Chair Rahl informed the Board that the Committee extensively considered market risk limits which it had begun evaluating in April. Committee Chair Rahl explained that in the past, there had been only one market risk limit, while the proposed market risk limits address interest rate stress test, interest rate value-at-risk, hedge rebalancing, spread, and loss advisory. Each limit was calibrated in part on historical exposures. Committee Chair Rahl commented that these more robust limits as proposed for Board approval by the Risk Policy and Capital Committee represent great progress.

Upon motion duly made, *seconded and approved*, the Board approved the following resolution:

> WHEREAS, the Risk Policy and Capital Committee (the "Committee") has delegated authority under its current charter to recommend for Board approval enterprise risk governance policy and limits consistent with the mission, safety and soundness of Fannie Mae; and
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> WHEREAS, the Committee has recommended that the Board approve the proposed corporate level market risk limits; it is hereby
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> RESOLVED, that the corporate level market risk limits are hereby approved as follows:

Risk Limit Metric	Risk Limit	Risk Metric Definition
Interest Rate Stress Test	$9.5Bn	Maximum loss in Fair Value due to a 150bp decrease or a 200bp increase in rates
Interest Rate VAR	$4.5Bn	99% of the time a loss in Fair Value over a 10-day period due to changes in interest rates should be less than this amount; 1% of the time it will be greater

Hedge Rebalancing	$150Bn (Down rates) $125Bn (Up rates)	Maximum net open risk position expressed in 5 year risk equivalents after a +/-50bp shift in rates
Spread	$400m	Maximum loss in Fair Value due to a 1bp increase in spreads excluding firm debt as debt is subject to corporate liquidity policy limit
Loss Advisory	10%	The peak-to-trough decline in the pre-tax Fair Value over a trailing one-year period

RESOLVED, that the corporate level market risk limits can be temporarily increased by the Chair of the Risk Policy and Capital Committee;

RESOLVED, that the temporary increase by the Chair of the Risk Policy and Capital Committee may not exceed 25% of the approved corporate level market risk limit and that the temporary increase will only be effective through the date of the next meeting of the Board of Directors; and

RESOLVED, the Board of Directors will be notified contemporaneously of any such approval by the Chair of the Risk Policy and Capital Committee.

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Next, Committee Chair Rahl reported that the Committee considered Capital Markets benchmarks. Historically the performance guidelines for Capital Markets were to have a prospective total return performance that was at least LIBOR plus 4%. Management has begun the process of developing more comprehensive and sophisticated benchmarks, which will include both absolute and relative benchmarks and short-term and long-term performance measures. The Committee learned that the credit losses in April exceeded Plan, due in part to regions with housing depreciation. Finally, Committee Chair Rahl reminded the Board that, as was presented the prior evening, there are lots of categories of risk, and taking risk is a component of obtaining a financial return.

Compliance Committee Report

Committee Chair Gaines updated the Board on the May 21, 2007, Compliance Committee meeting. She informed the Board that the Company continues to be in compliance with the OFHEO Consent Order. Committee Chair Gaines reviewed management's plan for continued compliance with the regulations promulgated by the Office of Foreign Assets Control and for ensuring the ongoing protection of private information. The Compliance and Legal Departments will work on both privacy and OFAC matters to design the most effective strategies and implementation efforts to ensure continued compliance. There will be additional training for employees regarding privacy. There are seven remaining requirements pursuant to the Consent Order, and work to deliver these requirements is ongoing. The Board discussed these requirements and the effect of delivering all requirements pursuant to the Consent Order. Committee Chair Gaines informed the Board that the General Counsel provided the Committee with an overview of the Legal Department restructuring and build-out.

Compensation Committee Report

Compensation Committee Chair Macaskill provided the Board with a report on the matters addressed by the Compensation Committee since the last Board meeting. She explained that the first item reviewed by the Compensation Committee was the Annual Report to Congress on Compensation. The next item the Committee considered was a draft of the Compensation Discussion and Analysis for the 2006 Form 10-K; Committee Chair Macaskill informed the Board that benchmarking against other companies was a part of the drafting process. The Committee will review another draft in due course. The deferred compensation plans will be amended in order to ensure compliance with newly released IRS rules. The rules mainly have the effect of reducing an individual's flexibility to accelerate receipt of the deferred compensation.

The Compensation Committee considered management's plan to implement a voluntary retirement program for the purposes of reducing headcount and personnel costs over time and is supportive of the program, Committee Chair Macaskill informed the Board. This voluntary retirement plan will be generally be available to employees age 50 and older with at least five years of service. The voluntary retirement program is expected to cost approximately $50 million in 2007, but that amount will be recovered by a *projected cost savings of $50 million in each year beginning in 2008*. The Board discussed the costs of a voluntary retirement program as compared to an involuntary severance program, and the impact on morale and management of the differences between the two.

The Committee next discussed a performance-based long-term award program, and reviewed marketplace trends, metrics and parameters. Resolution of Performance Share Plan ("PSP") Cycles 19 & 20 was considered by the Compensation Committee, Committee Chair Macaskill explained. Based on the information provided by management, the Company did not meet the performance thresholds for earnings per share, and no payment will be due for the financial goal, based on the analysis of earnings facilitated by the Controller, David Hisey, and Audit Committee Chair, Denny *Beresford. The financial goal is weighted 50% and the strategic or qualitative goals are* weighted 50%. The Committee will meet on June 15th to complete its review of these

PSP Cycles and to make a recommendation to the Board. Finally, the Committee reviewed its 2007 workplan, received an update on the benefits review and received information regarding the liabilities associated with the unfunded pension plans, Committee Chair Macaskill explained.

Management Report

CEO Mudd asked that Chief Business Officer Levin provide the Board with an update on the business headlines. CBO Levin directed the Board to page 3 of the Report and he focused the Board's attention on the 50% share alliance agreement with Wells Fargo. CBO Levin explained that as shown on page 7 of the Report, there has been a significant shift in the market share dynamics as measured by Fannie Mae's market share as compared to Freddie Mac with the top-ten lenders (based on first quarter agency deliveries). As shown, the Fannie Mae market share could grow as high as 60%, which would be the high end of sustainable growth. Page 3 of the Report shows the current overall market share, which is also higher than Plan, at 29.5% for April. Fannie Mae has increasing relevance in the market place, given the subprime fallout. CBO Levin advised the Board that despite all of the above plan growth in the Single-Family and HCD books of business, not all of the growth has been positive for the Company's rate of return. The Board discussed plans to reprice and the timing of implementing any pricing changes.

Next, CBO Levin asked that the Board review page 4 of the report with him. He explained that this page depicted the performance of the business against plan, year-to-date up to April. As presented, this information will be the continuing and ongoing metrics that the business is measured against and that will be included in the Board reports. CBO Levin stated that any suggestions for changes or clarifications would be welcome. He highlighted the excellent performance of Capital Markets, and the book growth in both HCD and Single Family. In Single Family, it is expected that the pricing will recover, but credit expenses are higher than Plan due to the soft economy in the Midwest.

The Housing Goals, as shown on page 5 of the Report, are more challenging than in 2006, and currently the Company is projected to miss several of the HUD base goals, which are enforceable, CBO Levin indicated. The Board discussed various options with respect to this prospect, and considered the impact of proposing a rebaselining of the goals so that they correlate with the HMDA data. The Board discussed the status of the work on the Gulf Coast, and the impact of insurance companies' reluctance to insure on particular properties.

CFO Blakely provided the Board with a finance update, as shown on page 8. The data is as of March and shows a top-line favorable variance in net interest income, including swap accruals of $104.4 million, and an unfavorable variance in guaranty fee income of $11.9 million and of fee and other income of $40.9 million, with a bottom line favorable variance to total revenue of $51.5 million, CFO Blakely informed the Board. On the expense side, administrative expenses are $27.5 million lower than Plan, due in part to savings from reducing contractor use, while credit expenses exceeded Plan by $95.5 million. The net income pre-mark-to-market income is $89.6 million favorable against Plan, while the net income is $177 million unfavorable to plan. Taxes have a positive variance against plan for year-to-date of $106.8 million, he said. The Board discussed the tax variance against Plan, and CFO Blakely indicated that he would provide additional information to the Board about the unanticipated changes in the amount of tax owed.

CFO Blakely next directed the Board to page 9 of the Report and the March Year-to-Date performance metrics summary. The share price has changed since March, as shown at information item 2, after the filing of the 2005 10-K in May, and so the shareholder metrics will be more favorable in the next report. The Corporate GAAP metrics show a return on equity of 10.5% which is 2% below Plan, but the pre-mark-to-market return on equity annualized is 15%, or 1% above Plan. For the business lines, Single Family and Capital Markets net income is below Plan, and Housing and Community Development is above plan. The Board discussed the various metrics, and the meaning to investors of these metrics, and CFO Blakely reminded the Board that the 2005 Form 10-K contained more metrics so that investors could better understand the Company's financial performance.

CRO Dallavecchia provided the Board with an update on the current risk environment and the exposure of the Company to key market risks, as shown in the Report on page 10. Overall, he explained, the market risk exposures remain stable; however, the volatility exposure has decreased substantially over the last two months. The credit risks of the Single Family business line were discussed, and the Board requested that the market risk chart be larger and that additional graphics be added to demonstrate whether categories of risk were increasing or decreasing. The differences in the risk profile of the Company as compared to Freddie Mac were considered and discussed.

COO Williams provided an update on the status of Technology, Enterprise Operations, Enterprise Data and Human Resources divisions, and the key strategic and remediation focus areas for each unit. In the Technology area, a multi-year perspective has been employed to determine the most significant areas of strategic focus to deliver value for the business lines. In addition, there are several remediation initiatives being undertaken by Technology, with the top priority for 2007 being Sarbanes-Oxley remediation of the Technology division. Operations and Enterprise Data initiatives focus on improving efficiency and data quality. In the Human Resources area, a comprehensive review of benefits is underway, as is a workforce reduction. A leadership and talent review, to ensure a robust succession planning process occurred during the first quarter. Diversity and culture change remain key priorities for the Company, COO Williams explained.

SVP Duane Duncan reviewed the legislative and regulatory status, and the continued engagement and commitment of the Company to legislation that provides bank-like regulation while also permitting the Company to run a successful business. The affordable housing fund provision of the current bill was discussed by the Board.

Executive Session

The Board went into Executive Session at 11:45 am, and all members of management, save General Counsel Wilkinson, left the meeting. Ms. Webster reported

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In response to a question from a Board member, Mr. Wulff described the status of Director compensation for 2004, 2005 and 2006. Mr. Wulff then led a discussion of possible agenda items for future Board meetings. Mr. Smith suggested a review of the Company's investor relations, including understanding what analysts are saying about the Company and the Company's communications with analysts. Board members expressed a desire to receive a regular report in their Board packages on investor relations activities and to receive copies of significant analysts' reports. Mr. Swygert suggested a discussion of the interaction between the Company's mission and shareholder value considerations.

Mr. Wulff invited Board members to submit any additional suggestions they might have after the meeting.

Mr. Wulff adjourned the meeting at 12:16 p.m.

Beth A. Wilkinson
Corporate Secretary