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): August 8, 2008

Federal National Mortgage Association

(Exact name of registrant as specified in its charter)

Federally chartered corporation	**000-50231**	**52-0883107**
(State or other jurisdiction of incorporation)	*(Commission File Number)*	*(IRS Employer Identification Number)*

3900 Wisconsin Avenue, NW Washington, DC	**20016**
(Address of principal executive offices)	*(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):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

The information in this report, including information in the exhibits 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 incorporated by specific reference in that document.

Item 2.02 Results of Operations and Financial Condition

On August 8, 2008, Fannie Mae (formally known as the Federal National Mortgage Association) filed its Form 10-Q for the quarter ended June 30, 2008 and issued a news release (the "News Release") reporting its financial results for the periods covered by the Form 10-Q. The News Release, a copy of which is furnished as Exhibit 99.1 to this report, is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure

The News Release also announced Fannie Mae's reduction of its common stock dividend beginning with the third quarter dividend.

In addition, on August 8, 2008, Fannie Mae posted to its Web site a 2008 Q2 10-Q Investor Summary presentation consisting primarily of summary historical financial information about the company excerpted from Fannie Mae's Form 10-Q and information about the company's credit book of business. The presentation, a copy of which is furnished as Exhibit 99.2 to this report, is incorporated herein by reference. Fannie Mae's Web site address is www.fanniemae.com. Information appearing on the company's Web site is not incorporated into this report.

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/ Stephen M. Swad

Stephen M. Swad
Executive Vice President and Chief Financial Officer

Date: August 8, 2008

EXHIBIT INDEX

The following exhibits are submitted herewith:

Exhibit Number	Description of Exhibit
99.1	News release, dated August 8, 2008
99.2	2008 Q2 10-Q Investor Summary presentation, dated August 8, 2008

Exhibit 99.1

news release [Fannie Mae logo]

Media Hotline: 1-888-326-6694
Resource Center: 1-800-732-6643

Contact: Janis Smith 202-752-6673 | Brian Faith 202-752-6720

Number: 4444a

Date: August 8, 2008

Fannie Mae Reports Second Quarter 2008 Results

Net Loss of $2.3 billion; Credit-Related Expenses More Than Offset Higher Revenue and Fair Value Gains

Core Capital of $47 billion Exceeds Regulatory Requirements

Company to Take Additional Actions to Manage Capital; Will Eliminate Acquisitions of New Alt-A Business and Strengthen Credit Loss Mitigation

Quarterly Dividend Cut to $0.05 Per Share

Summary of Second quarter 2008 Financial Results

- *$2.3 billion net loss*, compared with a net loss of $2.2 billion in the first quarter
- *$5.3 billion in credit-related expenses*, including $3.7 billion added to combined loss reserves; company expects 2008 will be peak year for credit-related expenses
- *$883 million in net investment losses*, including $507 million in securities impairments
- *$4 billion in revenue*, up 5 percent from first quarter and 46 percent from second quarter 2007
- *$3 trillion book of business*, up 2.3 percent from first quarter
- *Core capital of $47.0 billion* on June 30, up from $42.7 billion on March 31, after $7.4 billion capital issuance in May 2008. Capital remains in excess of regulatory requirements

WASHINGTON, DC — Fannie Mae (FNM/NYSE) reported a net loss of $2.3 billion, or ($2.54) per diluted share, in the second quarter of 2008, compared with a first quarter 2008 net loss of $2.2 billion, or ($2.57) per diluted share. Results were driven primarily by an increase in the provision for credit losses that more than offset higher revenue and fair value gains.

“Our second quarter results reflect challenging conditions in the housing and mortgage markets that began in 2006 and have deepened through 2007 and 2008,” said Daniel H. Mudd, president and chief executive officer. “Fannie Mae is providing stability and liquidity to the housing market in the United States, and we will continue to play a key role as the market recovers from this cycle. We have already undertaken a series of initiatives, including raising more than $7 billion in additional capital in the second quarter, to help us manage through the most difficult U.S. housing market in more than 70 years.

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"Volatility and disruptions in the capital markets became even more pronounced in July. In addition, credit performance has continued to deteriorate and, based on our experience in July, we anticipate further increases in our combined loss reserves. Given this volatility and the build-up of our reserve, as well as the uncertainties inherent in the U.S. economy and the housing market, we are taking a series of additional actions that reflect our ongoing focus on conserving and enhancing our capital, as well as managing our credit risk through the balance of this cycle."

The company is taking the following actions:

Capital Conservation and Enhancement

1. **Reducing the common stock dividend** from $0.35 per share to $0.05 per share, effective for the third quarter, to preserve $1.9 billion in capital through 2009.
2. **Reducing annual operating costs** 10 percent by year end 2009 as the company drives the strategic priorities of credit risk management and revenue generation. Administrative expenses will have already been reduced approximately 35 percent, from $3.1 billion in 2006 to an estimated $2.0 billion in 2008.
3. **Increasing our guaranty fees,** including a 25 basis point increase in our adverse market delivery charge, as well as other risk-based pricing changes, announced this week.
4. **Managing the balance sheet** to ensure the most efficient use of capital. Providing market liquidity will be the priority for our portfolio activities, and purchases will be concentrated in high-spread assets to generate the maximum amount of revenue per dollar of risk capital. As a result, the company will balance profitable portfolio growth opportunities in the near term with prudent capital conservation through the current housing cycle.

Credit Risk Management

1. **Improving underwriting guidelines to eliminate higher-risk loans.** Over 60 percent of our losses have come from a small number of products, but especially Alt-A loans. Through our recent underwriting changes, the volume of these products has declined more than 80 percent from their peak levels. We have already made underwriting changes to mitigate risk characteristics that drove those losses. After considered analysis, we will eliminate newly originated Alt-A acquisitions by year end.
2. **Increasing our workout ratio** from approximately 50 percent in 2007 to 56 percent in the first half of the year. The company has set a workout ratio goal of 60 percent by year end, reflecting a substantial expansion of its loss mitigation activities, personnel and initiatives.

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3. **Ramping up defaulted loan reviews** to pursue recoveries from lenders, focusing especially on our Alt-A book. The objective is to expand loan reviews where the company incurred a loss or could incur a loss due to fraud or improper lending practices. To achieve this, we are increasing post-foreclosure loan reviews from 900 a month in January to 4,000 a month by the end of the year, expanding our quality-control reviews for targeted products and practices, and are on track to double our anti-fraud investigations this year. We expect this effort to increase our credit loss recoveries in 2008 and 2009.

4. **Augmenting our foreclosed property strategy,** including the opening of offices in Florida and California to closely manage the sales of our properties in these states. We have expanded our network of firms to assist in property disposition to ensure we have adequate capacity to sell the additional properties we expect. To date, under this approach we have been able to process the increased volume of foreclosed property sales without an increase in cycle times or excessive price concessions. Finally, we are evaluating various proposals we have received from third parties involving the sale of properties in bulk transactions.

"In addition, we are in discussions with the Federal Housing Finance Agency (FHFA) regarding the capital and safety and soundness framework envisioned in the recently-enacted Federal Housing Finance Regulatory Reform Act of 2008. The FHFA Director has indicated that the May 2008 agreement with OFHEO and the current OFHEO-directed capital requirement continue to apply. At the same time, we will continue to work closely with the FHFA, the Federal Reserve, the Department of Treasury, Congress and our partners in the industry so that we continue to provide a critical, reliable source of mortgage funding and liquidity in the years to come," added Mudd.

SUMMARY OF SECOND QUARTER 2008
CONSOLIDATED FINANCIAL RESULTS

(dollars in millions)	Q2 2008	Q1 2008	Variance	Q2 2007[1]	Variance
Net interest income	$ 2,057	$ 1,690	$ 367	$ 1,193	$ 864
Guaranty fee income	1,608	1,752	(144)	1,120	488
Trust management income	75	107	(32)	150	(75)
Fee and other income	225	227	(2)	257	(32)
Net revenues	3,965	3,776	189	2,720	1,245
Fair value gains (losses), net	517	(4,377)	4,894	1,424	(907)
Investment losses, net	(883)	(111)	(772)	(93)	(790)
Losses from partnership investments	(195)	(141)	(54)	(215)	20
Losses on certain guaranty contracts[2]	—	—	—	(461)	461
Credit-related expenses	(5,349)	(3,243)	(2,106)	(518)	(4,831)
Administrative expenses	(512)	(512)	—	(660)	148
Other non-interest expenses	(286)	(505)	219	(60)	(226)
Net losses and expenses	(6,708)	(8,889)	2,181	(583)	(6,125)
Income (loss) before federal income taxes and extraordinary losses	(2,743)	(5,113)	2,370	2,137	(4,880)
Benefit (provision) for federal income taxes	476	2,928	(2,452)	(187)	663
Extraordinary losses, net of tax effect	(33)	(1)	(32)	(3)	(30)
Net income (loss)	$ (2,300)	$ (2,186)	$ (114)	$ 1,947	$ (4,247)
Diluted earnings (loss) per common share	$ (2.54)	$ (2.57)	$ 0.03	$ 1.86	$ (4.40)

(1) Certain amounts have been reclassified to conform to the current presentation.

(2) Amounts reflect a change in valuation methodology in conjunction with the adoption of SFAS 157 on January 1, 2008.

Financial Highlights

- **Net revenues** rose 5 percent to $4.0 billion from $3.8 billion in the first quarter.
  - Net interest income increased 22 percent to $2.1 billion due to lower funding costs.
  - Guaranty fee income was $1.6 billion, down from $1.8 billion in the first quarter. The decline was due to the higher amortization rate of guaranty fee income in first quarter. As interest rates increased in the second quarter, the expected amortization rate slowed.
- **Credit-related expenses**, which are the total provision for credit losses plus foreclosed property expense, rose to $5.3 billion from $3.2 billion in the first quarter. The main driver was a $3.7 billion addition to our combined loss reserves as well as higher charge-offs.
- **Combined loss reserves** were $8.9 billion as of June 30, up from $5.2 billion as of March 31, as the company substantially increased its combined loss reserves to reflect losses it believes will be recorded over time in charge-offs.
- **Net fair value gains** were $517 million in the second quarter, compared with fair value losses of $4.4 billion in the first quarter. The primary drivers were derivatives gains, partially offset by losses on trading securities and hedged mortgage assets. Additionally, a lower level of trading losses was incurred in the second quarter due to a tightening of spreads.
- **Total mortgage credit book of business** grew by 2.3 percent to $3.0 trillion as of June 30.
- **Other-than-temporary impairments** of $507 million were recorded primarily on private-label securities backed by Alt-A and subprime mortgages, reflecting a reduction in expected cash flows for a portion of our private-label securities portfolio. This drove net investment losses of $883 million in the quarter, compared to losses of $111 million, including $55 million in other-than-temporary impairments, in the first quarter.
- **The benefit for federal income taxes** decreased to $476 million from $2.9 billion in the first quarter. The decline was due in part to the lower pre-tax loss for the period and a revision of our forecasted annual effective tax rate from 57 percent in the first quarter of 2008 to 43 percent in the second quarter.

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"The significant increase in our credit loss provision, which was the main driver of our second quarter loss, is a reflection of the extraordinary pressures at work in the housing and mortgage markets," said Stephen M. Swad, chief financial officer. "Yet despite the turmoil in the market, our guaranty volumes and strong portfolio spreads demonstrate the underlying strength of Fannie Mae's core business and its ability to generate revenue in a very challenging market. Nevertheless, the credit picture remains very difficult."

Business Results by Segment

The following is a description of the results from Fannie Mae's three lines of business:

- **Single-Family Credit Guaranty** book of business grew by 2.3 percent during the quarter to $2.7 trillion as of June 30. Fannie Mae's market share of new single-family mortgage-related securities issued declined to an estimated 45.4 percent for the second quarter, compared to 50.1 percent for the first quarter. The average charged guaranty fee rate on new single-family flow business increased to 27.8 basis points in the second quarter, from 25.0 basis points in the first quarter. The average effective guaranty fee rate was 26.9 basis points for the second quarter, down from 29.5 basis points in the first quarter, due to slower amortization of deferred guaranty fee items quarter-over-quarter as interest rates increased. Single-family lost $2.4 billion in the quarter, driven by a 64.1 percent increase in credit-related expenses from the previous quarter to $5.3 billion, as noted above.
- **Housing and Community Development's** multifamily guaranty book of business grew by 5.9 percent in the second quarter to $163.0 billion, compared with $153.9 billion as of March 31. Multifamily credit-related expenses were $10 million in the second quarter, compared to income of $11 million in the first quarter. The segment earned $72 million in the quarter.
- **Capital Markets**' mortgage portfolio balance rose to $737.5 billion as of June 30, compared to $716.5 billion as of March 31. The increase resulted from purchases of $60.3 billion, liquidations of $25.0 billion, and sales of $9.1 billion. The increase in net interest yield on average interest-earning assets during the quarter drove a significant increase in net interest income. Capital Markets earned $34 million in the quarter.

Credit Update

The housing and mortgage markets have experienced unprecedented challenges during 2008. We estimate that average home prices declined by 0.6 percent on a national basis during the second quarter of 2008, which translates to an 8 percent total national decline since the beginning of the downturn in the second quarter of 2006. We have seen more severe declines in certain states, such as California, Florida, Nevada and Arizona, which have experienced home price declines of 25 percent or more since their 2006 peaks.

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While we continue to expect home price declines in 2008 to be within our estimated 7 to 9 percent range, and peak-to-trough home price declines to be within our estimated 15 to 19 percent range, we see the trend moving toward the high end of those ranges, driven in particular by higher home price declines in certain regions. We are increasing our forecast for our credit loss ratio for the full-year to 23 to 26 basis points, as compared to our previous guidance of 13 to 17 basis points. We continue to anticipate that our credit loss ratio will increase further in 2009 compared with 2008. We also expect significant additions to our combined loss reserves through the remainder of 2008. Finally, while we expect that 2008 will be our peak year for credit-related expenses, the total amount of credit-related expenses will be significant in 2009.

Key credit results for the second quarter, 2008, include:

- **Credit-related expenses.** As noted above, the provision for credit losses plus foreclosed property expenses rose to $5.3 billion from $3.2 billion in the first quarter. The main driver was a $3.7 billion addition to our combined loss reserves. Combined loss reserves were $8.9 billion as of June 30, as the company substantially increased these reserves to reflect credit losses it estimates are inherent in its book of business as of June 30, 2008.
- **Credit loss ratio.** Management assesses the company's current credit performance by reviewing the company's credit loss ratio, which consists of net loan charge-offs (which excludes fair value losses on loans purchased from MBS trusts and HomeSaver Advance™ loans) plus foreclosed property expenses, as a percentage of the average guaranty book of business. For the second quarter, the credit loss ratio was 17.5 basis points, compared with 12.6 basis points for the first quarter.
- **The serious delinquency rate** on Fannie Mae's single-family book as of June 30, 2008 was 1.36 percent, up from 0.98 percent as of December 31, 2007 and 0.64 percent as of June 30, 2007. The rise in delinquency rates is a significant factor in the substantial increase in credit loss provisions we have made and expect to make in 2008.
- **Loan charge-offs**, excluding fair value losses on loans purchased from MBS trusts and HomeSaver Advance loans, were $945 million in the second quarter, compared with $630 million in the first quarter, an increase that reflects higher levels of defaults and loss severity.
- **Foreclosed property expense** increased to $264 million for the second quarter, from $170 million for the first quarter.
- **Quarterly default rate** increased from 12 basis points in the first quarter of 2008 to 14 basis points in the second quarter of 2008, with particular acceleration in defaults from states such as California, Arizona, Nevada and Florida, and certain vintages that carry a higher than average unpaid principal balance ("UPB").

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- **Loan loss severity** has increased, with our average initial charge-off severity rate increasing from 19 percent in the first quarter of 2008 to 23 percent in the second quarter of 2008, driven primarily by losses on our Alt-A loans in markets most affected by the steep home price declines.
- **Losses on loans purchased from MBS trusts** decreased to $380 million for the second quarter, from $728 million for the first quarter. Though the average market price of the loans purchased from MBS trusts fell from 60 points in the first quarter to 53 points in the second quarter, the company reduced the number of seriously delinquent loans purchased from MBS trusts as a result of the implementation of several loss mitigation measures, including the introduction of HomeSaver Advance in March 2008.
- **Performance of higher-risk loans.** The deterioration in the credit performance of our higher-risk loans is especially pronounced in our Alt-A mortgage loans, with particular pressure on loans with layered risk, such as loans with subordinate financing and interest-only payment terms. As of June 30, 2008, our Alt-A mortgage loans represented approximately 11 percent of our total mortgage book of business and 50 percent of our second quarter credit losses.

In July, credit performance continued to deteriorate, and we recorded charge-offs that were higher than we had experienced in any month during the second quarter and higher than we had previously forecasted, driven by higher defaults and higher loan loss severities in markets most affected by the steep home price declines.

Capital Update

Our core capital as of June 30, 2008 was $47.0 billion, $14.3 billion above our statutory minimum capital requirement and $9.4 billion above our regulator-directed 15 percent surplus requirement. We currently expect that we will remain above our regulatory capital requirement for the remainder of 2008. (Our “regulatory capital requirement” is equal to our statutory minimum requirement plus any additional surplus above that statutory minimum that we expect our regulator will require us to hold.) Due to the volatile market conditions, we now have less visibility into our capital position in 2009. We currently have internally prepared scenarios, derived from our own statistical models and management’s judgment, that indicate that we will remain above our regulatory capital requirement through 2009, and others that show that we may not.

There are a variety of current uncertainties that make estimates for 2009 challenging, including:

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- the credit performance of the loans in our mortgage credit book of business;
- the pace at which we realize credit losses;
- the impact of the recently passed housing legislation, and the timing of that impact;
- the amount and pace of home price declines;
- the impact of other factors, such as unemployment rates and energy prices, on overall economic conditions and borrower behavior;
- the amount of impairments we are required to take on our securities;
- the impact of credit spreads on mark-to-market values;
- changes in state laws and judicial actions with respect to foreclosure;
- the cost of our funding;
- the amount of mortgage insurance claims that are paid;
- the ability to recover our deferred tax asset;
- the amount of revenue we generate; and
- the inter-relationship among and between these factors in the current mortgage market.

In light of volatile market conditions, it is critical that we manage our capital levels to maintain a capital cushion well in excess of our regulatory capital requirement. To that end, we use strategies designed to preserve and protect our capital. In addition, we may, from time to time, raise capital opportunistically. Management continues to carefully monitor our capital and dividend positions and the trends impacting those positions and, if necessary, intends to take actions designed to help mitigate the impacts of a worsening environment on those positions. In this environment, conditions that negatively impact capital can develop rapidly and are based on a variety of factors. Therefore, we may need to take action quickly to respond. We outline some of those actions earlier in this release. As described above, the company is taking a number of steps, including reducing its common stock dividend, to conserve capital and reduce the impact of credit losses on its capital position.

In May 2008, the Office of Federal Housing Enterprise Oversight ("OFHEO"), our safety and soundness regulator, indicated its intention to reduce our capital surplus requirement by five percentage points to a 10 percent surplus requirement in September 2008, based upon our continued maintenance of excess capital well above OFHEO's regulatory requirement and no material adverse change to our ongoing regulatory compliance. Under the recently passed Federal Housing Finance Regulatory Reform Act of 2008 ("Reform Act"), our regulator has new authority to increase our regulatory capital levels pursuant to a formal rulemaking process and consultation with the Chairman of the Board of Governors of the Federal Reserve System.

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Fair Value Update

Fannie Mae also reported a decrease in the non-GAAP estimated fair value of its net assets, from $35.8 billion as of December 31, 2007 to $12.5 billion as of June 30.

The main drivers were:

- A decrease of $23.6 billion in the first quarter of 2008.
- A decrease in the fair value of our net guaranty assets, net of tax, reflecting the significant increase in the fair value of our guaranty obligations as a result of the increase in our guaranty fee pricing in the second quarter.
- Tighter mortgage to debt spreads and our issuance of common and preferred equity in the second quarter.

Outlook

Based on our housing and mortgage market outlook, we currently have the following expectations about our future financial performance:

- We currently expect the downturn in the housing market and the disruption in the mortgage and credit markets to continue to adversely affect our financial results in 2008 and 2009.
- While we continue to expect home price declines in 2008 to be within our estimated 7 to 9 percent range, and peak-to-trough home price declines to be within our estimated 15 to 19 percent range, we see the trend moving toward the high end of those ranges, driven in particular by higher home price declines in certain regions.
- In light of our experience during the second quarter and our credit performance in July, we are increasing our forecast for our credit loss ratio to 23 to 26 basis points for 2008, as compared to our previous guidance of 13 to 17 basis points. We continue to anticipate that our credit loss ratio will increase further in 2009 compared with 2008. We also expect significant additions to our combined loss reserves through the remainder of 2008.

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- We expect that 2008 will be our peak year for credit-related expenses as we build our combined loss reserves in anticipation of charge-offs we expect to incur in 2009 and 2010. The total amount of credit-related expenses will also be significant in 2009.
- We believe that our single-family guaranty book of business will continue to grow in 2008 and 2009 at a faster rate than the overall growth in U.S. single-family mortgage debt outstanding. We expect overall growth in U.S. single-family mortgage debt outstanding of just above 2 percent in 2008. We also expect the rate of growth to slow somewhat more in 2009.
- We believe that our guaranty fee income will grow in 2008 compared with 2007 due to an increase in volumes and prices in 2008 compared with 2007.
- In the second quarter of 2008, our net interest yield benefited from favorable spreads on our new acquisitions and from significant short-term debt repricing, which was driven by both lower LIBOR rates and our favorable spread under LIBOR. During July, our cost of short-term funding as compared with LIBOR was less favorable than it was during the second quarter, which could result in a net interest yield that is flat or lower for the remainder of 2008 depending on future market conditions.

The company provides additional detail on trends that may affect the result of operations, financial condition, liquidity and regulatory capital position in future periods in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of company’s quarterly report on Form 10-Q for the period ended June 30, 2008.

Regulatory and Legislative Update

On July 30, 2008, President Bush signed into law the Housing and Economic Recovery Act of 2008 that included GSE regulatory reform legislation. The legislation establishes the Federal Housing Finance Agency (“FHFA”) as our new safety, soundness and mission regulator, replacing OFHEO and HUD for this purpose.

In general, the legislation strengthens the existing safety and soundness oversight of the GSEs, providing FHFA with safety and soundness authority that is comparable to and in some respects broader than that of the federal bank regulatory agencies.

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For example, FHFA will have enhanced powers to raise capital levels above statutory minimum levels, to regulate the size and content of our portfolio, and to approve new mortgage products. The legislation also increases the financial and administrative cost of our affordable housing mission.

In addition, the legislation includes provisions that were initially proposed by Treasury Secretary Henry Paulson, Jr. on July 13, 2008. These provisions:

- Authorize U.S. Treasury to buy Fannie Mae's debt, equity and other securities, subject to our agreement; and
- Give the Chairman of the Board of Governors of the Federal Reserve System a consultative role in our regulator's process for setting capital requirements and other safety and soundness standards.

Both provisions lapse at the end of 2009.

In addition, the legislation establishes a federally controlled housing fund that will ultimately be used to assist in the creation and preservation of housing for low-income individuals. Fannie Mae must contribute 4.2 basis points of our annual new business acquisitions to the fund, an amount that in 2007 would have been approximately $300 million. It is our intention to fund this contribution from ongoing revenues, expense cuts and the cessation of certain activities that do not contribute directly to funding this requirement.

CONCLUSION

"Our results illustrate the core challenges and long-term opportunities of our mission and our business model: to provide a stable, reliable source of mortgage funding and liquidity, even in the most challenging housing markets," Mudd said. "It is a model that is supporting the housing market, helping families stay in their homes, and helping first-time homebuyers buy homes with safe, fixed-rate, 30-year mortgages. The housing market correction and the decline in home prices are unlike any previous cycle experienced by Fannie Mae. We are taking the necessary steps to meet the needs of our lending partners, provide liquidity to the market, and channel global capital into housing. The housing market will inevitably stabilize and recover, and we are working to make sure Fannie Mae will be at the center of that recovery, for our shareholders and the market we serve."

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Conference Call

Fannie Mae will host a conference call for the investment community today at 10:30 a.m., Eastern Time. Mary Lou Christy, senior vice president, Investor Relations, will host the call. Daniel H. Mudd, president and chief executive officer and Stephen M. Swad, executive vice president and chief financial officer will address investors and analysts and will be available for a question-and-answer session along with other members of senior management.

The dial-in number for the US/Canada is **888-484-9235** or, for international callers, **706-679-3722**. The confirmation code is **55011092.** Please dial in five to 10 minutes prior to the start of the call. A replay of the call will be available for 30 days starting at 2:00 p.m. Eastern Time on August 8th, through midnight Eastern Time on September 5th.

The replay number for the US/Canada is **800-642-1687**, or for international callers, **706-645-9291**. The confirmation code is **55011092.** The conference call will also be Web cast at *www.fanniemae.com* and will be available for 30 days after the call.

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Certain statements in this press release, including those relating to future performance, revenues, credit-related expenses, credit losses, changes in loss reserves, net interest yield, book of business growth, guaranty fees income, capital position, other expenses, income and losses; current view of industry trends and our expectations for the industry; future plans; and future business activities, may be considered forward-looking statements within the meaning of the federal securities laws. Although Fannie Mae believes that the expectations set forth in these statements are based upon reasonable assumptions, Fannie Mae's future plans, operations and its actual performance may differ materially from what is indicated in any forward-looking statements. Factors that could cause actual conditions, events or results to differ materially from those described in these forward-looking statements include, but are not limited to, disruptions in the housing, credit and stock markets, the level and volatility of interest rates and credit spreads, our hedging strategies and hedge effectiveness, the adequacy of credit reserves, implementation of the Reform Act, accounting pronouncements, regulatory action or litigation, the accuracy of subjective estimates used in critical accounting policies and those factors detailed in Fannie Mae's quarterly report on Form 10-Q for the period ended June 30, 2008, and its annual report on Form 10-K for the year ended December 31, 2007, including the "Risk Factors" section in these reports, and in its reports on Form 8-K.

All forms Fannie Mae filed with the SEC can also be obtained on the company's Web site at www.fanniemae.com/ir/sec/.

Fannie Mae is a shareholder-owned company with a public mission. We exist to expand affordable housing and bring global capital to local communities in order to serve the U.S. housing market. Fannie Mae has a federal charter and operates in America's secondary mortgage market to enhance the liquidity of the mortgage market by providing funds to mortgage bankers and other lenders so that they may lend to home buyers. In 2008, we mark our 70th year of service to America's housing market. Our job is to help those who house America.

HomeSaver Advance is a trademark of Fannie Mae. Unauthorized use of this mark is prohibited.

ANNEX I
FANNIE MAE

Condensed Consolidated Balance Sheets

(Dollars in millions, except share amounts)
(Unaudited)

	As of	
	June 30, 2008	December 31, 2007
ASSETS		
Cash and cash equivalents	$ 13,493	$ 3,941
Restricted cash	188	561
Federal funds sold and securities purchased under agreements to resell	35,694	49,041
Investments in securities:		
Trading, at fair value (includes Fannie Mae MBS of $53,853 and $40,458 as of June 30, 2008 and December 31, 2007, respectively)	99,562	63,956
Available-for-sale, at fair value (includes Fannie Mae MBS of $137,929 and $138,943 as of June 30, 2008 and December 31, 2007, respectively)	245,226	293,557
Total investments in securities	344,788	357,513
Mortgage loans:		
Loans held for sale, at lower of cost or market	6,931	7,008
Loans held for investment, at amortized cost	412,776	397,214
Allowance for loan losses	(1,476)	(698)
Total loans held for investment, net of allowance	411,300	396,516
Total mortgage loans	418,231	403,524
Advances to lenders	9,459	12,377
Accrued interest receivable	3,651	3,812
Acquired property, net	5,995	3,602
Derivative assets at fair value	1,013	885
Guaranty assets	10,258	9,666
Deferred tax assets	20,604	12,967
Partnership investments	10,113	11,000
Other assets	12,431	10,500
Total assets	$ 885,918	$ 879,389
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accrued interest payable	$ 6,309	$ 7,512
Federal funds purchased and securities sold under agreements to repurchase	443	869
Short-term debt (includes debt at fair value of $4,501 as of June 30, 2008)	240,223	234,160
Long-term debt (includes debt at fair value of $22,528 as of June 30, 2008)	559,279	562,139
Derivative liabilities at fair value	1,712	2,217
Reserve for guaranty losses (includes $613 and $211 as of June 30, 2008 and December 31, 2007, respectively, related to Fannie Mae MBS included in Investments in securities)	7,450	2,693
Guaranty obligations (includes $731 and $661 as of June 30, 2008 and December 31, 2007, respectively, related to Fannie Mae MBS included in Investments in securities)	16,441	15,393
Partnership liabilities	3,507	3,824
Other liabilities	9,164	6,464
Total liabilities	844,528	835,271
Minority interests in consolidated subsidiaries	164	107
Commitments and contingencies (Note 18)	—	—
Stockholders' Equity:		
Preferred stock, 700,000,000 shares authorized—607,125,000 and 466,375,000 shares issued and outstanding as of June 30, 2008 and December 31, 2007, respectively	21,725	16,913
Common stock, no par value, no maximum authorization—1,223,390,420 and 1,129,090,420 shares issued as of June 30, 2008 and December 31, 2007, respectively; 1,069,815,676 shares and 974,104,578 shares outstanding as of June 30, 2008 and December 31, 2007, respectively	642	593
Additional paid-in capital	3,994	1,831
Retained earnings	27,898	33,548
Accumulated other comprehensive loss	(5,738)	(1,362)
Treasury stock, at cost, 153,574,744 shares and 154,985,842 shares as of June 30, 2008 and December 31, 2007, respectively	(7,295)	(7,512)
Total stockholders' equity	41,226	44,011
Total liabilities and stockholders' equity	$ 885,918	$ 879,389

See Notes to Condensed Consolidated Financial Statements.

FANNIE MAE

Condensed Consolidated Statements of Operations

(Dollars and shares in millions, except per share amounts)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Interest income:				
Trading securities	$ 1,376	$ 387	$ 3,113	$ 578
Available-for-sale securities	3,087	5,001	6,172	10,213
Mortgage loans	5,769	5,625	11,431	11,010
Other	232	253	690	471
Total interest income	10,464	11,266	21,406	22,272
Interest expense:				
Short-term debt	1,687	2,194	4,248	4,410
Long-term debt	6,720	7,879	13,411	15,475
Total interest expense	8,407	10,073	17,659	19,885
Net interest income	2,057	1,193	3,747	2,387
Guaranty fee income (includes imputed interest of $319 and $304 for the three months ended June 30, 2008 and 2007, respectively and $554 and $583 for the six months ended June 30, 2008 and 2007, respectively)	1,608	1,120	3,360	2,218
Losses on certain guaranty contracts	—	(461)	—	(744)
Trust management income	75	150	182	314
Investment gains (losses), net	(883)	(93)	(994)	202
Fair value gains (losses), net	517	1,424	(3,860)	858
Debt extinguishment gains (losses), net	(36)	48	(181)	41
Losses from partnership investments	(195)	(215)	(336)	(380)
Fee and other income	225	257	452	534
Non-interest income (loss)	1,311	2,230	(1,377)	3,043
Administrative expenses:				
Salaries and employee benefits	304	349	590	705
Professional services	114	216	250	462
Occupancy expenses	55	57	109	116
Other administrative expenses	39	38	75	75
Total administrative expenses	512	660	1,024	1,358
Minority interest in earnings of consolidated subsidiaries	3	—	3	1
Provision for credit losses	5,085	434	8,158	683
Foreclosed property expense	264	84	434	156
Other expenses	247	108	607	204
Total expenses	6,111	1,286	10,226	2,402
Income (loss) before federal income taxes and extraordinary losses	(2,743)	2,137	(7,856)	3,028
Provision (benefit) for federal income taxes	(476)	187	(3,404)	114
Income (loss) before extraordinary losses	(2,267)	1,950	(4,452)	2,914
Extraordinary losses, net of tax effect	(33)	(3)	(34)	(6)
Net income (loss)	$ (2,300)	$ 1,947	$ (4,486)	$ 2,908
Preferred stock dividends and issuance costs at redemption	(303)	(118)	(625)	(253)
Net income (loss) available to common stockholders	$ (2,603)	$ 1,829	$ (5,111)	$ 2,655
Basic earnings (loss) per share:				
Earnings (loss) before extraordinary losses	$ (2.51)	$ 1.88	$ (5.08)	$ 2.74
Extraordinary losses, net of tax effect	(0.03)	—	(0.03)	(0.01)
Basic earnings (loss) per share	$ (2.54)	$ 1.88	$ (5.11)	$ 2.73
Diluted earnings (loss) per share:				
Earnings (loss) before extraordinary losses	$ (2.51)	$ 1.86	$ (5.08)	$ 2.73
Extraordinary losses, net of tax effect	(0.03)	—	(0.03)	(0.01)
Diluted earnings (loss) per share	$ (2.54)	$ 1.86	$ (5.11)	$ 2.72
Cash dividends per common share	$ 0.35	$ 0.50	$ 0.70	$ 0.90
Weighted-average common shares outstanding:				
Basic	1,025	973	1,000	973
Diluted	1,025	1,001	1,000	1,001

See Notes to Condensed Consolidated Financial Statements.

FANNIE MAE

Condensed Consolidated Statements of Cash Flows

(Dollars in millions)
(Unaudited)

	For the Six Months Ended June 30, 2008	2007
Cash flows provided by (used in) operating activities:		
Net income (loss)	$ (4,486)	$ 2,908
Amortization of debt cost basis adjustments	4,609	4,763
Provision for credit losses	8,158	683
Derivatives fair value adjustments	399	(1,587)
Purchases of loans held for sale	(27,426)	(15,157)
Proceeds from repayments of loans held for sale	288	307
Net change in trading securities	50,952	3,193
Other, net	(2,561)	1,810
Net cash provided by (used in) operating activities	29,933	(3,080)
Cash flows (used in) provided by investing activities:		
Purchases of trading securities held for investment	(833)	—
Proceeds from maturities of trading securities held for investment	5,069	—
Proceeds from sales of trading securities held for investment	2,481	—
Purchases of available-for-sale securities	(79,331)	(86,254)
Proceeds from maturities of available-for-sale securities	17,689	81,292
Proceeds from sales of available-for-sale securities	76,937	34,085
Purchases of loans held for investment	(37,645)	(30,779)
Proceeds from repayments of loans held for investment	30,997	30,901
Advances to lenders	(51,573)	(24,337)
Net proceeds from disposition of acquired property	(1,397)	801
Net change in federal funds sold and securities purchased under agreements to resell	13,315	(3,781)
Other, net	222	(433)
Net cash (used in) provided by investing activities	(24,069)	1,495
Cash flows provided by financing activities:		
Proceeds from issuance of short-term debt	1,009,691	865,950
Payments to redeem short-term debt	(1,007,819)	(874,401)
Proceeds from issuance of long-term debt	168,545	112,296
Payments to redeem long-term debt	(172,191)	(97,327)
Proceeds from issuance of common and preferred stock	7,211	—
Net change in federal funds purchased and securities sold under agreements to repurchase	(442)	(102)
Other, net	(1,307)	(2,222)
Net cash provided by financing activities	3,688	4,194
Net increase in cash and cash equivalents	9,552	2,609
Cash and cash equivalents at beginning of period	3,941	3,239
Cash and cash equivalents at end of period	$ 13,493	$ 5,848
Cash paid during the period for:		
Interest	$ 19,371	$ 19,336
Income taxes	845	1,888
Non-cash activities:		
Securitization-related transfers from mortgage loans held for sale to investments in securities	$ 23,551	$ 12,391
Net transfers of loans held for sale to loans held for investment	4,441	967
Net deconsolidation transfers from mortgage loans held for sale to investments in securities	(671)	139
Transfers from advances to lenders to investments in securities (including transfers to trading securities of $28,877 and $20,364 for the six months ended June 30, 2008 and 2007, respectively)	52,114	20,379
Net consolidation-related transfers from investments in securities to mortgage loans held for investment	5,628	5,018
Transfers to trading securities from the effect of adopting SFAS 159	56,217	—

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Changes in Stockholders’ Equity

(Dollars and shares in millions, except per share amounts)
(Unaudited)

	Shares Outstanding		Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders’ Equity
	Preferred	Common							
Balance as of December 31, 2006	132	972	$ 9,108	$ 593	$ 1,942	$ 37,955	$ (445)	$ (7,647)	$ 41,506
Cumulative effect from the adoption of FIN 48, net of tax	—	—	—	—	—	4	—	—	4
Balance as of January 1, 2007, adjusted	132	972	9,108	593	1,942	37,959	(445)	(7,647)	41,510
Comprehensive income:									
Net income	—	—	—	—	—	2,908	—	—	2,908
Other comprehensive income, net of tax effect:									
Unrealized losses on available-for-sale securities (net of tax of $1,283)	—	—	—	—	—	—	(2,382)	—	(2,382)
Reclassification adjustment for gains included in net income (net of tax of $147)	—	—	—	—	—	—	(273)	—	(273)
Unrealized gains on guaranty assets and guaranty fee buy-ups (net of tax of $43)	—	—	—	—	—	—	79	—	79
Net cash flow hedging losses (net of tax of $1)	—	—	—	—	—	—	(2)	—	(2)
Prior service cost and actuarial gains, net of amortization for defined benefit plans (net of tax of $1)	—	—	—	—	—	—	2	—	2
Total comprehensive income									332
Common stock dividends ($0.90 per share)	—	—	—	—	—	(880)	—	—	(880)
Preferred stock dividends	—	—	—	—	—	(243)	—	—	(243)
Preferred stock redeemed	(22)	—	(1,100)	—	—	—	—	—	(1,100)
Treasury stock issued for stock options and benefit plans	—	1	—	—	(79)	—	—	130	51
Balance as of June 30, 2007	110	973	$ 8,008	$ 593	$ 1,863	$ 39,744	$ (3,021)	$ (7,517)	$ 39,670
Balance as of December 31, 2007	466	974	$ 16,913	$ 593	$ 1,831	$ 33,548	$ (1,362)	$ (7,512)	$ 44,011
Cumulative effect from the adoption of SFAS 157 and SFAS 159, net of tax	—	—	—	—	—	148	(93)	—	55
Balance as of January 1, 2008, adjusted	466	974	16,913	593	1,831	33,696	(1,455)	(7,512)	44,066
Comprehensive loss:									
Net loss	—	—	—	—	—	(4,486)	—	—	(4,486)
Other comprehensive loss, net of tax effect:									
Unrealized losses on available-for-sale securities (net of tax of $2,299)	—	—	—	—	—	—	(4,270)	—	(4,270)
Reclassification adjustment for gains included in net loss (net of tax of $11)	—	—	—	—	—	—	(21)	—	(21)
Unrealized gains on guaranty assets and guaranty fee buy-ups (net of tax of $4)	—	—	—	—	—	—	7	—	7
Net cash flow hedging gains (net of tax of $1)	—	—	—	—	—	—	1	—	1
Total comprehensive loss									(8,769)
Common stock dividends ($0.70 per share)	—	—	—	—	—	(687)	—	—	(687)
Common stock issued	—	94	—	49	2,477	—	—	—	2,526
Preferred stock dividends	—	—	—	—	—	(625)	—	—	(625)
Preferred stock issued	141	—	4,812	—	(127)	—	—	—	4,685
Treasury stock issued for stock options and benefit plans	—	2	—	—	(187)	—	—	217	30
Balance as of June 30, 2008	607	1,070	$ 21,725	$ 642	$ 3,994	$ 27,898	$ (5,738)	$ (7,295)	$ 41,226

See Notes to Condensed Consolidated Financial Statements.

Supplemental Non-GAAP Consolidated Fair Value Balance Sheets

	As of June 30, 2008			As of December 31, 2007		
	GAAP Carrying Value	Fair Value Adjustment(1)	Estimated Fair Value	GAAP Carrying Value	Fair Value Adjustment(1)	Estimated Fair Value(2)
	(Dollars in millions)					
Assets:						
Cash and cash equivalents	$ 13,681	$ —	$ 13,681(3)	$ 4,502	$ —	$ 4,502(3)
Federal funds sold and securities purchased under agreements to resell	35,694	—	35,694(3)	49,041	—	49,041(3)
Trading securities	99,562	—	99,562(3)	63,956	—	63,956(3)
Available-for-sale securities	245,226	—	245,226(3)	293,557	—	293,557(3)
Mortgage loans:						
Mortgage loans held for sale	6,931	79	7,010(4)	7,008	75	7,083(4)
Mortgage loans held for investment, net of allowance for loan losses	411,300	(2,526)	408,774(4)	396,516	70	396,586(4)
Guaranty assets of mortgage loans held in portfolio	—	3,925	3,925(4)(5)	—	3,983	3,983(4)(5)
Guaranty obligations of mortgage loans held in portfolio	—	(9,074)	(9,074)(4)(5)	—	(4,747)	(4,747)(4)(5)
Total mortgage loans	418,231	(7,596)	410,635(3)(4)	403,524	(619)	402,905(3)(4)
Advances to lenders	9,459	(223)	9,236(3)	12,377	(328)	12,049(3)
Derivative assets at fair value	1,013	—	1,013(3)	885	—	885(3)
Guaranty assets and buy-ups, net	11,402	5,167	16,569(3)(5)	10,610	3,648	14,258(3)(5)
Total financial assets	834,268	(2,652)	831,616(3)	838,452	2,701	841,153(3)
Master servicing assets and credit enhancements	1,561	5,607	7,168(5)(6)	1,783	2,844	4,627(5)(6)
Other assets	50,089	16,121	66,210(6)(7)	39,154	5,418	44,572(6)(7)
Total assets	$ 885,918	$ 19,076	$ 904,994	$ 879,389	$ 10,963	$ 890,352
Liabilities:						
Federal funds purchased and securities sold under agreements to repurchase	$ 443	$ (5)	$ 438(3)	$ 869	$ —	$ 869(3)
Short-term debt	240,223(8)	33	240,256(3)	234,160	208	234,368(3)
Long-term debt	559,279(8)	13,267	572,546(3)	562,139	18,194	580,333(3)
Derivative liabilities at fair value	1,712	—	1,712(3)	2,217	—	2,217(3)
Guaranty obligations	16,441	43,336	59,777(3)	15,393	5,156	20,549(3)
Total financial liabilities	818,098	56,631	874,729(3)	814,778	23,558	838,336(3)
Other liabilities	26,430	(8,781)	17,649(9)	20,493	(4,383)	16,110(9)
Total liabilities	844,528	47,850	892,378	835,271	19,175	854,446
Minority interests in consolidated subsidiaries	164	—	164	107	—	107
Stockholders' Equity (Deficit):						
Preferred	21,725	(3,883)	17,842(10)	16,913	(1,565)	15,348(10)
Common	19,501	(24,891)	(5,390)(11)	27,098	(6,647)	20,451(11)
Total stockholders' equity/non-GAAP fair value of net assets	**$ 41,226**	**$ (28,774)**	**$ 12,452**	**$ 44,011**	**$ (8,212)**	**$ 35,799**
Total liabilities and stockholders' equity	$ 885,918	$ 19,076	$ 904,994	$ 879,389	$ 10,963	$ 890,352

See Explanation and Reconciliation of Non-GAAP Measures to GAAP Measures

Explanation and Reconciliation of Non-GAAP Measures to GAAP Measures

(1) Each of the amounts listed as a "fair value adjustment" represents the difference between the carrying value included in our GAAP condensed consolidated balance sheets and our best judgment of the estimated fair value of the listed item.

(2) Certain prior period amounts have been reclassified to conform to the current period presentation.

(3) We determined the estimated fair value of these financial instruments in accordance with the fair value guidelines outlined in SFAS No. 157, as described in "Notes to Condensed Consolidated Financial Statements—Note 17, Fair Value of Financial Instruments." In Note 17, we also disclose the carrying value and estimated fair value of our total financial assets and total financial liabilities as well as discuss the methodologies and assumptions we use in estimating the fair value of our financial instruments.

(4) We have separately presented the estimated fair value of "Mortgage loans held for sale," "Mortgage loans held for investment, net of allowance for loan losses," "Guaranty assets of mortgage loans held in portfolio" and "Guaranty obligations of mortgage loans held in portfolio," which, taken together, represent total mortgage loans reported in our GAAP condensed consolidated balance sheets. In order to present the fair value of our guarantees in these non-GAAP consolidated fair value balance sheets, we have separated (i) the embedded fair value of the guaranty assets, based on the terms of our intra-company guaranty fee allocation arrangement, and the embedded fair value of the obligation from (ii) the fair value of the mortgage loans held for sale and the mortgage loans held for investment. We believe this presentation provides transparency into the components of the fair value of the mortgage loans associated with the activities of our guaranty businesses and the components of the activities of our capital markets business, which is consistent with the way we manage risks and allocate revenues and expenses for segment reporting purposes. While the carrying values and estimated fair values of the individual line items may differ from the amounts presented in Note 17 of the condensed consolidated financial statements, the combined amounts together equal the carrying value and estimated fair value amounts of total mortgage loans in Note 17.

(5) In our GAAP condensed consolidated balance sheets, we report the guaranty assets associated with our outstanding Fannie Mae MBS and other guarantees as a separate line item and include buy-ups, master servicing assets and credit enhancements associated with our guaranty assets in "Other assets." The GAAP carrying value of our guaranty assets reflects only those guaranty arrangements entered into subsequent to our adoption of FIN No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FIN No. 34)* ("FIN 45"), on January 1, 2003. On a GAAP basis, our guaranty assets totaled $10.3 billion and $9.7 billion as of June 30, 2008 and December 31, 2007, respectively. The associated buy-ups totaled $1.1 billion and $944 million as of June 30, 2008 and December 31, 2007, respectively. In our non-GAAP supplemental consolidated fair value balance sheets, we also disclose the estimated guaranty assets and obligations related to mortgage loans held in our portfolio. The aggregate estimated fair value of the guaranty asset-related components totaled $18.6 billion and $18.1 billion as of June 30, 2008 and December 31, 2007, respectively. These components represent the sum of the following line items in this table: (i) Guaranty assets of mortgage loans held in portfolio; (ii) Guaranty obligations of mortgage loans held in portfolio, (iii) Guaranty assets and buy-ups; and (iv) Master servicing assets and credit enhancements. See "Critical Accounting Policies and Estimates—Change in Measuring the Fair Value of Guaranty Obligations."

(6) The line items "Master servicing assets and credit enhancements" and "Other assets" together consist of the assets presented on the following five line items in our GAAP condensed consolidated balance sheets: (i) Accrued interest receivable; (ii) Acquired property, net; (iii) Deferred tax assets; (iv) Partnership investments; and (v) Other assets. The carrying value of these items in our GAAP condensed consolidated balance sheets together totaled $52.8 billion and $41.9 billion as of June 30, 2008 and December 31, 2007, respectively. We deduct the carrying value of the buy-ups associated with our guaranty obligation, which totaled $1.1 billion and $944 million as of June 30, 2008 and December 31, 2007, respectively, from "Other assets" reported in our GAAP condensed consolidated balance sheets because buy-ups are a financial instrument that we combine with guaranty assets in our SFAS 107 disclosure in Note 17. We have estimated the fair value of master servicing assets and credit enhancements based on our fair value methodologies discussed in Note 17.

(7) With the exception of partnership investments and deferred tax assets, the GAAP carrying values of other assets generally approximate fair value. While we have included partnership investments at their carrying value in each of the non-GAAP supplemental consolidated fair value balance sheets, the fair values of these items are generally different from their GAAP carrying values, potentially materially. Our LIHTC partnership investments had a carrying value of $7.0 billion and $8.1 billion and an estimated fair value of $7.9 billion and $9.3 billion as of June 30, 2008 and December 31, 2007, respectively. We assume that certain other assets, consisting primarily of prepaid expenses, have no fair value. Our GAAP-basis deferred tax assets are described in "Notes to Condensed Consolidated Financial Statements—Note 10, Income Taxes." In addition to the GAAP-basis deferred income tax amounts included in "Other assets," we include in our non-GAAP supplemental consolidated fair value balance sheets the estimated income tax effect related to the fair value adjustments made to derive the fair value of our net assets. Because our adjusted deferred income taxes are a net asset in each year, the amounts are included in our non-GAAP fair value balance sheets as a component of other assets.

(8) Includes certain short-term debt and long-term debt instruments reported in our GAAP condensed consolidated balance sheet at fair value as of June 30, 2008 of $4.5 billion and $22.5 billion, respectively.

(9) The line item "Other liabilities" consists of the liabilities presented on the following four line items in our GAAP condensed consolidated balance sheets: (i) Accrued interest payable; (ii) Reserve for guaranty losses; (iii) Partnership liabilities; and (iv) Other liabilities. The carrying value of these items in our GAAP condensed consolidated balance sheets together totaled $26.4 billion and $20.5 billion as of June 30, 2008 and December 31, 2007, respectively. The GAAP carrying values of these other liabilities generally approximate fair value. We assume that certain other liabilities, such as deferred revenues, have no fair value. Although we report the "Reserve for guaranty losses" as a separate line item on our condensed consolidated balance sheets, it is incorporated into and reported as part of the fair value of our guaranty obligations in our non-GAAP supplemental condensed consolidated fair value balance sheets.

(10) "Preferred stockholders' equity" is reflected in our non-GAAP supplemental condensed consolidated fair value balance sheets at the estimated fair value amount.

(11) "Common stockholders' equity" consists of the stockholders' equity components presented on the following five line items in our GAAP consolidated balance sheets: (i) Common stock; (ii) Additional paid-in capital; (iii) Retained earnings; (iv) Accumulated other comprehensive loss; and (v) Treasury stock, at cost. "Common stockholders' equity" is the residual of the excess of the estimated fair value of total assets over the estimated fair value of total liabilities, after taking into consideration preferred stockholders' equity and minority interest in consolidated subsidiaries.

Exhibit 99.2

Fannie Mae
2008 Q2 10-Q Investor Summary

August 8, 2008

FannieMae

- These materials present tables and other information about Fannie Mae, including information contained in Fannie Mae's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 ("2008 Q2 Form 10-Q"). These materials should be reviewed together with the 2008 Q2 Form 10-Q, copies of which are available on the company's Web site at www.fanniemae.com under the "Investor Relations" section of the Web site.
- More complete information about Fannie Mae, its business, business segments, financial condition and results of operations is contained in its 2008 Q2 Form 10-Q, which also includes additional information relating to the information contained in this presentation. Footnotes to certain included tables have been omitted but are included in the 2008 Q2 Form 10-Q.

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Forward Looking Statements/Risk Factors

This presentation includes forward-looking statements, including statements relating to our future capital position and liquidity, financial performance and condition, ability to take advantage of business opportunities, loss reserves, and credit losses; the fair value of our net assets; our expectations regarding the housing, credit and mortgage markets; volatility in our results; and our future credit loss ratio. Future results may differ materially from what is indicated in these forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, our results of operations for the remainder of 2008; further disruptions in the housing, mortgage and capital markets; greater than expected delinquencies, defaults and credit losses on the mortgages we hold or guaranty; changes to U.S. generally accepted accounting principles or practices, including changes that may result in our consolidating more assets and liabilities onto our consolidated balance sheets; any significant limitation on our ability to issue debt at attractive rates; continued or increased impairments, delinquencies and losses on subprime and Alt-A mortgage loans that back our private-label mortgage-related securities investments; a default by one or more of our significant institutional counterparties on its obligations to us; any significant limitation on our ability to realize our deferred tax assets in future periods; the effect on our business of legislation and other regulatory actions; actions taken by our regulators pursuant to the recently-enacted Federal Housing Finance Regulatory Reform Act of 2008; changes in the public's perception of the risks to and financial prospects of our business or industry; the level and volatility of interest rates and credit spreads; further declines in home prices in excess of our current expectations; a recession or other economic downturn; the loss of business volume from any of our key lender customers; and significant events relating to our business or industry, as well as others described in the "Risk Factors" sections in Fannie Mae's annual report on Form 10-K for the year ended December 31, 2007 ("2007 Form 10-K") and 2008 Q2 Form 10-Q and in its reports on Form 8-K.

Other terms used but not defined in this presentation may be defined in our 2007 Form 10-K or 2008 Q2 Form 10-Q.

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2008 Q2 Executive Summary

- **Net loss increased $114 million from ($2.2 billion) in 2008 Q1 to ($2.3 billion) in 2008 Q2. Loss per share decreased $0.03 from ($2.57) in 2008 Q1 to ($2.54) in 2008 Q2 as a result of issuing additional shares of common stock during 2008 Q2.**
  - Net revenues were $4.0 billion, up $189 million, or 5.0%, driven by an increase in net interest income.
  - Fair value gains of $517 million for 2008 Q2 include derivatives gains, partially offset by losses on trading securities and hedged mortgage assets. Additionally, a lower level of trading losses was incurred in 2008 Q2 due to a tightening of spreads.
  - Investment losses, net of $883 million included impairments of AFS securities of $507 million reflecting a reduction in expected cash flows for primarily Alt-A and subprime private-label securities, driven by higher expected defaults and loss severities on the underlying mortgages.
  - Credit-related expenses (provision for credit losses plus foreclosed property expense) increased to $5.3 billion in 2008 Q2 from $3.2 billion in 2008 Q1, primarily driven by higher charge-offs and an increase in our combined loss reserves of $3.7 billion. This reflects higher delinquencies, defaults and average loan loss severities, driven by home price declines and overall economic weakness. For 2008 Q2, the average default rate and average initial charge-off severity rate were 14% and 23%, respectively, compared to 12% and 19% for 2008 Q1, respectively.
  - Tax benefit of $476 million decreased $2.5 billion from prior quarter, due in part to a lower pre-tax loss and a revision of our forecasted annual effective tax rate from 57% in 2008 Q1 to 43% in 2008 Q2.
- **Fannie Mae issued $7.4 billion in new capital during 2008 Q2.**
  - Public offerings of common stock, non-cumulative mandatory convertible preferred stock, and non-cumulative, non-convertible preferred stock.
- **Core capital of $47.0 billion at end of 2008 Q2 is above both our statutory minimum capital requirement, a surplus of $14.3 billion, and the OFHEO-directed minimum capital requirement, a surplus of $9.4 billion.**
- **Updated credit expectations**
  - Currently forecasting a credit loss ratio of 23 to 26 basis points for 2008, as compared to our previous guidance of 13 to 17 bps.
  - Anticipate that our credit loss ratio will increase in 2009 relative to 2008.
  - We expect that 2008 will be our peak year for credit-related expenses as we build our combined loss reserves in anticipation of charge-offs that we expect to incur in 2009 and 2010.
  - We also expect that the total amount of our credit-related expenses will be significant in 2009.
- **Credit and capital management remain a top focus of the company.**
- **Announced additional guaranty fee price increase effective October 1, 2008.**
- **Addressing market-related volatility impact on earnings and capital.**
  - In mid-April 2008, we implemented hedge accounting, which decreased the interest rate volatility in our earnings from derivative mark-to-market changes.

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Management Actions on Capital and Credit

- **Reduction in Quarterly Common Stock Dividend**
  - Reduced from 35 cents per share to 5 cents per share, effective for the third quarter to preserve $1.9 billion in capital through 2009
- **Cost Reductions**
  - Reduced administrative expenses from $3.1 billion in 2006 to an expected approximately $2.0 billion in 2008
  - Ongoing operating expenses to be reduced by 10% by year end 2009
- **Guaranty Fee Increase**
  - Four increases in last twelve months, including a 25 basis point increase in our adverse market delivery charge and other risk-based pricing changes announced August 4, 2008
- **Balance Sheet Activities**
  - Providing market liquidity will be the priority. Purchases to be concentrated in high-spread assets to generate the maximum amount of revenue per dollar of capital
  - Balancing profitable portfolio growth opportunities in the near term with prudent capital conservation through the current housing cycle
- **Credit Risk Management**
  - New underwriting guidelines will eliminate newly originated Alt-A loans
  - Substantial expansion of loss mitigation activities, personnel and initiatives to further increase workouts of problem loans
  - Increase in reviews of defaulted loans to pursue recoveries from lenders, focusing especially on our Alt-A book
  - Opening offices in Florida and California to manage the sales of REO properties in those states

Federal Housing Finance Regulatory Reform Act of 2008

- **Creates an independent agency, the Federal Housing Finance Agency (FHFA), to regulate Fannie Mae, Freddie Mac, and the FHLBs, which is responsible for mission and safety and soundness oversight.**
- **New Regulatory Authorities**
  - *Capital:* FHFA may increase Fannie Mae's minimum and risk-based capital requirements.
  - *Portfolio:* FHFA must set standards for oversight of our portfolio holdings, and may require us to dispose of or acquire assets.
  - *Products:* Fannie Mae must obtain FHFA's approval before initially offering a product.
- **Affordable Housing Mission**
  - *Goals*: For 2010 and thereafter, FHFA will establish three single-family home purchase goals, one single-family refinance goal, and one multifamily goal for low-income families. For 2009, the 2008 goals will remain in effect, except that FHFA may make adjustments consistent with market conditions.
  - *Duty to Serve*: For 2010 and thereafter, Fannie Mae must provide market leadership in developing loan products and flexible underwriting guidelines for manufactured housing, affordable housing preservation, and rural housing.
  - *Allocations*: Fannie Mae must allocate an amount each year equal to 4.2 bps for each dollar of UPB of our total new business purchases, to fund certain government programs.
- **Other Provisions**
  - *Loan Limits*: Fannie Mae's loan limit in high cost areas is permanently increased to the lower of 115% of the area median house price or 150% of the conforming loan limit, currently $625,500. This permanent increase becomes effective on January 1, 2009, when the temporary high cost area loan limits set by the Economic Stimulus Act of 2008 expire.
  - *Treasury Authority*: Until December 31, 2009, the U.S. Treasury may buy Fannie Mae obligations and other securities, on such terms and in such amounts as Treasury may determine, subject to Fannie Mae's agreement.

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Consolidated Financial Results

(dollars in millions, except per share amounts)	Detail on slide:	2008 Q2	2008 Q1	2007 Q4 [1]	2007 Q3 [1]	2007 Q2 [1]
1 Net interest income	8	$ 2,057	$ 1,690	$ 1,136	$ 1,058	$ 1,193
2 Guaranty fee income	9	1,608	1,752	1,621	1,232	1,120
3 Trust management income		75	107	128	146	150
4 Fee and other income		225	227	214	217	257
5 Net revenues		**3,965**	**3,776**	**3,099**	**2,653**	**2,720**
6 Fair value gains (losses), net	11,12	517	(4,377)	(3,439)	(2,087)	1,424
7 Investment losses, net	19	(883)	(111)	(915)	(154)	(93)
8 Losses from partnership investments		(195)	(141)	(478)	(147)	(215)
9 Losses on certain guaranty contracts [2]		-	-	(386)	(294)	(461)
10 Credit-related expenses	14	(5,349)	(3,243)	(2,973)	(1,200)	(518)
11 Administrative expenses		(512)	(512)	(651)	(660)	(660)
12 Other non-interest expenses		(286)	(505)	(427)	(95)	(60)
13 Net losses and expenses		**(6,708)**	**(8,889)**	**(9,269)**	**(4,637)**	**(583)**
14 Income (loss) before federal income taxes and extraordinary gains (losses)		(2,743)	(5,113)	(6,170)	(1,984)	2,137
15 Benefit (provision) for federal income taxes		476	2,928	2,623	582	(187)
16 Extraordinary gains (losses), net of tax effect		(33)	(1)	(12)	3	(3)
17 Net income (loss)		**$ (2,300)**	**$ (2,186)**	**$ (3,559)**	**$ (1,399)**	**$ 1,947**
18 Diluted earnings (loss) per common share		$ (2.54)	$ (2.57)	$ (3.80)	$ (1.56)	$ 1.86

[1] Certain amounts have been reclassified to conform to the current period presentation.

[2] 2008 amounts reflect a change in valuation methodology in conjunction with the adoption of SFAS 157 on January 1, 2008.

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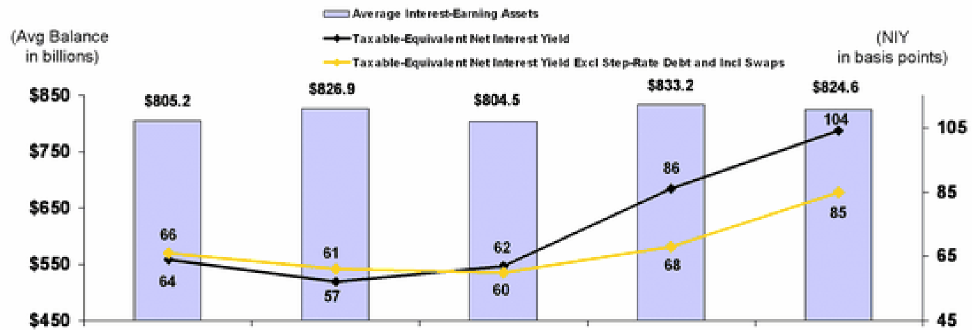
Taxable-Equivalent Net Interest Income (NII) and Net Interest Yield (NIY)



(dollars in millions)	2007 Q2 NII	2007 Q2 NIY(bps)	2007 Q3 NII	2007 Q3 NIY(bps)	2007 Q4 NII	2007 Q4 NIY(bps)	2008 Q1 NII	2008 Q1 NIY(bps)	2008 Q2 NII	2008 Q2 NIY(bps)
Contractual NII/NIY	$ 1,209	61	$ 1,207	59	$ 1,353	68	$ 1,507	72	$ 2,013	98
Amortization income (expense), net [1]	(16)	(1)	(149)	(7)	(217)	(10)	183	10	44	2
GAAP NII/NIY	1,193	60	1,058	52	1,136	58	1,690	82	2,057	100
Taxable-equivalent adjmt (tax rate of 35%)	90	4	87	5	85	4	83	4	82	4
Taxable-equivalent NII/NIY	1,283	64	1,145	57	1,221	62	1,773	86	2,139	104
Less: step-rate debt interest reversal	(19)	(1)	(28)	(1)	(96)	(5)	(347)	(17)	(85)	(4)
Taxable-equivalent NII/NIY excl step-rate debt	$ 1,264	63	$ 1,117	56	$ 1,125	57	$ 1,426	69	$ 2,054	100
Swap interest income (expense) accruals	$ 64	3	$ 95	5	$ 68	3	$ (26)	(1)	$ (304)	(15)

[1] Includes amortization and accretion of premiums, discounts and other cost basis adjustments, accretion of SOP 03-3 fair value losses, and the interest expense adjustment from the call of step-rate debt.

- We recognize net contractual interest income (expense) on interest rate swaps, which has an economic effect on our funding costs. However, this interest is not reflected in net interest income or in the net interest yield, but instead is recorded as a component of fair value gains (losses).
- SOP 03-3 accretion increased net interest income and the net interest yield by $53 million and 3 bps in 2008 Q2, $35 million and 2 bps in 2008 Q1, $38 million and 2 bps in 2007 Q4, $21 million and 1 bp in 2007 Q3, and $14 million and 1 bp in 2007 Q2, respectively.

Increase in taxable-equivalent net interest yield reflects the benefits of lower short-term interest rates.

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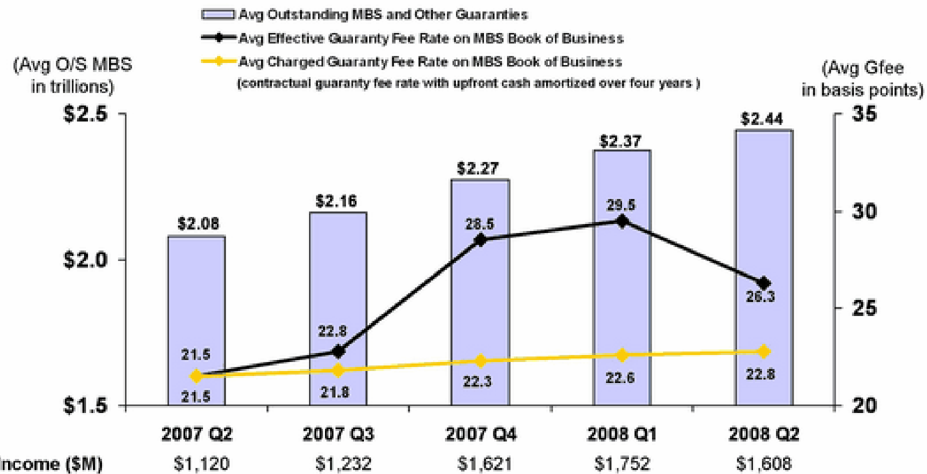
Guaranty Fee Income



	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2
Guaranty Fee Income ($M)	$1,120	$1,232	$1,621	$1,752	$1,608

- Decrease in average effective guaranty fee rate for 2008 Q2 reflects a reduction in amortization of deferred income due to the increase in interest rates and slower prepayment assumptions in the quarter.
- Price changes went into effect on March 1, 2008 and June 1, 2008. The impact of price increases was partially offset by a significant decline in acquisitions of higher-risk, higher-priced product, such as Alt-A.
- On August 4, 2008, we announced additional price increases, including a 25 basis point increase in our adverse market delivery charge and other risk-based pricing changes effective October 1, 2008.
- Accretion of deferred amounts on guaranty contracts where we previously recognized losses at the inception of the contract increased guaranty fee income by $127 million in 2008 Q2, $297 million in 2008 Q1, $276 million in 2007 Q4, $144 million in 2007 Q3, and $91 million in 2007 Q2.
- Net guaranty obligation at the end of 2008 Q2 of $6.2 billion will effectively accrete into guaranty fee income over time.

Lower amortization income due to interest rate increase resulted in lower guaranty fee income in 2008 Q2.

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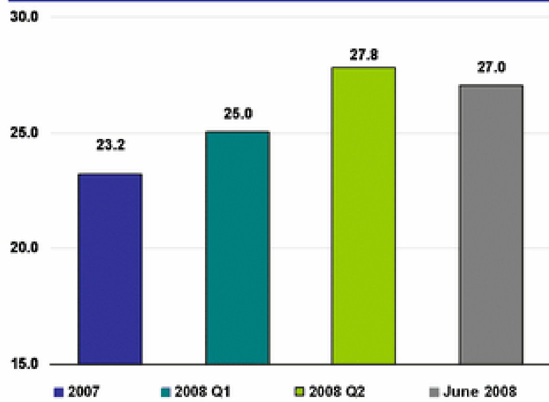
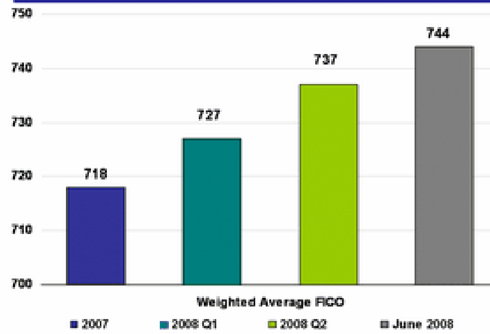
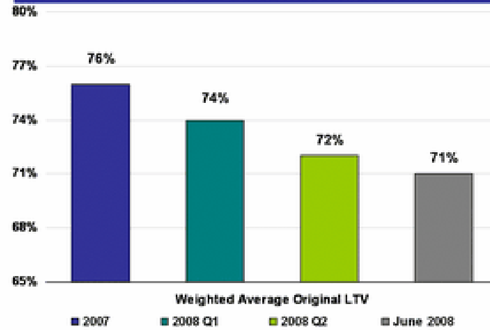
Single-Family Pricing and Credit – Flow Business



Note: Average charged guaranty fee rate includes contractual guaranty fee with upfront cash amortized over four years.

- Data in each chart includes Fannie Mae's "flow" business only.
- Average charged fee in June 2008 reflects the reduction in higher risk, higher fee loan products.





Improved credit and pricing metrics on new acquisitions.

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Fair Value Items

Effect on 2008 Q2 Results of Operations of Significant Market-Based Valuation Adjustments

(dollars in millions)	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2
Derivatives fair value gains (losses), net	$ 2,293	$ (3,003)	$ (3,222)	$ (2,244)	$ 1,916
Hedged mortgage assets losses, net	(803)	-	-	-	-
Trading securities gains (losses), net	(965)	(1,227)	(215)	290	(501)
Debt foreign exchange gains (losses), net	(12)	(157)	(2)	(133)	9
Debt fair value gains, net	4	10	-	-	-
Fair value gains (losses), net	517	(4,377)	(3,439)	(2,087)	1,424
SOP 03-3 fair value losses	(380)	(728)	(559)	(670)	(66)
Losses on certain guaranty contracts	-	-	(386)	(294)	(461)
Total	$ 137	$ (5,105)	$ (4,384)	$ (3,051)	$ 897

- **Reduced market-related volatility impact of fair value items on earnings and capital:**
  - Implemented hedge accounting in mid-April 2008, which had the effect of reducing the volatility in earnings due to our derivatives mark-to-market associated with changes in interest rates.
    - Net derivatives fair value gains recorded for the quarter were largely offset by net losses on trading securities and hedged mortgage assets, which were driven by an increase in interest rates in the quarter.
  - The lower level of net losses on trading securities reflects the tightening of spreads in 2008 Q2.
  - Losses on certain guaranty contracts were eliminated as a result of adopting SFAS 157 on January 1, 2008.
  - In connection with adoption of SFAS 159 on January 1, 2008, selected agency MBS were moved to mark-to-market accounting to reduce the impact of changing interest rates on derivatives mark-to-market.

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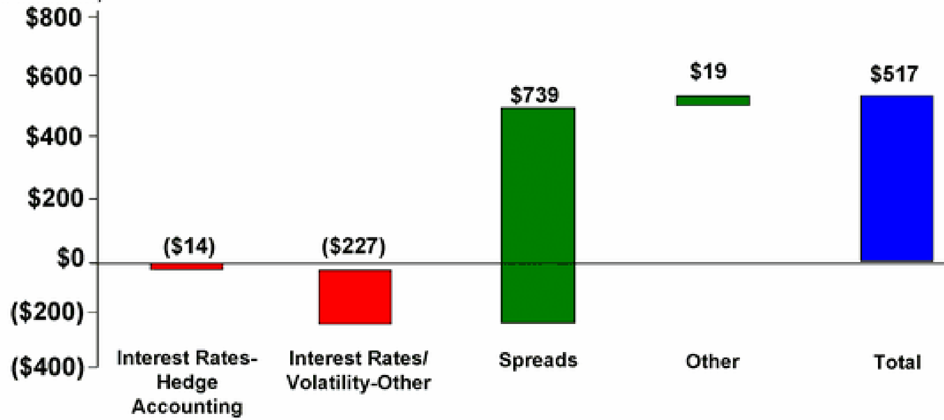
Fair Value Items

2008 Q2 Estimated Attribution of Fair Value Gains, Net



(dollars in millions)

	Interest Rates-Hedge Accounting	Interest Rates/Volatility-Other	Spreads	Other	Total
Derivatives	$ 789	$ 1,477	$ -	$ 27	$ 2,293
Trading	-	(1,704)	739	-	(965)
Hedging	(803)	-	-	-	(803)
Other	-	-	-	(8)	(8)
Total	$ (14)	$ (227)	$ 739	$ 19	$ 517

Hedge accounting and trading assets reduced volatility caused by changes in interest rates during the quarter. Spread risk remains in the trading portfolio.

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Spread Sensitivity in Mortgage Securities Trading Portfolio

(dollars in millions)
gains (losses) pre-tax

Product	As of June 30, 2008 Fair Value	As of June 30, 2008 Spread Sensitivity (OAS + 1 bp)[1]	As of March 31, 2008 Fair Value	As of March 31, 2008 Spread Sensitivity (OAS + 1 bp)[1]
Trading portfolio mortgage securities				
Fixed Rate MBS	$ 37,322	$ (14)	$ 39,325	$ (12)
Agency CMOs	12,264	(6)	12,270	(6)
CMBS	10,461	(6)	10,936	(6)
ARM MBS	6,709	(2)	7,083	(1)
PLS	6,558	(2)	6,981	(2)
Municipals bonds	717	(1)	779	(1)
Total	$ 74,031	$ (31)	$ 77,374	$ (28)

[1] Reflects change in fair value from a 1 basis point increase in option-adjusted spreads (OAS).

Changes in spreads on trading securities have an impact on income and capital.

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Credit-Related Expenses/Credit Loss Performance Metrics

(dollars in millions)	2008 Q2 Amount	2008 Q2 Rate (bps) [1]	2008 Q1 Amount	2008 Q1 Rate (bps) [1]	2007 Q4 Amount	2007 Q4 Rate (bps) [1][2]	2007 Q3 Amount	2007 Q3 Rate (bps) [1][2]	2007 Q2 Amount	2007 Q2 Rate (bps) [1][2]
Charge-offs, net of recoveries [3]	$ 945	13.2	$ 630	9.0	$ 307	4.6	$ 197	3.0	$ 154	2.5
Foreclosed property expense [3]	308	4.3	250	3.6	233	3.5	146	2.3	96	1.5
Credit losses, excluding the impact of SOP 03-3 and HSA	**1,253**	**17.5**	**880**	**12.6**	**540**	**8.1**	**343**	**5.3**	**250**	**4.0**
SOP 03-3 and HSA fair value losses	494	6.9	728	10.5	559	8.3	670	10.5	66	1.1
Impact of SOP 03-3 and HSA on charge-offs and foreclosed property expense	(129)	(1.8)	(169)	(2.4)	(110)	(1.6)	(62)	(1.0)	(26)	(0.4)
Credit losses, including the impact of SOP 03-3 and HSA	**1,618**	**22.6**	**1,439**	**20.7**	**989**	**14.8**	**951**	**14.8**	**290**	**4.7**
Increase in allowance for loan losses and reserve for guaranty losses	3,731		1,804		1,984		249		228	
Credit-related expenses	**$ 5,349**		**$ 3,243**		**$ 2,973**		**$ 1,200**		**$ 518**	
Allowance for loan losses and reserve for guaranty losses	$ 8,926		$ 5,195		$ 3,391		$ 1,407		$ 1,158	
Percent of allowance for loan losses and reserve for guaranty losses to the guaranty book of business	0.31%		0.18%		0.12%		0.05%		0.05%	
Coverage ratio [4]	2.4		2.1		2.8		1.8		1.9	
Single-family serious delinquency rate	1.36%		1.15%		0.98%		0.78%		0.64%	

[1] Rates are annualized.

[2] We previously calculated our credit loss ratio based on annualized credit losses as a percentage of our mortgage credit book of business, which includes non-Fannie Mae mortgage-related securities held in our mortgage investment portfolio that we do not guarantee. Because losses related to non-Fannie Mae mortgage-related securities are not reflected in our credit losses, we revised the calculation of our credit loss ratio to reflect credit losses as a percentage of our guaranty book of business.

[3] Excludes estimated impact of SOP 03-3 and HomeSaver Advance (HSA).

[4] Allowance for loan losses and reserve for guaranty losses divided by annualized net charge-offs (excluding SOP 03-3 and HSA).

- Credit loss ratio (excluding the impact of SOP 03-3 and HomeSaver Advance) increased to 17.5 bps in 2008 Q2 from 12.6 bps in 2008 Q1.
- Allowance for loan losses and reserve for guaranty losses are influenced by a variety of factors such as delinquency trends, borrower behavior in rapidly declining markets, and the pace and depth of home price declines, particularly pronounced in certain regions.
- We expect our 2008 credit loss ratio to be within a range of 23 to 26 bps. We expect that our credit loss ratio will increase in 2009 relative to 2008.
- We expect our credit-related expenses to peak in 2008. We expect that the majority of the credit-related expenses that we will realize from our 2006 and 2007 vintages will be recognized by the end of 2008 through the combination of charge-offs, foreclosed property expense, and increases to our combined loss reserves, although we expect that the total amount of our credit-related expenses will be significant in 2009.

Allowance for loan losses and reserve for guaranty losses grew as a result of the continued decline in home prices, which resulted in higher delinquencies, defaults and average loan loss severity. Credit remains a key focus of the company.

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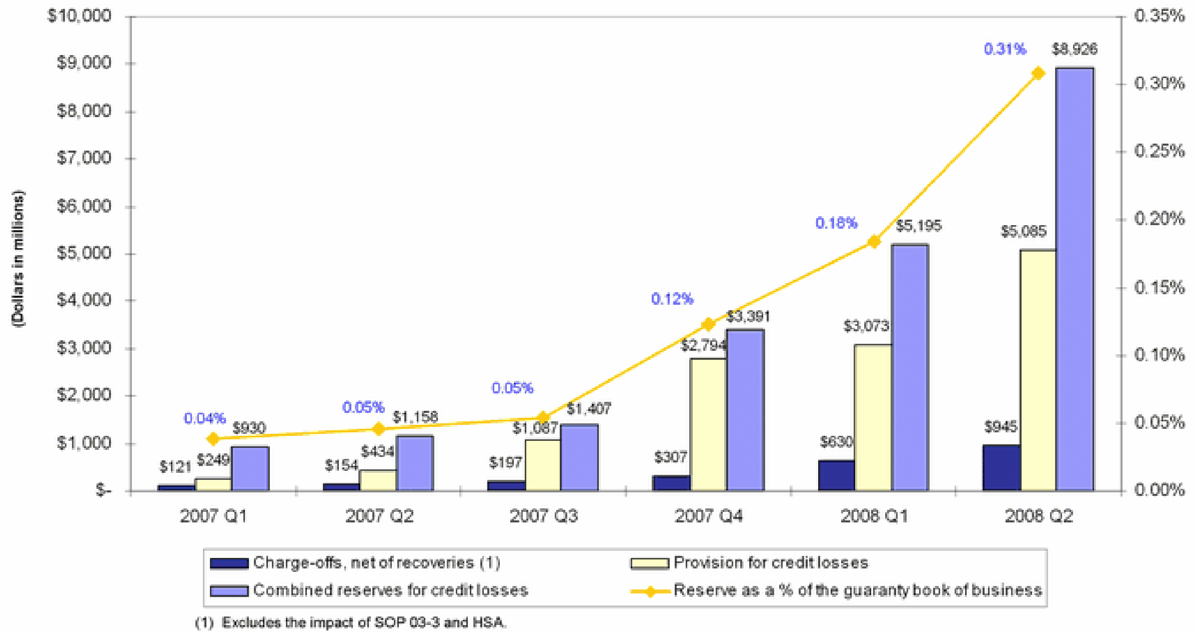
Allowance for Loan Losses and Reserve for Guaranty Losses



(1) Excludes the impact of SOP 03-3 and HSA.

Substantial increase in combined loss reserves in 2008 Q1 and Q2.

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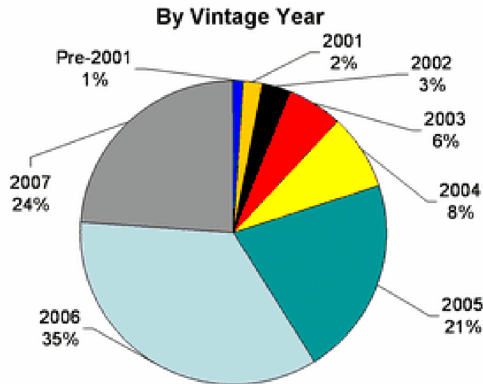
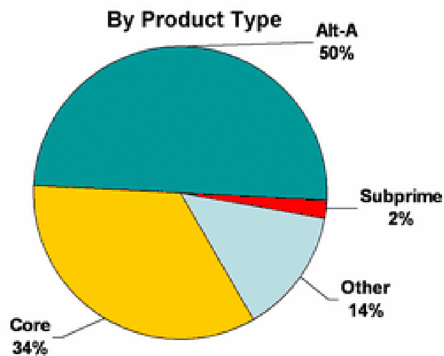
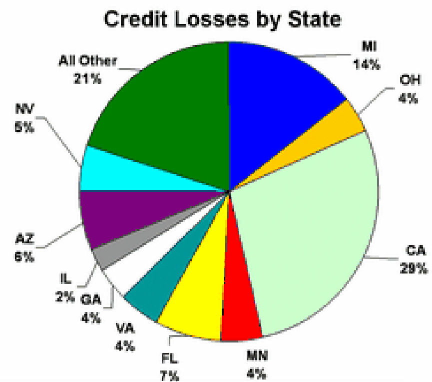
Single-Family Credit Losses for 2008 Q2 By Vintage/Product



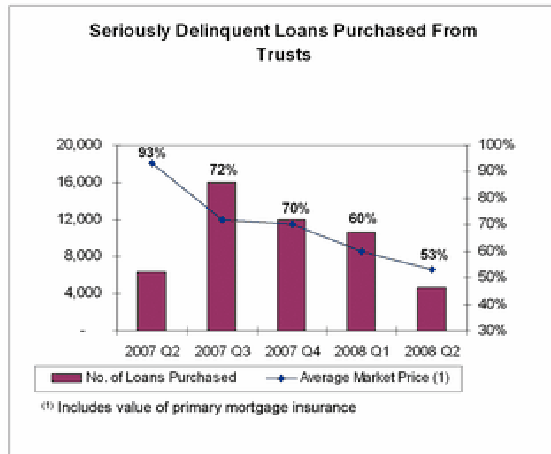
- The 2006 and 2007 books are performing significantly worse than typical given their age, primarily as a result of loans that were originated at peak home prices.
- Losses from Alt-A products increased, making up almost 50% of total credit losses.
- California has surpassed Michigan to represent the largest credit losses in 2008 Q2 due to higher loan balances and representation of Alt-A.





Credit losses increased due to continued home price declines and overall economic weakness.

Losses on Seriously Delinquent Loans Purchased from Trusts/Cure Rates



Re-performance Rates of Seriously Delinquent Single-Family Loans Purchased from MBS Trusts

	Period Loans Purchased from MBS Trusts *						
	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007	2006
Cured [1]	45%	60%	48%	37%	52%	46%	66%
Defaults [2]	2%	5%	16%	31%	21%	24%	23%
90 days or more delinquent	53%	35%	36%	32%	27%	30%	11%
Total	100%	100%	100%	100%	100%	100%	100%

* Status as of June 30, 2008.

[1] In our experience, it generally takes at least 18 to 24 months to assess the ultimate re-performance of a delinquent loan. Accordingly, these re-performance statistics as of June 30, 2008 for delinquent loans purchased from MBS trusts during 2008 and 2007 may not be indicative of the ultimate long-term performance of these loans.

Cured consists of loans cured with and without modification. Loans that are cured without modification consist of the following: (1) loans that are brought current without modification; (2) loans that are paid in full; (3) loans that are repurchased by lenders; (4) loans that have not been modified but are returned to accrual status because they are less than 90 days delinquent; (5) loans for which default is resolved through long-term forbearance; and (6) loans for which default is resolved through a repayment plan. Loans that are cured with modification consist of loans that are brought current or are less than 90 days delinquent as a result of resolution of the default under the loan through the following: (1) a modification that does not result in a concession to the borrower, or (2) a modification that results in a concession to a borrower, which is referred to as a troubled debt restructuring.

[2] Consists of foreclosures, preforeclosure sales, sales to third parties and deeds in lieu of foreclosures.

- As a result of a reduction in the number of seriously delinquent loans purchased from MBS trusts, SOP 03-3 losses decreased in 2008 Q2 as compared with 2008 Q1 even though the average market price of loans purchased fell from 60% in 2008 Q1 to 53% in 2008 Q2.
- We expect that HomeSaver Advance™, initiated in March 2008, will continue to reduce the number of loans that we otherwise would have purchased out of MBS trusts in 2008. As of June 30, 2008, we held 17,901 HomeSaver Advance loans for $127 million in total advances provided to these borrowers with a carrying value of $4 million.
- Although we have decreased the number of our optional loan purchases since the end of 2007, we expect that our SOP 03-3 fair value losses for 2008 will be higher than the losses recorded for 2007 based on the number of required and optional loans we purchased from MBS trusts during the first six months of 2008 and the continued weakness in the housing market, which has reduced the market price of these loans.

Lower level of losses on seriously delinquent loans purchased from MBS trusts was driven by reduced volume of loans acquired.

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Proactive Credit Management

- **Underwriting/Pricing**
  - Stricter eligibility requirements - increased FICOs, lowered LTVs and increased documentation requirements
  - Eliminating newly originated Alt-A business by year-end; Alt-A accounted for approximately 50% of our credit losses in 2008 Q2
  - Since last year, our new book of business overall has higher credit scores and lower loan-to-value ratios
  - Increased and continue to increase guaranty pricing - effective October 1, 2008, adverse market delivery charge will be increased from 25 bps to 50 bps
- **Resource Allocation**
  - Significantly increasing the number of Fannie Mae staff supporting loss mitigation efforts
  - Deployed Fannie Mae management at all major servicers to support efforts to reduce delinquencies, partnering on borrower outreach campaigns and streamlining workout processes
  - Opening offices in Florida, California and other targeted locations to ensure effective localized default prevention and disposition of foreclosed properties
- **Default Prevention**
  - Imposing requirement that all foreclosures be referred to attorneys well versed in Fannie Mae workout options
  - Incenting law firms to pursue loss mitigation activities
  - Expanding use of HomeSaver Advance and other workout options
- **Loss Mitigation - Severity**
  - Continue to increase our reviews of defaulted loans to pursue recoveries from lenders pursuant to representations and warranties in our original guaranty contracts
  - Pursuing deficiencies against certain borrowers, particularly those that speculated and "walked-away" from their homes

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Investment Losses, Net

(dollars in millions)	2008 Q2	2008 Q1	2007 Q4 [1]	2007 Q3 [1]	2007 Q2 [1]
Other-than-temporary impairment on AFS securities	$ (507)	$ (55)	$ (736)	$ (75)	$ -
Lower-of-cost-or-market adjustments on held-for-sale loans	(240)	(71)	12	3	(115)
Gains (losses) on Fannie Mae portfolio securitizations, net	(67)	42	(376)	(65)	(11)
Gains (losses) on sale of AFS securities, net	(20)	33	325	52	55
Other investment losses, net	(49)	(60)	(140)	(69)	(22)
Investment losses, net	$ (883)	$ (111)	$ (915)	$ (154)	$ (93)

[1] Certain amounts have been reclassified to conform to the current period presentation.

- 2008 Q2 other-than-temporary impairment of $507 million reflects a reduction in expected cash flows for primarily Alt-A and subprime private-label securities, driven by higher expected defaults and loss severities on the underlying mortgages.
- 2008 Q2 lower-of-cost-or-market adjustments resulted in losses of $240 million attributable to an increase in interest rates in the quarter.
- 2007 Q4 other-than-temporary impairment of $736 million was driven by impairment of securities in our liquid investment portfolio. Beginning in 2008 Q1, these securities were re-designated as trading and are marked-to-market through earnings as fair value gains (losses).

Higher impairment losses and higher lower-of-cost-or-market adjustments drove the increase in investment losses in 2008 Q2.

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Alt-A and Subprime Private-Label Securities (PLS) in Portfolio

	As of June 30, 2008					
(dollars in billions)	Unpaid Principal Balance	Fair Value	Gross Unrealized Losses on AFS Securities	Net Trading Gains (Losses) for 2008 Q2	Average Fair Value Price	Average Credit Enhancement [1]
Alt-A						
AFS	$ 25.7	$ 21.8	$ (3.9)	$ -	$ 84.75	18.6%
Trading	3.8	2.9	-	-	76.78	58.0%
Total Alt-A	29.5	24.7	(3.9)	-	83.73	23.6%
Subprime						
AFS	23.7	19.5	(3.7)	-	82.38	37.2%
Trading	4.6	3.5	-	(0.1)	75.79	36.9%
Total Subprime PLS	28.3	23.0	(3.7)	(0.1)	81.30	37.2%
AFS PL Wraps	0.1	0.1	-	-	91.20	57.7%
Trading PL Wraps	7.9	7.7	-	0.4	97.47	29.6%
Total Subprime PL Wraps	8.0	7.8	-	0.4	97.36	30.1%
Total Subprime	36.3	30.8	(3.7)	0.3	84.85	35.6%
Total Alt-A and Subprime	$ 65.8	$ 55.5	$ (7.6)	$ 0.3	$ 84.35	30.2%

[1] Average credit enhancement percentage reflects both subordination and financial guarantees. Reflects the ratio of the current amount of the securities that will incur losses in a securitization structure before any losses are allocated to securities that we own. Percentage calculated based on the quotient of the total unpaid principal balance of all credit enhancement in the form of subordination or financial guaranty of the security divided by the total unpaid principal balance of all of the tranches of collateral pools from which credit support is drawn for the security that we own.

- Since the beginning of 2007, Fannie Mae has recorded through earnings net losses of $3.4 billion on Alt-A and subprime private-label securities, including $2.7 billion in net losses on trading securities and $706 million in impairment of AFS securities.
- As of the end of 2008 Q2, unrealized losses on AFS securities decreased $371 million from the end of 2008 Q1. In July 2008, prices declined for Alt-A private-label securities, and to a lesser degree, for subprime private-label securities.

Alt-A and subprime AFS securities continue to perform and are credit-enhanced.

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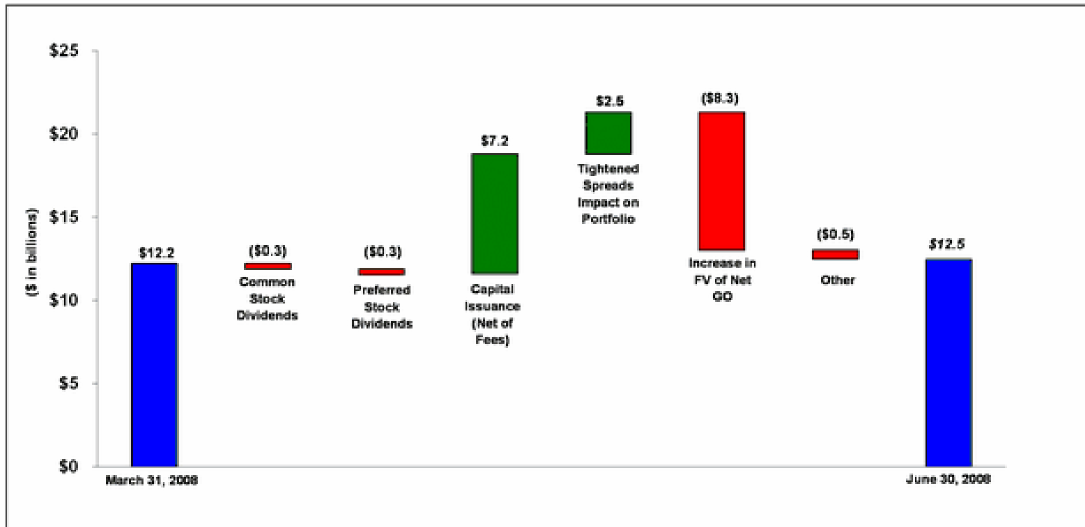
Change in Estimated After-Tax Fair Value of Net Assets (Non-GAAP)[1]



(1) The estimated fair value of our net assets (non-GAAP) represents the estimated fair value of total assets less the estimated fair value of total liabilities. We reconcile the estimated fair value of our net assets (non-GAAP) to total stockholders' equity (GAAP) in Appendix II (pg 52) and in Table 32 of our 2008 Q2 Form 10-Q.

- Estimated fair value of net assets decreased $6.3 billion during 2008 Q2, excluding the effect of capital transactions, driven by an increase in the fair value of net guaranty obligations, offset by tightened credit spreads.
- Increase in the fair value of net guaranty obligations resulted from an increase in the underlying risk in our guaranty book as delinquencies increased and home prices declined, as well as from the increase in the risk premium required to take mortgage credit risk in the current market, as indicated by the pricing of our new guaranty business.

Issuance of new capital and tightened credit spreads, offset by the increase in fair value of net guaranty obligations increased the fair value of net assets.

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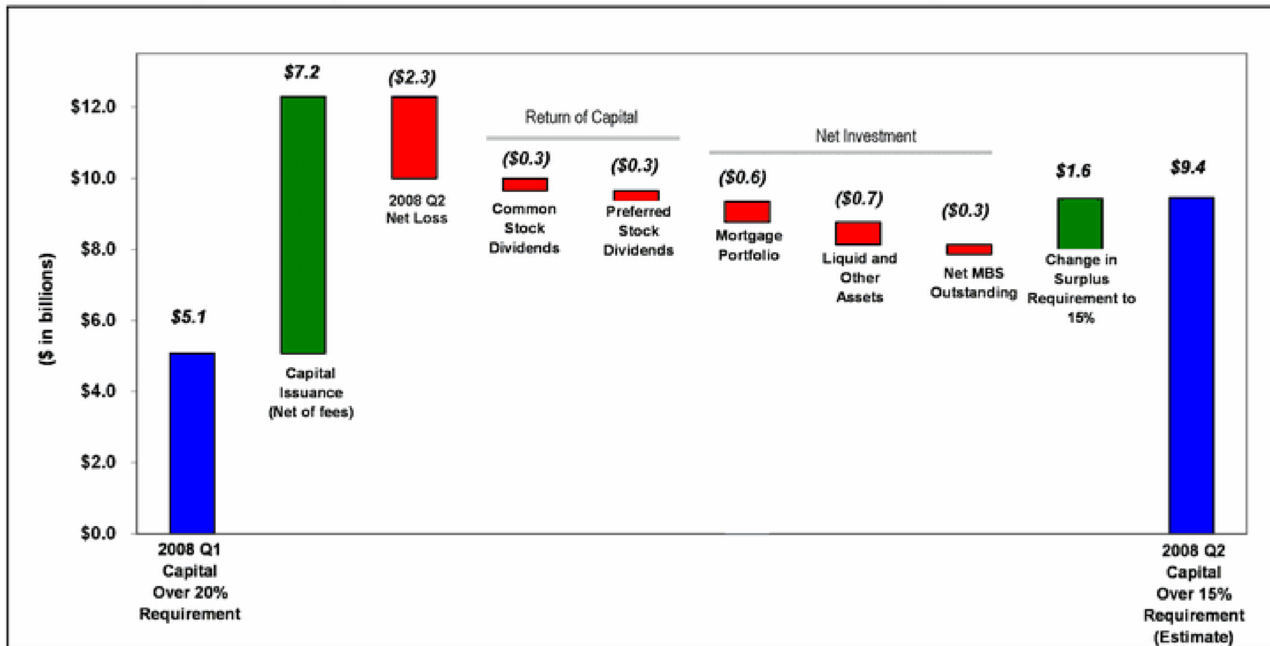
2008 Q2 Capital Surplus - Sources and Uses of Excess Capital



- 2008 Q2 capital surplus is a Fannie Mae estimate that has not been certified by OFHEO.
- As of March 31, 2008, our risk-based capital (RBC) was $24.6 billion in excess of the estimated statutory requirement of $23.1 billion (most recent published capital classification). Under new rules issued by OFHEO in June 2008, to be effective beginning with our 2008 Q3 capital classification, our RBC as of March 31, 2008 would have been $17.3 billion in excess of an estimated statutory requirement of $30.4 billion.

As of June 30, 2008, Fannie Mae had $47.0 billion of core capital and a $9.4 billion capital surplus over the OFHEO-directed minimum capital requirement.

APPENDIX I – Credit

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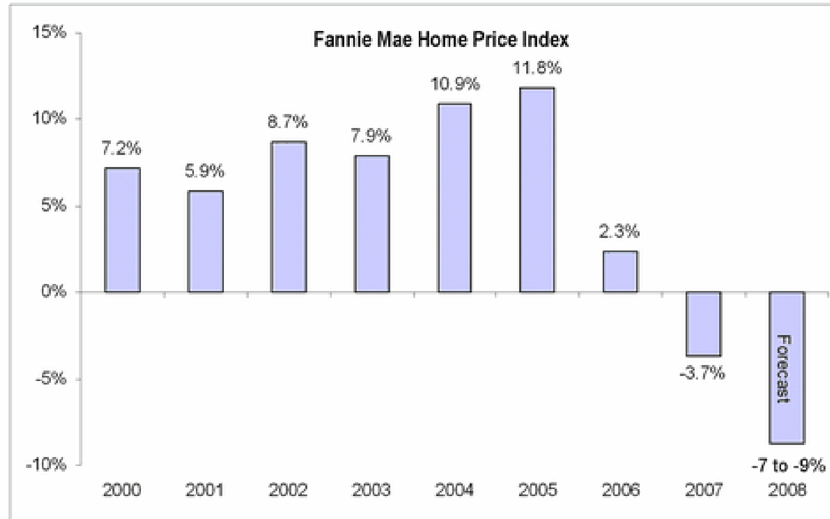
Home Price Growth Rates in the U.S.



S&P/Case Shiller Index	9.8%	7.7%	10.6%	10.7%	14.6%	14.7%	0.2%	-8.9%	

Growth rates are from period-end to period-end.

- We expect 2008 home price declines to be in the upper end of our estimated 7% to 9% range.
- We expect peak-to-trough declines in home prices to be in the upper end of our estimated 15% to 19% range.

Note: Using the S&P/Case-Shiller weighting method, but excluding the increased impact of foreclosure sales on that index, our 2008 expected home price decline would be 10-13% (vs. 7-9%); our expected peak-to-trough decline would be 20-25% (vs. 15-19%). If we included foreclosed property sales in the index, the S&P/Case-Schiller equivalent to the Fannie Mae Home Price Index would be 12-16% for 2008 and 27-32% peak-to-trough. The S&P/Case-Shiller Index is value-weighted, whereas the Fannie Mae index is unit-weighted; hence the S&P/Case-Shiller index places greater weight on higher cost metropolitan areas. In addition, the S&P/Case Shiller index includes foreclosure sales; foreclosure sales are excluded from the Fannie Mae index and from this forecast. Foreclosure sales tend to depress the S&P/Case Shiller index relative to the Fannie Mae index.

Two-Year Home Price Growth 2006 Q2 - 2008 Q2

Source: Fannie Mae. Based on available data as of August 1, 2008. Including subsequent data may produce different results.

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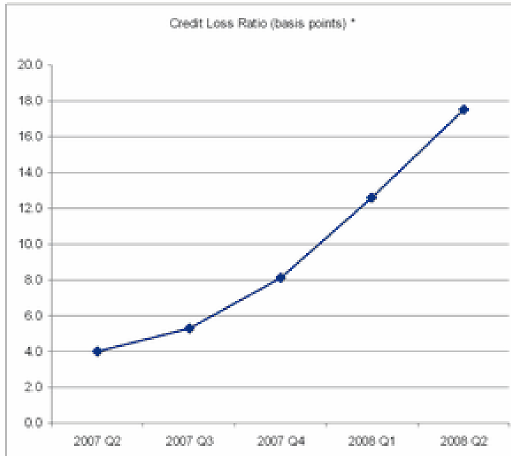
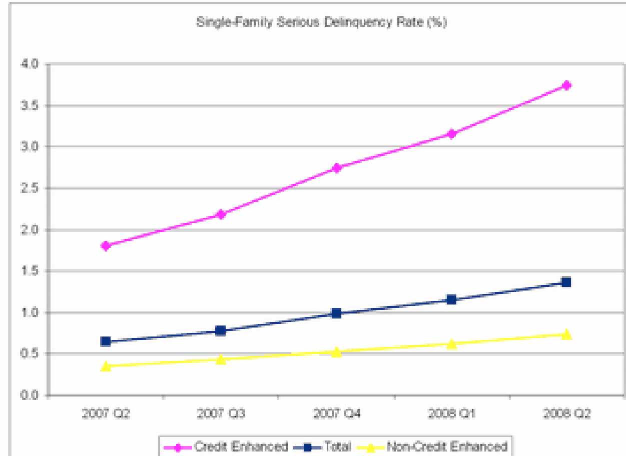
Credit Loss Ratios/Delinquency Rates



* Credit loss ratio is defined as [Net charge-offs (excluding impact of SOP 03-3 and HomeSaver Advance) + Foreclosed Property Expense (excluding impact of SOP 03-3)]/Average Guaranty Book of Business.



Note: As of June 30, 2008, 21% of Fannie Mae's single-family guaranty book of business was credit enhanced.

- Increase in credit loss ratio reflects higher defaults, and average loan loss severities, driven by home price declines and overall economic weakness. Our credit loss ratio excludes the impact of SOP 03-3 and HomeSaver Advance.
- We expect a significant increase in our credit-related expenses and credit loss ratio in 2008 relative to 2007. We expect our 2008 credit loss ratio to be within a range of 23 to 26 bps. We also believe that our credit loss ratio will increase in 2009 relative to 2008.

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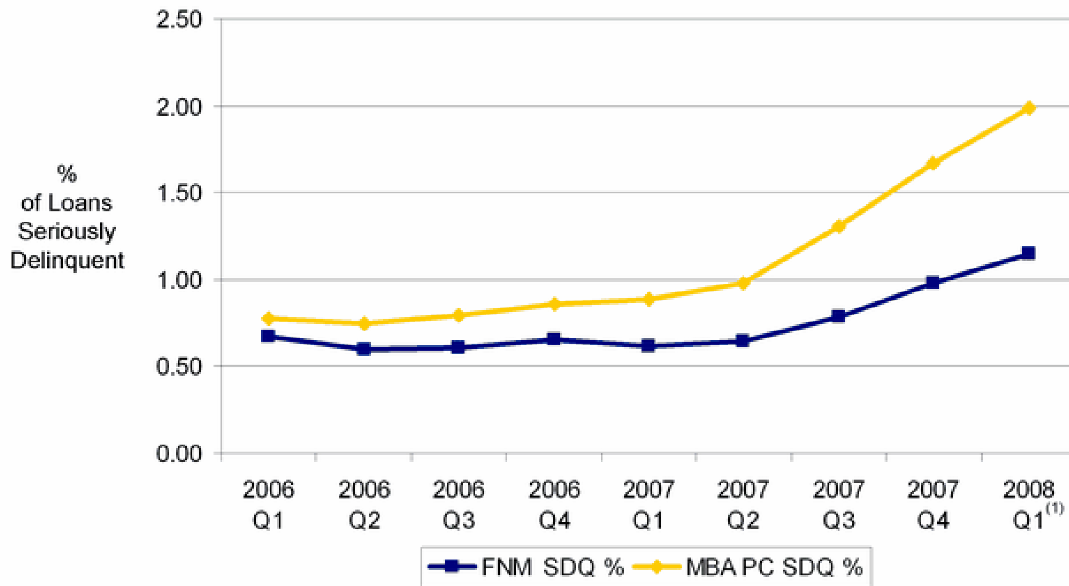
Fannie Mae Single-Family Conventional Credit Book SDQ Rate vs. Mortgage Bankers Association Prime Conventional SDQ Rate



(1) Table includes the most recent available MBA data.

Includes loans that are 90 days or more past due and loans in the process of foreclosure.

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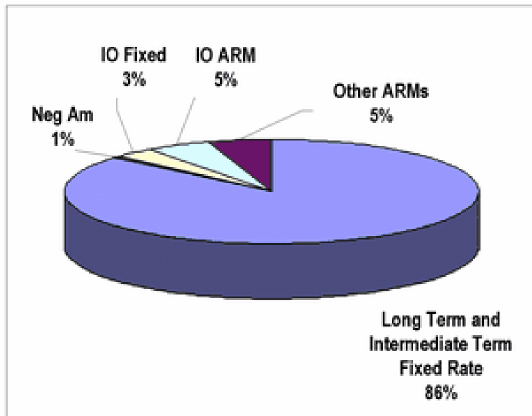
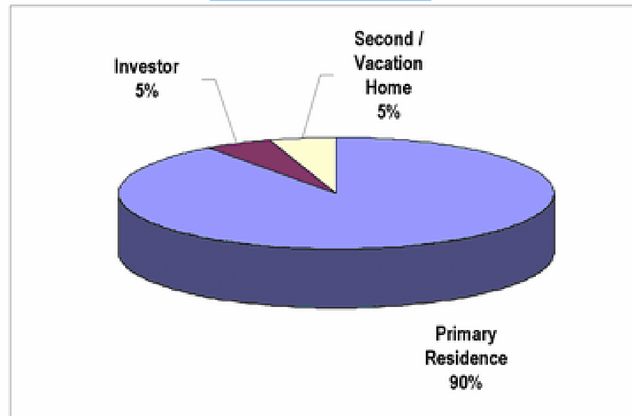
Characteristics of Fannie Mae Single-Family Conventional Mortgage Credit Book of Business

June 30, 2008	
Single-Family Conventional Mortgage Credit Book of Business	$2.8 trillion
Weighted Average FICO	722
Weighted Average Original LTV	72%
Weighted Average MTM LTV	65%

Product Types



Occupancy



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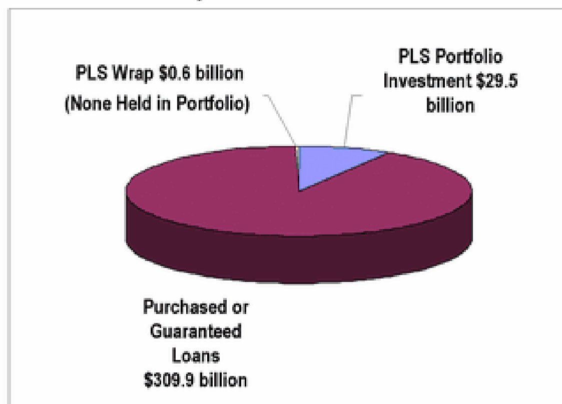
Fannie Mae Alt-A and Subprime Exposure as of June 30, 2008

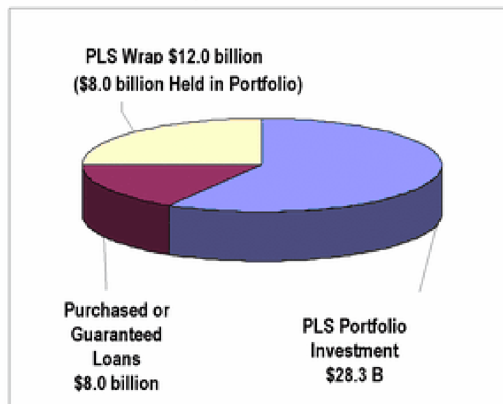
Alt-A

Total Exposure of $340.0 billion



Subprime

Total Exposure of $48.3 billion



"*Alt-A mortgage loan*" generally refers to a mortgage loan that can be underwritten with reduced or alternative documentation than that required for a full documentation mortgage loan but may also include other alternative product features. As a result, Alt-A mortgage loans generally have a higher risk of default than non-Alt-A mortgage loans. In reporting our Alt-A exposure, we have classified mortgage loans as Alt-A if the lenders that deliver the mortgage loans to us have classified the loans as Alt-A based on documentation or other product features. We have classified private-label mortgage-related securities held in our investment portfolio as Alt-A if the securities were labeled as such when issued.

"*Subprime mortgage loan*" generally refers to a mortgage loan made to a borrower with a weaker credit profile than that of a prime borrower. As a result of the weaker credit profile, subprime borrowers have a higher likelihood of default than prime borrowers. Subprime mortgage loans are typically originated by lenders specializing in this type of business or by subprime divisions of large lenders, using processes unique to subprime loans. In reporting our subprime exposure, we have classified mortgage loans as subprime if the mortgage loans are originated by one of these specialty lenders or a subprime division of a large lender. We have classified private-label mortgage-related securities held in our investment portfolio as subprime if the securities were labeled as such when issued.

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Fannie Mae Credit Profile by Key Product Features

Credit Characteristics of Single-Family Conventional Mortgage Credit Book of Business

As of June 30, 2008	Overall Book	NegAm	Interest Only	FICO < 620	OLTV > 90%	FICO < 620 and OLTV > 90%	Alt-A	Subprime	Jumbo Conforming
Unpaid principal balance "UPB" (billions) *	$2,666.5	$19.1	$216.4	$127.4	$277.2	$29.2	$307.0	$8.0	$0.9
Share of SF Conventional Credit Book[1]	100.0%	0.7%	8.1%	4.8%	10.4%	1.1%	10.8%	0.3%	0.0%
Average UPB	$146,503	$146,020	$240,395	$127,346	$140,213	$120,462	$171,269	$153,423	$585,028
SDQ Rate All Loans	1.36%	3.12%	4.26%	5.48%	3.75%	10.25%	3.79%	9.08%	0.0%
Alt-A	11.51%	45.10%	42.51%	1.64%	6.03%	1.19%	100.00%	0.00%	0.2%
Origination Years 2005-2007	49.8%	62.2%	83.8%	57.5%	62.0%	70.2%	73.0%	79.3%	30.8%
Weighted Average Original LTV	71.8%	71.1%	75.5%	77.0%	97.4%	98.1%	72.7%	78.3%	66.2%
Original LTV > 90	10.4%	0.3%	9.1%	22.9%	100.0%	100.0%	5.4%	7.8%	0.0%
Weighted Average Mark-to-Market LTV	64.5%	72.9%	82.7%	71.0%	91.4%	92.4%	72.6%	79.7%	67.2%
Mark-to-Market LTV > 100	5.7%	26.2%	18.7%	8.6%	26.6%	26.9%	11.3%	12.0%	0.0%
Weighted Average FICO	722	696	725	588	692	592	719	622	762
FICO < 620	4.8%	11.6%	1.3%	100.0%	10.5%	100.0%	0.7%	48.4%	0.0%
Fixed-rate	89.5%	0.1%	39.6%	93.4%	94.0%	96.7%	71.9%	69.9%	79.5%
Principal Residence	89.8%	70.9%	84.9%	96.8%	97.1%	99.4%	77.9%	96.4%	98.9%
Condo/Coop	9.1%	13.2%	16.0%	4.9%	9.8%	5.9%	10.8%	4.9%	5.8%
Credit Enhanced [2] [3]	21.2%	76.9%	35.7%	36.5%	92.8%	94.7%	39.0%	68.2%	5.7%
% of 2007 Credit Losses [4]	100.0%	0.9%	15.3%	18.9%	16.9%	6.2%	31.4%	1.0%	0.0%
% of 2008 Q1 Credit Losses [4]	100.0%	1.1%	29.5%	14.0%	17.4%	6.0%	42.7%	1.4%	0.0%
% of 2008 Q2 Credit Losses [4]	100.0%	3.3%	35.6%	11.7%	19.5%	5.3%	49.6%	2.2%	0.0%

[1] Subprime and Alt-A are calculated as a percentage of the single-family mortgage credit book of business.
[2] UPB of all loans with credit enhancement/UPB of single-family conventional mortgage credit book of business.
[3] Includes primary mortgage insurance, pool insurance, lender recourse and other credit enhancement.
[4] Expressed as a percentage of total credit losses for the single-family mortgage credit book of business.

Note: Categories are not mutually exclusive; numbers are not additive across columns.

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Fannie Mae Credit Profile by Vintage and Key Product Features

Credit Characteristics of Single-Family Conventional Mortgage Credit Book of Business by Vintage

As of June 30, 2008	Overall Book	Vintages				
		2008	2007	2006	2005	2004 and Earlier
Unpaid principal balance "UPB" (billions) *	$2,666.5	$252.3	$562.4	$395.2	$370.3	$1,086.3
Share of SF Conventional Credit Book	100.0%	9.5%	21.1%	14.8%	13.9%	40.7%
Average UPB	$146,503	$209,496	$192,630	$176,280	$164,765	$113,300
SDQ Rate All Loans	1.36%	0.09%	2.02%	2.79%	1.75%	0.90%
Origination Years 2005-2007	49.8%	0.0%	100.0%	100.0%	100.0%	0.0%
Weighted Average Original LTV	71.8%	72.1%	76.2%	73.8%	71.7%	68.8%
Original LTV > 90	10.4%	11.0%	17.7%	10.7%	8.0%	7.1%
Weighted Average Mark-to-Market LTV	64.5%	73.2%	80.3%	77.4%	69.2%	48.0%
Mark-to-Market LTV > 100	5.7%	3.4%	12.9%	11.4%	5.5%	0.4%
Weighted Average FICO	722	735	715	717	723	725
FICO < 620	4.8%	3.0%	6.5%	5.4%	4.2%	4.3%
Fixed-rate	89.5%	92.2%	91.5%	86.5%	83.0%	91.0%
Principal Residence	89.8%	89.7%	88.8%	87.2%	88.1%	91.8%
Condo/Coop	9.1%	10.1%	10.8%	11.0%	10.0%	7.0%
Credit Enhanced [1] [2]	21.2%	22.5%	30.6%	27.8%	21.1%	13.6%
% of 2007 Credit Losses [3]	100.0%	0.0%	1.6%	20.8%	24.1%	53.5%
% of 2008 Q1 Credit Losses [3]	100.0%	0.0%	13.5%	35.3%	24.0%	27.2%
% of 2008 Q2 Credit Losses [3]	100.0%	0.0%	24.1%	35.3%	21.2%	19.4%
Cumulative Default Rate [4]		0.0%	0.3%	0.9%	0.8%	

[1] UPB of all loans with credit enhancement/UPB of single-family conventional mortgage credit book of business.

[2] Includes primary mortgage insurance, pool insurance, lender recourse and other credit enhancement.

[3] Expressed as a percentage of total credit losses for the single-family mortgage credit book of business.

[4] Default means loan was terminated without full satisfaction. As of June 30, 2008, 2004 vintage cumulative default rate was 0.8%; 2003 vintage cumulative default rate was 0.5%.

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Overall Cumulative Default Rates - Overall Originations from 2000 through 2008 Q2

Default Rate

Time Since Origination

Note: Cumulative default rates include loans that have been liquidated other than through voluntary pay-off or repurchase by lenders and include loan foreclosures, preforeclosure sales, sales to third parties and deeds in lieu of foreclosure.

Consistent with industry trends, 2006 and 2007 vintages performing poorly. Defaults for the 2008 vintage through 2008 Q2 have been negligible.

Data as of June 30, 2008 is not necessarily indicative of the ultimate performance and are likely to change, perhaps materially, in future periods.

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Fannie Mae Credit Profile by State

Credit Characteristics of Single-Family Conventional Mortgage Credit Book of Business by State

As of June 30, 2008	Overall Book	AZ	CA	FL	MI	NV	OH
Unpaid principal balance "UPB" (billions) *	$2,666.5	$77.9	$412.8	$199.0	$80.4	$35.8	$73.1
Share of SF Conventional Credit Book	100.0%	2.9%	15.5%	7.5%	3.0%	1.3%	2.7%
Average UPB	$146,503	$160,095	$196,831	$145,239	$118,048	$180,248	$106,187
SDQ Rate All Loans	1.36%	1.51%	1.05%	3.21%	1.57%	2.25%	1.95%
Alt-A	11.51%	15.28%	16.03%	16.70%	7.87%	22.97%	7.19%
Origination Years 2005-2007	49.8%	64.1%	45.4%	61.5%	39.3%	62.7%	42.3%
Weighted Average Original LTV	71.8%	73.7%	62.2%	73.3%	73.8%	74.4%	77.1%
Original LTV > 90	10.4%	10.3%	3.0%	11.1%	10.1%	9.7%	15.5%
Weighted Average Mark-to-Market LTV	64.5%	73.7%	60.6%	74.3%	73.2%	79.9%	69.2%
Mark-to-Market LTV >100	5.7%	15.7%	10.1%	18.4%	7.7%	24.5%	4.0%
Weighted Average FICO	722	724	729	717	719	722	719
FICO < 620	4.8%	3.8%	3.1%	5.5%	5.6%	3.3%	5.9%
Fixed-rate	89.5%	84.2%	82.7%	86.4%	89.3%	76.0%	93.6%
Principal Residence	89.8%	83.7%	88.2%	81.8%	92.9%	80.5%	94.2%
Condo/Coop	9.1%	5.4%	11.8%	15.7%	9.1%	7.8%	4.3%
Credit Enhanced [(1) (2)]	21.2%	23.0%	12.1%	24.2%	19.8%	27.9%	27.4%
% of 2007 Credit Losses [(3)]	100.0%	1.8%	7.4%	4.7%	27.1%	1.3%	13.6%
% of 2008 Q1 Credit Losses [(3)]	100.0%	3.8%	18.6%	7.2%	22.9%	3.0%	6.5%
% of 2008 Q2 Credit Losses [(3)]	100.0%	6.4%	29.3%	7.4%	14.3%	4.9%	4.1%

[(1)] UPB of all loans with credit enhancement/UPB of single-family conventional mortgage credit book of business.

[(2)] Includes primary mortgage insurance, pool insurance, lender recourse and other credit enhancement.

[(3)] Expressed as a percentage of total credit losses for the single-family mortgage credit book of business.

** Certain data contained in this presentation are based upon information that Fannie Mae receives from third-party sources. Although Fannie Mae generally considers this information reliable, it does not guarantee that it is accurate or suitable for any particular purpose. Fannie Mae has access to detailed loan-level information on approximately 96% of our conventional single-family mortgage credit book of business. Excludes non-Fannie Mae securities held in portfolio.*

Single-Family Serious Delinquency Rates by State and Region

SDQ Rates by State	June 30, 2008	March 31, 2008	December 31, 2007	June 30, 2007
Arizona	1.51%	1.12%	0.75%	0.27%
California	1.05%	0.76%	0.50%	0.20%
Florida	3.21%	2.32%	1.59%	0.65%
Michigan	1.57%	1.46%	1.43%	1.00%
Nevada	2.25%	1.69%	1.20%	0.48%
Ohio	1.95%	1.87%	1.78%	1.43%
Total conventional single-family loans	1.36%	1.15%	0.98%	0.64%
SDQ Rates by Region [1]				
Midwest	1.57%	1.44%	1.35%	0.98%
Northeast	1.21%	1.05%	0.94%	0.68%
Southeast	1.80%	1.44%	1.18%	0.68%
Southwest	1.08%	0.94%	0.86%	0.60%
West	0.97%	0.72%	0.50%	0.23%
Total conventional single-family loans	1.36%	1.15%	0.98%	0.64%

[1] States within each region are detailed in 2008 Q2 Form 10-Q.

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Home Price Growth/Decline and Fannie Mae Real Estate Owned (REO) in Key States

Single-Family REO and Home Price Statistics[1] for Selected States

State	REO Acquisitions					REO Inventory as of June 30, 2008	1-Year HP Growth July 2007 to June 2008	5-Year Annualized HP Growth July 2003 to June 2008
	2005	2006	2007	2008 Q1	2008 Q2			
Arizona	146	56	751	632	1,315	1,978	-20.1%	6.8%
California	18	93	1,681	1,477	2,918	4,814	-20.9%	4.2%
Florida	334	282	1,714	966	1,404	2,681	-21.2%	5.3%
Michigan	3,633	5,691	8,067	3,259	3,035	10,263	-8.1%	-1.9%
Nevada	27	62	530	403	686	1,205	-23.1%	5.1%
Ohio	3,113	4,041	4,433	1,239	1,424	3,402	-3.5%	0.7%
Other	25,289	26,355	31,945	12,132	13,181	29,830	-3.4%	4.4%
Total	32,560	36,580	49,121	20,108	23,963	54,173	-7.4%	4.1%

(1) Based on Fannie Mae Home Price Index.

On a national basis, REO net sales prices compared with unpaid principal balances of mortgage loans have decreased as follows, driving increases in loss severities.

- 93% in 2005,
- 89% in 2006,
- 78% in 2007,
- 74% in 2008 Q1, and
- 74% in 2008 Q2

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Fannie Mae Alt-A Credit Profile by Key Product Features

Credit Characteristics of Single-Family Mortgage Credit Book of Business by Vintage

As of June 30, 2008	Alt-A [1]	Vintages				
		2008	2007	2006	2005	2004 and Earlier
Unpaid principal balance "UPB" (billions) *	$307.0	$5.8	$78.9	$87.3	$58.0	$77.0
Share of Alt-A	100.0%	1.9%	25.7%	28.4%	18.9%	25.1%
Weighted Average Original LTV	72.7%	66.2%	74.8%	73.9%	72.5%	69.7%
Original LTV > 90	5.4%	2.5%	9.1%	4.9%	3.2%	4.2%
Weighted Average Mark-to-Market LTV	72.6%	67.8%	82.2%	81.4%	74.4%	51.8%
Mark-to-Market LTV > 100	11.3%	1.6%	15.6%	17.4%	11.2%	0.9%
Weighted Average FICO	719	728	714	715	725	723
FICO < 620	0.7%	0.3%	0.5%	0.5%	0.4%	1.3%
Adjustable-rate	28.1%	10.7%	22.3%	30.1%	40.9%	23.5%
Interest Only	30.0%	8.3%	38.3%	39.0%	30.5%	12.4%
Investor	17.0%	16.5%	19.3%	16.7%	19.0%	13.4%
Condo/Coop	10.8%	6.3%	9.9%	11.6%	13.0%	9.2%
Geography						
California	21.6%	18.5%	21.8%	19.6%	20.4%	24.6%
Florida	10.8%	8.4%	11.5%	12.5%	11.9%	7.6%
Credit Enhanced [2]	39.0%	15.4%	36.1%	53.1%	46.9%	22.0%
2008 Q1 SDQ Rate All Loans	2.96%	0.00%	2.85%	4.34%	3.23%	1.79%
2008 Q2 SDQ Rate All Loans	3.79%	0.19%	4.37%	5.60%	3.94%	1.97%
% of 2007 Credit Losses [3]	31.4%	0.0%	0.6%	10.2%	10.5%	10.0%
% of 2008 Q1 Credit Losses [3]	42.7%	0.0%	6.6%	19.4%	11.6%	5.1%
% of 2008 Q2 Credit Losses [3]	49.6%	0.0%	12.1%	21.7%	11.1%	4.6%
Cumulative Default Rate [4]		0.0%	0.7%	1.7%	1.5%	

[1] Please refer to slide 29 for the definition of "Alt-A mortgage loan".

[2] Defined as UPB of Alt-A loans with credit enhancement as a percentage of UPB of all Alt-A loans. At June 30, 2008, 8.8% of UPB of Alt-A loans carried only primary MI (no deductible), 26.4% had only pool insurance (which is generally subject to a deductible), 3.2% had primary MI and pool insurance, and 0.6% carried other credit enhancement such as lender recourse.

[3] Expressed as a percentage of total credit losses for the single-family mortgage credit book of business.

[4] Cumulative default rate means loan was terminated without full satisfaction.

** Certain data contained in this presentation are based upon information that Fannie Mae receives from third-party sources. Although Fannie Mae generally considers this information reliable, it does not guarantee that it is accurate or suitable for any particular purpose. Fannie Mae has access to detailed loan-level information on approximately 96% of our conventional single-family mortgage credit book of business. Excludes non-Fannie Mae securities held in portfolio.*

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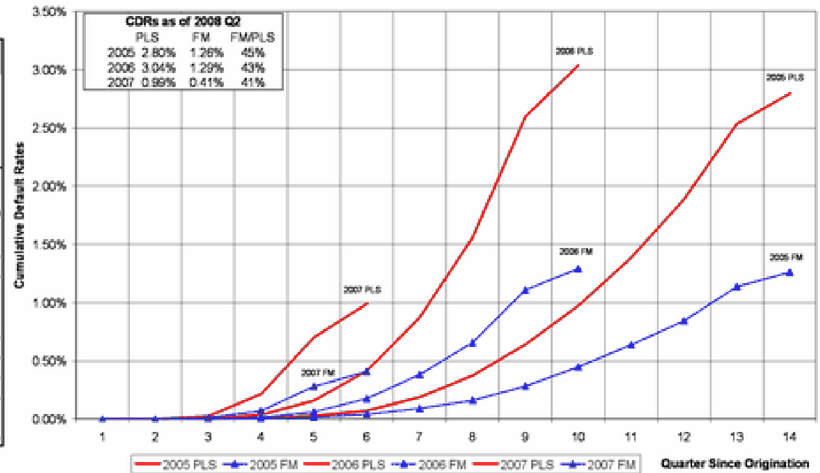
Fannie Mae Alt-A Loans Versus Loans Underlying Private-Label Alt-A Securities

Fannie Mae Alt-A Loans Versus Private Label Security Conforming Alt-A		
	Fannie Mae Alt-A	PLS Market Alt-A
	As of April 2008	Outstanding loans backing non-agency Conforming Alt-A MBS as of April 2008
FICO	719	709
OLTV	73%	76%
CLTV at Origination	77%	82%
Product Type		
Fixed Rate	71%	43%
Adjustable Rate	29%	57%
Interest Only	21%	26%
Negatively Amorti:	3%	25%
Investor	17%	21%

Cumulative Default Rates For Fannie Mae Alt-A And Private Label Alt-A For 2005, 2006 and 2007 Cohorts



Note: The last data point on each curve is as of April 30, 2008. Private label security data is from Loan Performance.

Fannie Mae's Alt-A guaranteed book of business has more favorable credit characteristics than the loans backing private-label Alt-A securities (PLS) and is performing better across vintages.

All data and CDRs (market data and Fannie Mae data) for 2008 Q2 are based on April-08 data. PLS data are from First American CoreLogic, LoanPerformance. LoanPerformance estimates it captures 97 percent of Alt-A PLS. The PLS data includes some loans that Fannie Mae holds in its Alt-A securities portfolio. All summary collateral characteristics are weighted averages using current loan balances. Certain amounts have been calculated by Fannie Mae.

Source: First American CoreLogic, LoanPerformance data.

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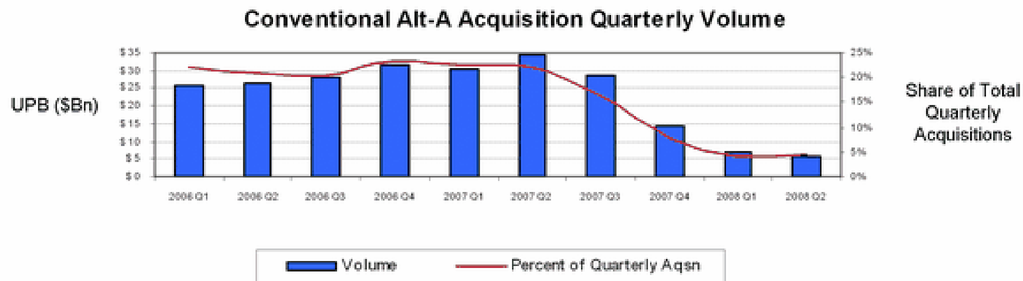
Alt-A Risk Management

New Business:



Alt-A Eligibility and Pricing:

- Alt-A acquisition volume has declined due to several eligibility and pricing increases implemented to date.
- Effective January 1, 2009, we are discontinuing the purchase of newly originated lender-channel Alt-A loans.

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Fannie Mae Alt-A and Subprime Private-Label Security Exposure – Securities/Wraps

(dollars in billions)	Alt-A		Subprime	
	Securities	Wraps	Securities	Wraps
UPB as of June 30, 2008	$ 29.5	$ 0.6	$ 28.3	$ 12.0
% AAA [1]	96.4%	100.0%	41.5%	100.0%
% AA to BBB- [1]	3.6%	0.0%	48.2%	0.0%
% Below Investment Grade [1]	0.0%	0.0%	10.3%	0.0%
Current % Watchlist [1]	13.8%	0.0%	21.8%	0.0%
% 2008 Vintage	0.6%	0.0%	0.0%	0.0%
% 2007 Vintage	12.5%	57.2%	19.5%	68.4%
% 2006 Vintage	27.2%	0.0%	67.2%	0.0%
Average Credit Enhancement [2]	23.6%	7.6%	37.2%	34.2%

[1] Reflects credit ratings as of July 31, 2008, calculated based on unpaid principal balance as of June 30, 2008. Credit rating reflects the lowest rating as reported by Standard & Poor's, Moody's Investors Service, Fitch Ratings or DBRS, Limited.

[2] Average credit enhancement percentage reflects both subordination and financial guarantees. Reflects the ratio of the current amount of the securities that will incur losses in a securitization structure before any losses are allocated to securities that we own. Percentage calculated based on the quotient of the total unpaid principal balance of all credit enhancement in the form of subordination or financial guaranty of the security divided by the total unpaid principal balance of all of the tranches of collateral pools from which credit support is drawn for the security that we own.

The percentages of our Alt-A private-label mortgage-related securities rated AAA and AA to BBB- were 96.4% and 3.6%, respectively, as of July 31, 2008, compared with 100.0% and 0.0%, respectively, as of April 30, 2008. None of these securities were rated below investment grade as of July 31, 2008 or April 30, 2008. Approximately $4.1 billion, or 13.8%, of our Alt-A private-label mortgage-related securities had been placed under review for possible credit downgrade or on negative watch as of July 31, 2008.

The percentages of our subprime private-label mortgage-related securities rated AAA and AA+ to BBB- were 41.5% and 48.2%, respectively, as of July 31, 2008, compared with 42.3% and 47.9%, respectively, as of April 30, 2008. The percentage of these securities rated below investment grade rose to 10.3% as of July 31, 2008. Approximately $6.2 billion, or 21.8%, of our subprime private-label mortgage-related securities had been placed under review for possible credit downgrade or on negative watch as of July 31, 2008.

Investments in Alt-A Mortgage-Related Securities (Option ARM)

All data as of June 30, 2008

(Dollars in millions)

	Unpaid Principal				Credit Enhancement Statistics				Hypothetical Scenarios			
	Trading Securities	AFS Securities	Average Price	Fair Value	Average Current	Original	Minimum Current	Monoline Financial Guaranteed Amount	20d/40s NPV	20d/50s NPV	30d/40s NPV	50d/50s NPV
Investments in Alt-A securities:												
Option ARM Alt-A securities:												
2004 and prior	$ -	$ 704	$ 82.09	$ 578	22 %	9 %	16 %	$ -	$ -	$ -	$ -	$ 31
2005-1	-	577	78.91	455	27	16	19	-	-	-	-	14
2005-2	-	1,223	80.77	988	58	51	33	337	-	-	-	9
2006-1 (1)	-	135	66.57	90	21	19	11	-	-	-	-	30
2006-1 (2)	-	419	75.43	316	41	38	40	-	-	-	-	3
2006-1 (3)	-	389	75.14	292	45	42	45	-	-	-	-	-
2006-1 (4)	-	434	75.61	328	88	88	49	335	-	-	-	-
2006-1 subtotal	-	1,377	74.54	1,026	55	53	11	335	-	-	-	33
2006-2 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2006-2 (2)	-	215	76.70	165	37	35	37	-	-	-	-	-
2006-2 (3)	-	100	76.43	77	42	40	42	-	-	-	-	-
2006-2 (4)	-	224	82.22	184	69	68	47	92	-	-	-	-
2006-2 subtotal	-	539	78.95	426	51	50	37	92	-	-	-	-
2007-1 (1)	209	-	76.06	159	25	24	24	-	-	-	-	10
2007-1 (2)	371	-	75.54	280	46	45	45	-	-	-	-	-
2007-1 (3)	264	-	72.75	192	48	47	48	-	-	-	-	-
2007-1 (4)	529	-	71.02	376	100	100	100	530	-	-	-	-
2007-1 subtotal	1,373	-	73.34	1,007	64	64	24	530	-	-	-	10
2007-2 (1)	296	-	77.40	229	33	32	25	-	-	-	-	10
2007-2 (2)	216	-	77.60	167	47	47	47	-	-	-	-	-
2007-2 (3)	311	-	78.04	243	48	47	48	-	-	-	-	-
2007-2 (4)	422	-	76.74	324	100	100	100	422	-	-	-	-
2007-2 subtotal	1,245	-	77.37	963	62	62	25	422	-	-	-	10
2008-1 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (2)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (3)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (4)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Total	$ 2,618	$ 4,420	$ 77.34	$ 5,443	53 %	49 %	11 %	$ 1,716	$ -	$ -	$ -	$ 107
Trading securities with hypothetical NPV losses:												
Fair Value									$ -	$ -	$ -	$ 307
Unpaid Principal Balance									-	-	-	399
Difference									$ -	$ -	$ -	$ (92)
AFS securities with hypothetical NPV losses:												
Fair Value									$ -	$ -	$ 46	$ 1,735
Unpaid Principal Balance									-	-	66	2,213
Difference									$ -	$ -	$ (20)	$ (478)

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Investments in Alt-A Mortgage-Related Securities (Other)

All data as of June 30, 2008

	Unpaid Principal				Credit Enhancement Statistics				Hypothetical Scenarios			
	Trading Securities	AFS Securities	Average Price	Fair Value	Average Current	Original	Minimum Current	Monoline Financial Guaranteed Amount	20d/40s NPV	20d/50s NPV	30d/40s NPV	30d/50s NPV
	(Dollars in millions)											
Investments in Alt-A securities:												
Other Alt-A securities:												
2004 and prior	$ -	$ 9,195	$ 87.97	$ 8,089	12 %	6 %	4 %	$ 29	$ 22	$ 75	$ 170	$ 429
2005-1	-	1,744	88.11	1,536	14	9	6	-	1	6	20	49
2005-2	-	4,172	84.29	3,517	14	11	4	-	17	41	76	146
2006-1 (1)	34	1,110	91.85	1,051	5	4	5	-	28	49	71	103
2006-1 (2)	-	1,103	86.97	959	10	8	9	-	5	16	30	51
2006-1 (3)	51	1,324	85.93	1,182	15	12	12	-	-	-	2	18
2006-1 (4)	-	1,351	76.54	1,034	22	17	19	-	-	-	-	3
2006-1 subtotal	85	4,888	84.97	4,226	13	11	5	-	33	65	103	175
2006-2 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2006-2 (2)	-	518	77.89	404	11	10	6	-	-	-	3	11
2006-2 (3)	-	284	74.16	210	17	16	17	-	-	-	-	-
2006-2 (4)	-	343	77.67	266	18	16	18	-	-	-	-	-
2006-2 subtotal	-	1,145	76.90	880	15	13	6	-	-	-	3	11
2007-1 (1)	76	-	77.12	59	7	5	7	-	-	-	-	2
2007-1 (2)	189	-	76.55	145	8	7	7	-	1	3	4	6
2007-1 (3)	109	-	79.08	86	12	11	8	-	-	-	-	-
2007-1 (4)	236	-	77.84	183	17	16	16	-	-	-	-	-
2007-1 subtotal	610	-	77.57	473	12	11	7	-	1	3	4	8
2007-2 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2007-2 (2)	-	-	-	-	-	-	-	-	-	-	-	-
2007-2 (3)	-	-	-	-	-	-	-	-	-	-	-	-
2007-2 (4)	457	-	83.26	381	100	100	100	457	-	-	-	-
2007-2 subtotal	457	-	83.26	381	100	100	100	457	-	-	-	-
2008-1 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (2)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (3)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (4)	-	173	93.02	161	20	20	20	-	-	-	-	-
2008-1 subtotal	-	173	93.02	161	20	20	20	-	-	-	-	-
Total	$ 1,152	$ 21,317	$ 85.73	$ 19,263	15 %	11 %	4 %	$ 486	$ 74	$ 190	$ 376	$ 818
Trading securities with hypothetical NPV losses:												
Fair Value									$ 98	$ 98	$ 157	$ 349
Unpaid Principal Balance									113	113	189	435
Difference									$ (15)	$ (15)	$ (32)	$ (86)
AFS securities with hypothetical NPV losses:												
Fair Value									$ 5,254	$ 8,150	$ 11,496	$ 13,869
Unpaid Principal Balance									5,832	9,135	13,016	15,762
Difference									$ (578)	$ (985)	$ (1,520)	$ (1,893)

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Investments in Subprime Mortgage-Related Securities

All data as of June 30, 2008

(Dollars in millions)

	Unpaid Principal				Credit Enhancement Statistics				Hypothetical Scenarios			
	Trading Securities	AFS Securities	Average Price	Fair Value	Average Current	Original	Minimum Current	Monoline Financial Guaranteed Amount	50d/50s NPV	50d/60s NPV	60d/50s NPV	60d/60s NPV
Investments in subprime securities:												
2004 and prior	$ -	$ 3,109	86.75	$ 2,697	74 %	54 %	13 %	$ 1,398	$ 2	$ 4	$ 6	$ 23
2005-1	-	70	87.55	62	75	31	69	-	-	-	-	-
2005-2	-	582	91.90	535	62	39	37	69	-	-	-	-
2006-1 (1)	-	1,428	81.35	1,162	26	19	24	-	-	-	-	3
2006-1 (2)	-	1,770	82.67	1,463	29	20	28	-	-	-	-	-
2006-1 (3)	-	1,794	85.33	1,531	36	22	33	-	-	-	-	-
2006-1 (4)	-	1,692	82.81	1,401	49	32	40	52	-	-	-	-
2006-1 subtotal	-	6,684	83.14	5,557	35	23	24	52	-	-	-	3
2006-2 (1)	-	2,810	79.69	2,240	22	18	19	-	-	-	2	105
2006-2 (2)	-	3,060	80.27	2,456	25	19	24	-	-	-	-	42
2006-2 (3)	-	3,273	79.20	2,592	29	23	27	-	-	-	-	-
2006-2 (4)	-	3,167	81.25	2,573	35	28	31	-	-	-	-	-
2006-2 subtotal	-	12,310	80.10	9,861	28	22	19	-	-	-	2	147
2007-1 (1)	613	-	48.17	295	17	16	9	-	66	162	208	282
2007-1 (2)	741	-	81.23	602	27	24	25	-	-	-	-	2
2007-1 (3)	629	-	81.06	510	28	24	28	-	-	-	-	-
2007-1 (4)	840	-	78.71	661	50	45	30	228	-	-	-	-
2007-1 subtotal	2,823	-	73.27	2,068	32	29	9	228	66	162	208	284
2007-2 (1)	485	-	64.67	314	25	23	14	-	8	37	56	122
2007-2 (2)	399	394	84.72	671	30	28	28	-	-	-	-	5
2007-2 (3)	-	516	86.76	448	35	33	34	-	-	-	-	2
2007-2 (4)	904	-	85.95	777	62	60	42	317	-	-	-	-
2007-2 subtotal	1,788	910	81.92	2,210	41	39	14	317	8	37	56	129
2008-1 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (2)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (3)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (4)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Total subprime securities	$ 4,611	$ 23,665	81.30	$ 22,990	37 %	28 %	9 %	$ 2,064	$ 76	$ 203	$ 272	$ 586
Trading securities with hypothetical NPV losses:												
Fair Value									$ 33	$ 66	$ 207	$ 929
Unpaid Principal Balance									223	371	558	1,493
Difference									$ (190)	$ (305)	$ (351)	$ (564)
AFS securities with hypothetical NPV losses:												
Fair Value									$ 36	$ 298	$ 834	$ 4,679
Unpaid Principal Balance									39	335	1,002	5,823
Difference									$ (3)	$ (37)	$ (168)	$ (1,144)

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Investments in Alt-A and Subprime Private-Label Wraps

All data as of June 30, 2008

Investments in Alt-A and Subprime Private-Label Wraps	Unpaid Principal Balance	Credit Enhancement Statistics: Average Current	Original	Minimum Current	Monoline Financial Guarante	Hypothetical Scenarios: 20d/40s NPV	20d/50s NPV	30d/40s NPV	30d/50s NPV
	(Dollars rounded in millions)								
Alt-A wraps:									
2005-1	$ 240	6 %	4 %	6 %	$ -	$ -	$ -	$ -	$ -
2007-1 (1)	-	-	-	-	-	-	-	-	-
2007-1 (2)	-	-	-	-	-	-	-	-	-
2007-1 (3)	-	-	-	-	-	-	-	-	-
2007-1 (4)	319	9	7	9	-	-	-	-	-
2007-1 subtotal	319	9	7	9	-	-	-	-	-
2008-1 (1)	-	-	-	-	-	-	-	-	-
2008-1 (2)	-	-	-	-	-	-	-	-	-
2008-1 (3)	-	-	-	-	-	-	-	-	-
2008-1 (4)	-	-	-	-	-	-	-	-	-
2008-1 subtotal	-	-	-	-	-	-	-	-	-
Total Alt-A wraps	$ 559	8 %	6 %	6 %	$ -	$ -	$ -	$ -	$ -
Subprime wraps:									
2004 and prior	$ 885	37 %	14 %	14 %	$ 15	$ -	$ -	$ -	$ -
2005-1	549	66	22	58	-	-	-	-	-
2005-2	2,353	54	35	26	203	-	-	1	7
2007-1 (1)	1,531	19	17	19	-	-	1	30	139
2007-1 (2)	1,797	23	20	22	-	-	-	1	70
2007-1 (3)	1,705	25	22	24	-	-	-	-	29
2007-1 (4)	1,943	32	26	28	-	-	-	1	33
2007-1 subtotal	6,976	25	21	19	-	-	1	32	271
2007-2 (1)	289	27	24	24	-	-	-	-	10
2007-2 (2)	-	-	-	-	-	-	-	-	-
2007-2 (3)	439	32	30	32	-	-	-	-	11
2007-2 (4)	497	33	30	33	-	-	-	-	-
2007-2 subtotal	1,225	31	29	24	-	-	-	-	21
2008-1 (1)	-	-	-	-	-	-	-	-	-
2008-1 (2)	-	-	-	-	-	-	-	-	-
2008-1 (3)	-	-	-	-	-	-	-	-	-
2008-1 (4)	-	-	-	-	-	-	-	-	-
2008-1 subtotal	-	-	-	-	-	-	-	-	-
Total subprime wraps	11,988	34 %	24 %	14 %	218	-	1	33	299
Total Alt-A and subprime wraps	$ 12,547	33 %	24 %	6 %	$ 218	$ -	$ 1	$ 33	$ 299

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Counterparty Exposure

Counterparty Type	Exposure as of June 30, 2008	Notes [1]
Mortgage Insurers	$116.1 billion of primary and pool mortgage insurance coverage ("risk in force").	Since December 31, 2007, the rating agencies have downgraded the insurer financial strength ratings of seven of our top eight insurers. As of June 30, 2008, these seven insurers provided 98% of our total mortgage insurance coverage. Of our top eight insurers, four were rated AA- or higher, three were rated A or A+, and one, Triad Guaranty Insurance Corporation, was rated BB as of August 1, 2008. In June 2008, Triad Guaranty Insurance Corporation announced that it would cease issuing commitments for mortgage insurance effective July 15, 2008 and would run-off its existing business. We immediately suspended Triad Guaranty Insurance Corporation as one of our qualified mortgage insurers.
Financial Guarantors	Beneficiary of financial guarantees of $11.1 billion on securities held in investment portfolio or securities guaranteed and sold to third parties.	We no longer rely upon credit enhancement provided by Financial Guarantors in connection with capital markets securities purchases. All decisions to purchase securities are now based solely upon an assessment of the stand alone quality of the securities.
Custodial Depository Institutions	A total of $40 billion in deposits for scheduled single-family MBS payments were received in June 2008 and held by 311 custodial depository institutions.	97% were held by institutions rated as investment grade by S&P, Moody's, and Fitch.
Derivatives Counterparties	Credit exposure on risk management derivatives, net of collateral held was $472 million. [2]	There is zero exposure to firms with AAA rating; $382 million to firms with AA+/AA/AA- rating; zero exposure to firms with A+/A/A- rating; and zero exposure to firms with BBB rating.

[1] Ratings are as of August 1, 2008 unless otherwise noted.

[2] Exposure is defined as the cost to replace outstanding derivatives contracts in gain positions taking into account netting arrangements where applicable.

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Counterparty Exposure – Mortgage Insurers

(dollar in millions)	As of August 1, 2008			As of June 30, 2008		
	Insurer Financial Strength Ratings			Maximum Coverage [2]		
Counterparty Name [1]	Moody's	S&P	Fitch	Primary	Pool	Total
Mortgage Guaranty Insurance Corporation	A1	A	A+	$ 25,057	$ 2,629	$ 27,686
Genworth Mortgage Insurance Corporation	Aa3	AA	AA	17,387	439	17,826
PMI Mortgage Insurance Co.	A3	A+	A+	14,373	2,515	16,888
United Guaranty Residential Insurance Company	Aa3	AA+	AA+	16,140	295	16,435
Radian Guaranty, Inc.	A2	A	Not Rated	15,062	919	15,981
Republic Mortgage Insurance Company	A1	AA-	AA-	11,676	1,706	13,382
Triad Guaranty Insurance Corporation	B1	Not Rated	BB	4,379	1,433	5,812
CMG Mortgage Insurance Company[3]	Not Rated	AA-	AA	1,948	-	1,948

[1] Insurance coverage amounts provided for each counterparty may include coverage provided by consolidated subsidiaries of the counterparty.

[2] Maximum coverage refers to the aggregate dollar amount of insurance coverage (i.e. "risk in force") on single-family loans in our guaranty book of business and represents our maximum potential loss recovery under the applicable mortgage insurance policies.

[3] CMG Mortgage Insurance Company is a joint venture owned by PMI Mortgage Insurance Co. and CUNA Mutual Investment Corporation.

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APPENDIX II – Other

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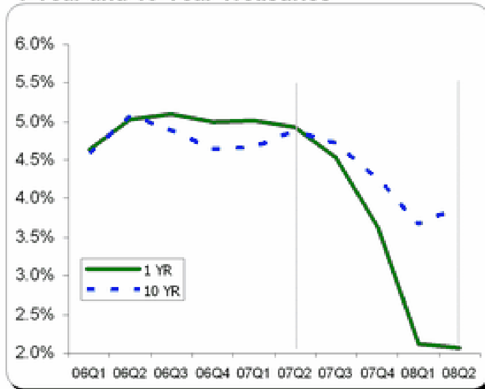
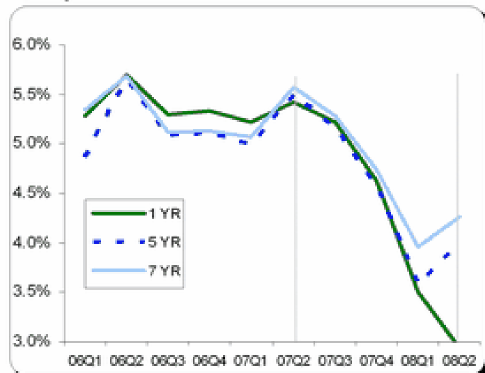
Economic Environment – Interest Rates

1-Year and 10-Year Treasuries

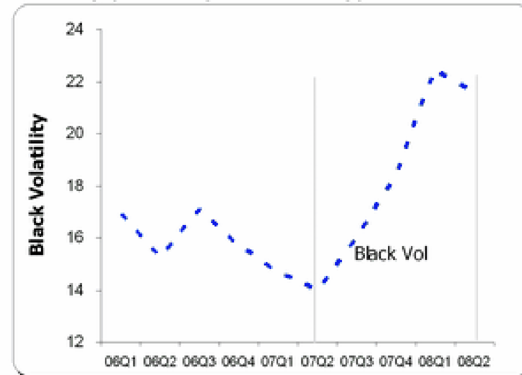


- Net interest yield increased due to reduced funding costs in 2008 Q2.
- Swap rates increased, triggering gains on derivatives.
- Increase in interest rates drove the fair value losses on trading securities and hedged mortgage assets, offsetting the derivatives gains.

Swap Rates



Volatility (3x7 Swaption Volatility)



Source: Treasury: Federal Reserve H.15 Publication. Swap and Volatility: Bloomberg & LehmanLive.com.

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Statements of Operations by Segment

2008 Q2 Statement of Operations (dollars in millions)	Single-Family	HCD	Capital Markets	Total
Net interest income (expense)	$ 142	$ (88)	$ 2,003	$ 2,057
Guaranty fee income (expense)	1,819	134	(345)	1,608
Trust management income	74	1	-	75
Fee and other income	92	51	82	225
Net revenues	**2,127**	**98**	**1,740**	**3,965**
Fair value gains, net	-	-	517	517
Investment losses, net	(37)	-	(846)	(883)
Losses from partnership investments	-	(195)	-	(195)
Credit-related expenses	(5,339)	(10)	-	(5,349)
Administrative expenses	(288)	(104)	(120)	(512)
Other expenses, net	(173)	(33)	(80)	(286)
Losses and expenses	**(5,837)**	**(342)**	**(529)**	**(6,708)**
Income (loss) before federal income taxes and extraordinary losses	(3,710)	(244)	1,211	(2,743)
Provision (benefit) for federal income taxes	(1,304)	(316)	1,144	(476)
Extraordinary losses, net of tax effect	-	-	(33)	(33)
Net income (loss)	**$ (2,406)**	**$ 72**	**$ 34**	**$ (2,300)**

2008 Q1 Statement of Operations (dollars in millions)	Single-Family	HCD	Capital Markets	Total
Net interest income (expense)	$ 134	$ (103)	$ 1,659	$ 1,690
Guaranty fee income (expense)	1,942	148	(338)	1,752
Trust management income	105	2	-	107
Fee and other income	102	62	63	227
Net revenues	**2,283**	**109**	**1,384**	**3,776**
Fair value losses, net	-	-	(4,377)	(4,377)
Investment losses, net	(48)	-	(63)	(111)
Losses from partnership investments	-	(141)	-	(141)
Credit-related expenses	(3,254)	11	-	(3,243)
Administrative expenses	(286)	(108)	(118)	(512)
Other expenses, net	(247)	(43)	(215)	(505)
Losses and expenses	**(3,835)**	**(281)**	**(4,773)**	**(8,889)**
Loss before federal income taxes and extraordinary losses	(1,552)	(172)	(3,389)	(5,113)
Benefit for federal income taxes	(544)	(322)	(2,062)	(2,928)
Extraordinary losses, net of tax effect	-	-	(1)	(1)
Net income (loss)	**$ (1,008)**	**$ 150**	**$ (1,328)**	**$ (2,186)**

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Changes in Risk Management Derivative Assets (Liabilities) at Fair Value, Net

(dollars in millions)	2008		2007		
	Q2	Q1	Q4	Q3	Q2
Beginning net derivative asset (liability) [1][2]	$ (3,066)	$ (1,321)	$ (233)	$ 1,007	$ 378
Effect of cash payments:					
Fair value at inception of contracts entered into during the period	540	173	30	(6)	162
Fair value at date of termination of contracts settled during the period	(147)	(426)	44	(40)	(30)
Net collateral posted	(1,667)	2,461	1,332	2,202	(2,110)
Periodic net cash contractual interest payments (receipts)	1,352	(1,148)	744	(1,183)	771
Total cash payments (receipts)	78	1,060	2,150	973	(1,207)
Income statement impact of recognized amounts:					
Periodic net contractual interest income (expense) accruals on interest rate swaps	(304)	(26)	68	95	64
Net change in fair value during period	2,663	(2,779)	(3,306)	(2,308)	1,772
Derivatives fair value gains (losses), net [3]	2,359	(2,805)	(3,238)	(2,213)	1,836
Ending net derivative asset (liability) [1][2]	$ (629)	$ (3,066)	$ (1,321)	$ (233)	$ 1,007

[1] Reflects the net amount of "Derivative assets at fair value" and "Derivative liabilities at fair value" recorded in our consolidated balance sheets, excluding mortgage commitments.

[2] Pursuant to adoption of FASB Staff Position No. FIN 39-1, *Amendment of FASB Interpretation No. 39*, we reclassified amounts related to cash collateral receivables and payables to offset derivative positions with the same counterparty under a master netting arrangement.

[3] Reflects the net derivatives fair value gains (losses) recorded in our consolidated statements of operations, excluding mortgage commitments.

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Purchased Options Premiums

(dollars in millions)	Original Premium Payments	Original Weighted Average Life to Expiration	Remaining Weighted Average Life
Outstanding options as of December 31, 2006	$ 8,769	9.2 years	5.7 years
Purchases	198		
Exercises	(487)		
Terminations	(212)		
Expirations	(425)		
Outstanding options as of December 31, 2007	$ 7,843	8.4 years	4.6 years
Purchases	180		
Exercises	(1,388)		
Terminations	(23)		
Expirations	(70)		
Outstanding options as of March 31, 2008	$ 6,542	6.7 years	3.6 years
Purchases	543		
Exercises	(213)		
Terminations	(31)		
Expirations	(149)		
Outstanding options as of June 30, 2008	$ 6,692	7.6 years	4.3 years

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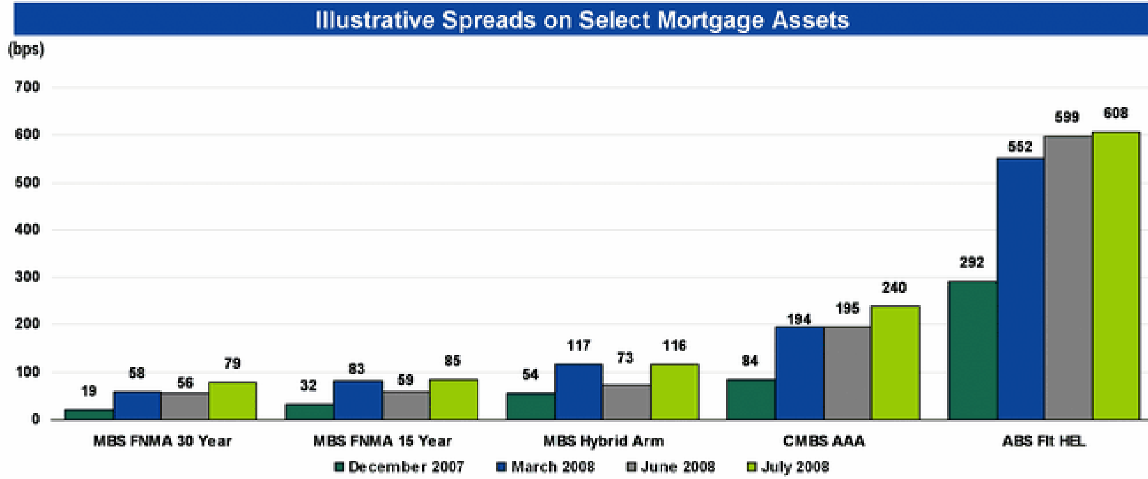
Spreads on Mortgage Investments



Source: LehmanLive
Note: Spreads to LIBOR.

The following sets forth a reconciliation of the estimated fair value of our net assets (non-GAAP) to total stockholders' equity (GAAP). A more detailed reconciliation is contained in Table 32 of the 2008 Q2 Form 10-Q. 2008 Q1 detailed reconciliation is contained in Table 32 of the 2008 Q1 Form 10-Q.

(dollars in millions)	As of June 30, 2008	As of March 31, 2008	As of December 31, 2007
Total Stockholders' Equity (GAAP)	$ 41,226	$ 38,836	$ 44,011
Fair value adjustments	(28,774) [1]	(26,626) [2]	(8,212) [3]
Estimated Fair Value of Net Assets, net of tax effect (non-GAAP)	$ 12,452	$ 12,210	$ 35,799

[1] Represents fair value increase of $19.1 billion to total assets of $885.9 billion less a fair value increase of $47.9 billion to total liabilities of $844.5 billion.

[2] Represents fair value increase of $23.5 billion to total assets of $843.2 billion less a fair value increase of $50.1 billion to total liabilities of $804.2 billion.

[3] Represents fair value increase of $11.0 billion to total assets of $879.4 billion less a fair value increase of $19.2 billion to total liabilities of $835.3 billion.