
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 26, 2007

Federal National Mortgage Association

(Exact name of registrant as specified in its charter)

Federally chartered corporation

*(State or other jurisdiction
of incorporation)*

000-50231

*(Commission
File Number)*

52-0883107

*(IRS Employer
Identification Number)*

**3900 Wisconsin Avenue, NW
Washington, DC**

(Address of principal executive offices)

20016

(Zip Code)

Registrant's telephone number, including area code: 202-752-7000

(Former Name or Former Address, if Changed Since Last Report): _____

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operation and Financial Condition

On October 26, 2007, Fannie Mae (formally known as the Federal National Mortgage Association) issued its monthly financial summary release for the month of September 2007. The summary, a copy of which is furnished as Exhibit 99.1 to this report, is incorporated herein by reference.

The information in this item, including Exhibit 99.1 submitted herewith, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of Section 18, nor shall it be deemed incorporated by reference into any disclosure document relating to Fannie Mae, except to the extent, if any, expressly set forth by specific reference in such document.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.* The exhibit index filed herewith is incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

By /s/ David C. Hisey

David C. Hisey
Senior Vice President and Controller

Date: October 26, 2007

EXHIBIT INDEX

The following exhibit is submitted herewith:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
99.1	Monthly summary release for September 2007 issued by Fannie Mae on October 26, 2007



MONTHLY SUMMARY HIGHLIGHTS

SEPTEMBER 2007

- Ø Fannie Mae's *Book of Business* grew at a compound annualized rate of 13.3 percent in September driven by growth in *Fannie Mae MBS and Other Guarantees*.
- Ø *Fannie Mae MBS and Other Guarantees* rose at a compound annualized rate of 14.9 percent during the month. Growth was attributable to continued strong issuance of Fannie Mae MBS, which rose to \$58.4 billion in September, which was partially offset by rising liquidations.
- Ø The *Gross Mortgage Portfolio* was \$723.8 billion in September. On September 19, 2007, OFHEO announced changes to the methodology for calculating our existing mortgage portfolio cap to provide the company flexibility in managing market-based fluctuations. Our portfolio cap for the third quarter, as measured by unpaid principal balance, was \$735 billion. (See "Additional Information" on page 2.)
- Ø *Net retained commitments* rose to \$13.6 billion in September.
- Ø The conventional *Single-Family Serious Delinquency Rate* rose three basis points in August to 0.71 percent (latest data available). The *Multifamily Serious Delinquency Rate* fell four basis points to 0.06 percent in August.
- Ø The *Effective Duration Gap* on Fannie Mae's portfolio averaged zero months in September.

MORTGAGE MARKET HIGHLIGHTS

- Ø Agency-backed MBS issuance totaled \$103 billion in September, up by 20 percent from last year, while non-agency MBS/ABS issuance totaled \$33 billion during the month, down by 72 percent from year-ago levels.
- Ø Non-agency subprime ABS issuance was down by 77 percent in September from year-ago levels, while non-agency Alt-A MBS issuance was lower by 79 percent.

TABLE 1. TOTAL BOOK OF BUSINESS COMPONENTS (\$ in Millions) 1

	Gross Mortgage Portfolio [Table 3]	+	Total Fannie Mae MBS and Other Guarantees [Table 4]	-	Fannie Mae MBS in Portfolio [Table 5]	=	Total Book of Business	Compounded Growth Rate	New Business Acquisitions
September 2006	\$ 725,534		\$ 2,066,127		\$ 310,219		\$ 2,481,442	15.3%	\$ 66,722
October 2006	720,959		2,085,252		309,861		2,496,350	7.5%	48,766
November 2006	717,438		2,094,401		301,750		2,510,090	6.8%	49,470
December 2006	724,400		2,102,275		298,756		2,527,920	8.9%	57,776
Full Year 2006	\$ 724,400		\$ 2,102,275		\$ 298,756		\$ 2,527,920	7.7%	\$ 614,723
January 2007	\$ 721,442		\$ 2,116,483		\$ 295,399		\$ 2,542,527	7.2%	\$ 51,059
February 2007	712,145		2,130,622		284,191		2,558,577	7.8%	50,158
March 2007	712,806		2,150,759		277,848		2,585,717	13.5%	60,455
April 2007	710,586		2,167,274		275,253		2,602,608	8.1%	52,690
May 2007	718,257		2,198,466		274,360		2,642,363	20.0%	66,387
June 2007	722,475		2,222,813		274,507		2,670,782	13.7%	64,039
July 2007	729,840		2,249,638		277,468		2,702,010	15.0%	66,368
August 2007	728,886		2,279,451		274,638		2,733,698	15.0%	65,029
September 2007	723,813		2,305,962		267,397		2,762,378	13.3%	66,497
YTD 2007	\$ 723,813		\$ 2,305,962		\$ 267,397		\$ 2,762,378	12.6%	\$ 542,682

TABLE 2. PORTFOLIO COMMITMENTS (\$ in Millions) 1

	Commitments to Purchase, Net	Commitments to Sell	Net Retained Commitments
September 2006	\$ 23,624	\$ (13,133)	\$ 10,491
October 2006	26,694	(18,638)	8,056
November 2006	19,159	(10,508)	8,651
December 2006	20,273	(5,422)	14,851
Full Year 2006	\$ 251,966	\$ (119,498)	\$ 132,468
January 2007	\$ 23,208	\$ (22,133)	\$ 1,075
February 2007	23,233	(13,256)	9,977
March 2007	27,723	(13,630)	14,093
April 2007	20,110	(8,420)	11,689
May 2007	29,600	(12,077)	17,523
June 2007	33,297	(9,197)	24,100
July 2007	34,416	(15,896)	18,520
August 2007	44,259	(43,802)	457
September 2007	40,214	(26,589)	13,625
YTD 2007	\$ 276,060	\$ (165,000)	\$ 111,060

TABLE 3. GROSS MORTGAGE PORTFOLIO (\$ in Millions) 1

	Purchases 2	Sales	Liquidations	End Balance	Compounded Growth Rate	Annualized Liquidation Rate
September 2006	\$ 20,308	\$ (9,698)	\$ (11,888)	\$ 725,534	(2.1%)	(19.63%)
October 2006	13,159	(6,746)	(10,987)	720,959	(7.3%)	(18.17%)
November 2006	14,035	(6,326)	(11,230)	717,438	(5.7%)	(18.69%)
December 2006	19,718	(1,860)	(10,896)	724,400	12.3%	(18.22%)
Full Year 2006	\$ 197,252	\$ (61,184)	\$ (139,224)	\$ 724,400	(0.4%)	(19.14%)
January 2007	\$ 9,659	\$ (1,927)	\$ (10,690)	\$ 721,442	(4.8%)	(17.71%)
February 2007	10,359	(9,555)	(10,101)	712,145	(14.4%)	(16.80%)
March 2007	16,452	(5,505)	(10,286)	712,806	1.1%	(17.33%)
April 2007	9,964	(2,111)	(10,073)	710,586	(3.7%)	(16.96%)
May 2007	21,776	(3,640)	(10,466)	718,257	13.8%	(17.67%)
June 2007	16,936	(2,341)	(10,378)	722,475	7.3%	(17.34%)
July 2007	21,219	(4,588)	(9,266)	729,840	12.9%	(15.39%)
August 2007	16,429	(7,690)	(9,692)	728,886	(1.6%)	(15.94%)
September 2007	11,926	(7,944)	(9,055)	723,813	(8.0%)	(14.91%)
YTD 2007	\$ 134,721	\$ (45,300)	\$ (90,007)	\$ 723,813	(0.1%)	(16.57%)

TABLE 4. FANNIE MAE GUARANTEED SECURITIES AND MORTGAGE LOANS (\$ in Millions) ¹

	Total Fannie Mae MBS			Fannie Mae MBS Annualized Liquidation Rate	Other Fannie Mae Guarantees	Total Fannie Mae MBS and Other Guarantees	Compounded Growth Rate	Mortgage Loans	Fannie Mae Guaranteed Securities and Mortgage Loans
	Issuances ³	Liquidations	End Balance						
September 2006	\$ 48,485	\$ (28,971)	\$ 2,043,037	(17.18%)	\$ 23,090	\$ 2,066,127	12.1%	\$ 273,732	\$ 2,339,859
October 2006	45,697	(26,459)	2,062,275	(15.54%)	22,977	2,085,252	11.7%	270,477	2,355,729
November 2006	37,850	(29,033)	2,071,091	(16.89%)	23,310	2,094,401	5.4%	273,928	2,368,329
December 2006	40,677	(32,939)	2,078,829	(19.09%)	23,446	2,102,275	4.6%	279,146	2,381,421
Full Year 2006	\$ 481,686	\$ (342,495)	\$ 2,078,829	(17.66%)	\$ 23,446	\$ 2,102,275	7.2%	\$ 279,146	\$ 2,381,421
January 2007	\$ 43,988	\$ (29,560)	\$ 2,093,257	(17.06%)	\$ 23,226	\$ 2,116,483	8.4%	\$ 281,524	\$ 2,398,007
February 2007	41,679	(28,065)	2,106,871	(16.09%)	23,750	2,130,622	8.3%	282,586	2,413,208
March 2007	46,756	(26,497)	2,127,130	(15.09%)	23,629	2,150,759	11.9%	285,304	2,436,063
April 2007	45,833	(30,099)	2,142,864	(16.98%)	24,410	2,167,274	9.6%	286,262	2,453,536
May 2007	50,915	(30,430)	2,163,349	(17.04%)	35,117	2,198,466	18.7%	291,299	2,489,765
June 2007	53,130	(31,794)	2,184,685	(17.64%)	38,128	2,222,813	14.1%	292,997	2,515,810
July 2007	56,129	(28,932)	2,211,883	(15.89%)	37,756	2,249,638	15.5%	295,314	2,544,953
August 2007	56,690	(26,611)	2,241,962	(14.44%)	37,489	2,279,451	17.1%	298,151	2,577,602
September 2007	58,385	(32,367)	2,267,980	(17.32%)	37,982	2,305,962	14.9%	301,289	2,607,251
YTD 2007	\$ 453,506	\$ (264,355)	\$ 2,267,980	(16.96%)	\$ 37,982	\$ 2,305,962	13.1%	\$ 301,289	\$ 2,607,251

Numbers may not sum due to rounding.

See Endnotes and Glossary on Page 3

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TABLE 5. MORTGAGE PORTFOLIO COMPOSITION (\$ in Millions) 1

	Fannie Mae MBS in Portfolio				End Balance	Mortgage Loans	Non-Fannie Mae Mortgage Securities		Mortgage Portfolio End Balance
	Purchases	Sales	Liquidations	Securitized 4			Agency	Non-Agency	
September 2006	\$ 624	\$ (8,626)	\$ (4,377)	\$ 1,448	\$ 310,219	\$ 273,732	\$ 32,933	\$ 108,649	\$ 725,534
October 2006	3,483	(6,360)	(4,088)	6,606	309,861	270,477	32,631	107,990	720,959
November 2006	706	(6,317)	(4,209)	1,709	301,750	273,928	32,313	109,446	717,438
December 2006	939	(1,721)	(3,892)	1,680	298,756	279,146	31,970	114,529	724,400
Full Year 2006	\$ 38,432	\$ (55,267)	\$ (51,752)	\$ 25,783	\$ 298,756	\$ 279,146	\$ 31,970	\$ 114,529	\$ 724,400
January 2007	\$ 1,099	\$ (1,927)	\$ (4,018)	\$ 1,488	\$ 295,399	\$ 281,524	\$ 31,730	\$ 112,789	\$ 721,442
February 2007	350	(9,406)	(3,682)	1,531	284,191	282,586	31,230	114,137	712,145
March 2007	1,342	(5,496)	(3,599)	1,411	277,848	285,304	31,118	118,537	712,806
April 2007	588	(2,111)	(3,591)	2,519	275,253	286,262	30,896	118,176	710,586
May 2007	3,627	(3,640)	(3,557)	2,677	274,360	291,299	31,084	121,514	718,257
June 2007	3,155	(2,236)	(3,645)	2,872	274,507	292,997	32,151	122,820	722,475
July 2007	7,796	(4,521)	(3,499)	3,185	277,468	295,314	33,136	123,922	729,840
August 2007	2,805	(7,646)	(3,274)	5,284	274,638	298,151	33,088	123,009	728,886
September 2007	202	(7,834)	(3,221)	3,612	267,397	301,289	32,614	122,513	723,813
YTD 2007	\$ 20,964	\$ (44,816)	\$ (32,085)	\$ 24,579	\$ 267,397	\$ 301,289	\$ 32,614	\$ 122,513	\$ 723,813

TABLE 6. LIQUID INVESTMENTS (\$ in Millions) 1

	Liquid Investments End Balance
September 2006	\$ 48,778
October 2006	52,229
November 2006	51,792
December 2006	57,819
Full Year 2006	\$ 57,819
January 2007	\$ 57,484
February 2007	68,959
March 2007	66,830
April 2007	57,355
May 2007	55,650
June 2007	55,244
July 2007	59,231
August 2007	59,813
September 2007	41,918
YTD 2007	\$ 41,918

TABLE 7. DEBT ACTIVITY (\$ in Millions) 5

	Original Maturity ≤ 1 Year End Balance	Original Maturity > 1 Year				Total Debt Outstanding
		Issuances	Maturities and Redemptions	Repurchases	End Balance	
September 2006	\$ 152,743	\$ 10,271	\$ (19,047)	\$ (424)	\$ 613,858	\$ 766,601
October 2006	152,136	13,403	(12,717)	(5,208)	609,336	761,472
November 2006	152,146	12,450	(15,231)	(606)	605,949	758,096
December 2006	168,623	15,510	(14,664)	(1,035)	605,760	774,384
Full Year 2006	\$ 168,623	\$ 181,313	\$ (153,743)	\$ (15,513)	\$ 605,760	\$ 774,384
January 2007	\$ 161,731	\$ 19,970	\$ (19,991)	\$ (592)	\$ 605,147	\$ 766,877
February 2007	164,969	17,129	(16,527)	(328)	605,420	770,389
March 2007	160,901	22,013	(15,859)	(290)	611,284	772,185
April 2007	159,782	17,049	(16,720)	(82)	611,531	771,313
May 2007	162,161	20,988	(12,458)	(691)	619,370	781,531
June 2007	167,586	16,043	(11,020)	(2,540)	621,853	789,439
July 2007	169,128	15,422	(12,296)	(2,209)	622,770	791,898
August 2007	188,336	12,306	(16,226)	(1,541)	617,309	805,645
September 2007	156,527	9,723	(13,047)	(277)	613,708	770,235
YTD 2007	\$ 156,527	\$ 150,642	\$ (134,144)	\$ (8,550)	\$ 613,708	\$ 770,235

TABLE 8. INTEREST RATE RISK DISCLOSURES

	Effective Duration Gap (in months) ⁶	Market Value Sensitivity ⁷	
		Rate Level Shock (50 bp)	Rate Slope Shock (25 bp)
September 2006	0	—	—
October 2006	0	—	—
November 2006	0	—	—
December 2006	0	—	—
January 2007	0	—	—
February 2007	0	—	—
March 2007	(1)	—	—
April 2007	0	—	—
May 2007	0	—	—
June 2007	1	(1%)	0%
July 2007	1	(1%)	0%
August 2007	1	(1%)	0%
September 2007	0	(1%)	0%

TABLE 9. SERIOUS DELINQUENCY RATES

	Conventional Single-Family ⁸			Multifamily Total ¹²
	Non-Credit Enhanced ⁹	Credit Enhanced ¹⁰	Total ¹¹	
August 2006	0.34%	1.73%	0.60%	0.16%
September 2006	0.35%	1.74%	0.61%	0.12%
October 2006	0.35%	1.76%	0.62%	0.09%
November 2006	0.36%	1.78%	0.63%	0.09%
December 2006	0.37%	1.81%	0.65%	0.08%
January 2007	0.38%	1.86%	0.66%	0.10%
February 2007	0.38%	1.84%	0.66%	0.10%
March 2007	0.35%	1.74%	0.62%	0.09%
April 2007	0.35%	1.74%	0.62%	0.10%
May 2007	0.34%	1.75%	0.62%	0.11%
June 2007	0.35%	1.81%	0.64%	0.09%
July 2007	0.37%	1.91%	0.68%	0.10%
August 2007	0.39%	2.00%	0.71%	0.06%

ADDITIONAL INFORMATION

Under Fannie Mae's consent order issued by its regulator, OFHEO, Fannie Mae may not increase its mortgage portfolio assets above a specified amount, except under certain circumstances at the discretion of OFHEO. Fannie Mae's portfolio cap for the third quarter of 2007 was \$735 billion, as measured by unpaid principal balance (UPB), which does not reflect GAAP adjustments. For the fourth quarter of 2007, the portfolio cap increases by 1 percent. For each subsequent quarter, the portfolio cap increases by 0.5 percent, not to exceed 2 percent per annum. Except as described below, compliance with the portfolio cap will be determined by comparing the applicable portfolio cap to the cumulative average month-end portfolio balances, measured by UPB, since July 2007 (until the cumulative average becomes and remains a 12-month moving average). For purposes of this calculation, OFHEO's interpretation sets the July 2007 month-end balance at \$725 billion. In addition, any net increase in delinquent loan balances in the retained portfolio after September 30, 2007 will not be counted for purposes of determining Fannie Mae's compliance with the portfolio cap.

Our "mortgage portfolio" assets reflect GAAP adjustments, including market valuation adjustments, allowance for loan losses, impairments, and unamortized premiums and discounts, excluding consolidated mortgage-related assets acquired through the assumption of debt. These adjustments are not reflected in the Gross Mortgage Portfolio amounts shown in this report. We estimate that Fannie Mae's "mortgage portfolio" assets were approximately \$719 billion as of September 30, 2007.

We expect that some of the information in this monthly summary report will change when the financial statements and related audits for the current and prior periods are completed. Management believes that the information may be useful to investors for comparing current business activities with those of prior periods and for reviewing trends in our business, notwithstanding that information may change, perhaps materially, from what is reported herein. Issues that may cause some of this information to change include those related to our securities accounting, loan accounting, consolidation and amortization.

ENDNOTES

1. The end balances and business activity in this report represent unpaid principal balances ("UPB"), which do not reflect, for example, market valuation adjustments, allowance for loan losses, impairments, unamortized premiums and discounts and the impact of consolidation of variable interest entities.
2. Includes capitalized interest.
3. Includes Fannie Mae mortgage-backed securities ("Fannie Mae MBS") issued from Fannie Mae's portfolio. See Table 5 for monthly activity and balances for Fannie Mae MBS held in the mortgage portfolio.
4. Represents new Fannie Mae MBS created from mortgage loans previously held in the mortgage portfolio. These amounts, included in the Issuance balance in Table 4, have been transferred from mortgage loans to securities, and may be included in sales.
5. Reported amounts represent the unpaid principal balance at each reporting period or, in the case of the long-term zero coupon bonds, at maturity. Unpaid principal balance does not reflect the effect of currency adjustments, debt basis adjustments, amortization of discounts, premiums, and issuance costs.
6. Beginning with June 2007, the effective duration gap is weighted based on the proportional fair value weightings of Fannie Mae's assets and liabilities. In prior months, the duration gap was not calculated on a weighted basis.
7. These measurements show the estimated loss in the pre-tax fair value of Fannie Mae's assets and liabilities, including debt and derivatives, that would result from an immediate adverse change in the level of LIBOR rates and in the slope of the LIBOR yield curve, expressed in each case as a percentage of the estimated after-tax fair value of Fannie Mae's net assets, as of December 31, 2006, adjusted for capital transactions since year end. These measurements exclude the sensitivity of the guaranty business.
8. Includes conventional single-family loans three months or more past due or in foreclosure process as a percent of the total number of conventional single-family loans. These rates are based on conventional single-family mortgage loans and exclude reverse mortgages and non-Fannie Mae mortgage securities held in our portfolio.
9. Loans without primary mortgage insurance and/or other credit enhancements.
10. Loans with primary mortgage insurance and/or other credit enhancements.
11. Total conventional single-family serious delinquency rate includes non-credit enhanced and credit enhanced loans.
12. Includes multifamily loans and securities 60 days or more past due and is calculated based on UPB of delinquent multifamily loans owned by Fannie Mae or underlying Fannie Mae guaranteed securities divided by the UPB of multifamily loans owned by Fannie Mae or underlying Fannie Mae guaranteed securities. Data for 2006 have been revised from amounts previously reported to conform to current presentation.

GLOSSARY & OTHER INFORMATION

General

Information Changes. Amounts and rates for 2006 reflect data reclassifications, definitional changes and corrections as well as revisions to this presentation. As a result, these amounts and rates may differ from and may not be shown on a comparable basis to those previously reported in Fannie Mae's Monthly Summary reports.

Risk Disclosures. In addition to the interest rate risk disclosures provided in Table 8, Fannie Mae's most recent available information relating to subordinated debt, liquidity management, corporate risk ratings and credit risks is included in its most recent Form 10-K or Form 10-Q filed with the Securities and Exchange Commission.

Compounded Growth Rate. Monthly growth rates are compounded to provide an annualized rate of growth.

Table 1

Total Book of Business. Sum of the Gross Mortgage Portfolio balance and Total Fannie Mae MBS and Other Guarantees balance, less Fannie Mae MBS held in the mortgage portfolio.

New Business Acquisitions. Sum of MBS issuances and Mortgage Portfolio purchases less Fannie Mae MBS purchases and securitizations of mortgage loans previously held in portfolio.

Table 2

Portfolio Commitments. Represents mandatory commitments entered into during the month. Fannie Mae enters into forward commitments to purchase mortgage securities and mortgage loans, or to sell mortgage securities, for the mortgage portfolio. Purchase commitments typically require mandatory delivery and are subject to the payment of pair-off fees for non-delivery.

Commitments to Purchase, Net. Represents mandatory commitments to purchase mortgage loans and mortgage securities, net of mortgage loans for which a cash pair-off has been paid. Pair-offs occur when loans are not delivered against mandatory commitments.

Commitments to Sell. Represents mandatory commitments to sell mortgage securities.

Net Retained Commitments. Represents mandatory commitments to purchase, less commitments to sell, net of mortgage loans for which a cash pair-off has been paid.

Table 3

Gross Mortgage Portfolio. End balance represents the unpaid principal balance ("UPB") of the mortgage portfolio that Fannie Mae holds for investment and liquidity purposes.

Purchases. Acquisition of mortgage loans and mortgage securities for the mortgage portfolio.

Sales. Sales of mortgage securities from the mortgage portfolio.

Liquidations. Represents the total amount of repayments, curtailments, payoffs, and foreclosures on mortgage loans and mortgages underlying securities held in the mortgage portfolio.

Annualized Liquidation Rate. The liquidation rate is calculated as liquidations divided by the prior period ending balance of the mortgage portfolio, annualized.

Table 4

Fannie Mae Guaranteed Securities and Mortgage Loans. Consists of securities and mortgage loans for which Fannie Mae manages credit risk. This table excludes non-Fannie Mae securities held in the mortgage portfolio, which are shown in Table 5.

Total Fannie Mae MBS. Includes Fannie Mae MBS, private label wraps, whole loan REMICs, and Multifamily discount MBS (DMBS) that Fannie Mae guarantees, regardless of whether those MBS are held in the mortgage portfolio or held by investors other than Fannie Mae. If an MBS has been reseritized into another MBS, the principal amount is only included once in this total.

Issuances. Represents the total amount of Fannie Mae MBS created during the month, including lender-originated issues and Fannie Mae MBS created from mortgage loans previously held in Fannie Mae's portfolio. Fannie Mae MBS may be held in portfolio after their creation.

Liquidations. Represents the total amount of repayments, curtailments, payoffs, and foreclosures on mortgages underlying Fannie Mae MBS, including Fannie Mae MBS held in the mortgage portfolio.

Other Fannie Mae Guarantees. Outstanding balance of Fannie Mae guarantees, other than Fannie Mae MBS. This primarily includes credit enhancements we provide on multifamily mortgage assets and Ginnie Mae securities.

Annualized Liquidation Rate. The liquidation rate is calculated as liquidations divided by the prior period ending balance of total Fannie Mae MBS, annualized.

Table 5

Mortgage Portfolio Composition. Shows the primary components of Fannie Mae's mortgage portfolio and activity relating to Fannie Mae MBS held in the mortgage portfolio.

Non-Fannie Mae Agency Securities. Represents mortgage-related securities issued by Freddie Mac and Ginnie Mae.

Non-Fannie Mae Non-Agency Securities. These are commonly referred to as "private-label securities."

Table 6

Liquid Investments. Liquid investments serve as Fannie Mae's primary source of liquidity and an investment vehicle for surplus capital. This balance includes high-quality securities that are short-term or readily marketable, such as commercial paper, asset-backed securities and corporate floating-rate notes. The balance shown does not include cash and cash-equivalents, which are also used for liquidity purposes.

Table 7

Debt Activity. For more information about Fannie Mae's debt activity, please visit www.fanniemae.com/markets/debt/debt_activity.

Table 8

Effective Duration Gap. The effective duration gap estimates the net sensitivity of the fair value of Fannie Mae's assets and liabilities to movements in interest rates. This statistic is expressed as a number of months, based on the daily average for the reported month. Beginning with June, the methodology has been updated such that a duration gap of zero implies that the change in the fair value of assets from an interest rate move will be offset by an equal move in the fair value of liabilities, including debt and derivatives, resulting in no change in the fair value of the net assets. The calculation excludes any sensitivity of the guaranty business.

Market Value Sensitivity to Rate Level Shock (50bp). This measurement shows the estimated loss in pre-tax market value of Fannie Mae's assets and liabilities, expressed as a percentage of the after-tax fair value of Fannie Mae's net assets (calculated as described in Endnote (7) above), from an immediate adverse 50 basis point shift in the level of LIBOR rates. The measurement excludes any sensitivity of the guaranty business but the after-tax fair value of Fannie Mae's net assets includes an estimate of the fair value of the guaranty business. Fannie Mae tracks the daily average of this measurement for the reported month.

Market Value Sensitivity to Rate Slope Shock (25bp). This measurement shows the estimated loss in pre-tax market value of Fannie Mae's assets and liabilities, expressed as a percentage of the after-tax fair value of Fannie Mae's net assets (calculated as described in Endnote (7) above), from an immediate adverse 25 basis point change in the slope of the LIBOR yield curve. To calculate the "adverse" change in the slope of the LIBOR yield curve, the company calculates the effect of a 25 basis point change in slope that results in a steeper LIBOR yield curve and the effect of a 25 basis point change in slope that results in a flatter LIBOR yield curve, and reports the more adverse of the two results. The measurement excludes any sensitivity of the guaranty business but the after-tax fair value of Fannie Mae's net assets includes an estimate of the fair value of the guaranty business. Fannie Mae tracks the daily average of this measurement for the reported month.

Table 9

Serious Delinquency Rates. A measure of credit performance and indicator of future defaults for the single-family and multifamily mortgage credit books. We classify single-family loans as seriously delinquent when a borrower has missed three or more consecutive monthly payments, and the loan has not been brought current or extinguished through foreclosure, payoff, or other resolution. A loan referred to foreclosure but not yet foreclosed is also considered seriously delinquent. We include all of the conventional single-family loans that we own or that back Fannie Mae MBS in our single-family delinquency rate, including those with substantial credit enhancement. We classify multifamily loans as seriously delinquent when payment is 60 days or more past due.

For more information about Fannie Mae, please visit www.fanniemae.com or contact our Investor Relations Department at (202) 752-7115.