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): May 2, 2007

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 the four 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 they be deemed incorporated by reference into any disclosure document relating to Fannie Mae, except to the extent, if any, expressly set forth by specific reference in such document.

Item 2.02 Results of Operations and Financial Condition

On May 2, 2007, Fannie Mae (formally, the Federal National Mortgage Corporation) issued a news release reporting its filing of its Form 10-K for the year ended December 31, 2005 (the “2005 Form 10-K”) and its financial results for the periods covered by the Form 10-K. The press release, a copy of which is furnished as Exhibit 99.1 to this report, is incorporated herein by reference.

On May 2, 2007, Fannie Mae also made available to investors a Guide to Fannie Mae’s 2005 Annual Report on SEC Form 10-K that contains summarized information, including financial results, from its 2005 Form 10-K. The guide has been filed as Exhibit 99.8 to the 2005 Form 10-K and also is furnished as Exhibit 99.2 to this report and incorporated herein by reference.

Item 7.01 Regulation FD Disclosure

The second paragraph of the news release furnished as Exhibit 99.1 to this report, announcing that Fannie Mae’s Board of Directors has declared a dividend on the company’s common stock, is incorporated herein by reference.

On May 2, 2007, Fannie Mae announced the transition of its Chief Financial Officer. The news release containing the announcement is furnished as Exhibit 99.3 to this Form 8-K and incorporated herein by reference.

On May 2, 2007, Fannie Mae posted to its website (www.fanniemae.com) a 2005 10-K Investor Summary presentation consisting primarily of summary historical financial information about the company excerpted from Fannie Mae’s 2005 Form 10-K. The presentation is furnished as Exhibit 99.4 to this Form 8-K and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) 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/ BETH A. WILKINSON
Beth A. Wilkinson
Executive Vice President and General Counsel

Date: May 2, 2007

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
99.1	News release, dated May 2, 2007
99.2	Guide to Fannie Mae’s 2005 Annual report on SEC Form 10-K
99.3	News release, dated May 2, 2007
99.4	2005 10-K Investor Summary Presentation, dated May 2, 2007

Exhibit 99.1

news release

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

FannieMae.

Contact: Chuck Greener 202-752-2616 — Janis Smith 202-752-6673

Number: 3993-1

Date: May 2, 2007

FANNIE MAE FILES 2005 10-K WITH THE SEC

Company Increases Quarterly Common Stock Dividend to $0.50 per Share

WASHINGTON, DC — Fannie Mae (FNM/NYSE) today filed its 2005 Annual Report on Form 10-K with the U.S. Securities and Exchange Commission (SEC), reporting annual net income of $6.3 billion in 2005, up from $5.0 billion in 2004, and earnings per share (EPS) of $6.01 in 2005, up from $4.94 in 2004.

Fannie Mae also announced that the company's Board of Directors increased the regular quarterly common stock dividend to fifty cents per share ($0.50). The Board determined that the increased dividend would be effective beginning in the second quarter of 2007, and therefore declared a special common stock dividend of $0.10 per share, payable on May 25, 2007 to stockholders of record on May 18, 2007. This special dividend of $0.10, combined with the company's previously declared dividend of $0.40, will result in a total common stock dividend of $0.50 for the second quarter of 2007.

Fannie Mae said in today's filing that with completion of the 2005 Form 10-K, management is also assessing the impact on its original timeline for filing the 2006 Form 10-K. The company previously announced that it expects to file its 2006 Form 10-K by the end of 2007 but will review that timeline in light of today's filing. Fannie Mae also said that the company intends to continue to provide periodic updates regarding progress toward timely financial reporting.

"Today's filing of our 2005 10-K continues our steady march toward providing the market with timely quarterly financials," said President and Chief Executive Officer Daniel H. Mudd. "This is an important milestone, and we're pleased to be able to take another step by increasing our dividend."

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“We’re very pleased to file these 2005 results,” said Robert T. Blakely, Executive Vice President and Chief Financial Officer, who led last year’s restatement effort after joining the company in January 2006. “Work is already underway on the 2006 financials, and we’re building momentum towards catching up and becoming current.”

2005 10-K Filing — Overview and Highlights

“Our results for 2005 show we had a good year for our business in a challenging market environment,” Mudd said. “As we began working through our restatement and remediation, we saw growth in our book of business, solid performance in our guaranty businesses, growth in core capital and growth in the fair value of our net assets.”

Highlights of Fannie Mae’s 2005 results include:

Earnings: Fannie Mae’s net income and diluted earnings per share totaled $6.3 billion and $6.01, respectively, in 2005, compared with $5.0 billion and $4.94 in 2004, and $8.1 billion and $8.08 in 2003.

Stockholders’ Equity: Total stockholders’ equity increased to $39.3 billion as of December 31, 2005, from $38.9 billion as of December 31, 2004, and $32.3 billion as of December 31, 2003.

Regulatory Capital: On March 30, 2007, the Office of Federal Housing Enterprise Oversight (OFHEO) announced that Fannie Mae was classified as adequately capitalized as of December 31, 2006. Core capital of $42.3 billion exceeded the statutory minimum capital requirement by $13.0 billion and the OFHEO-directed 30 percent additional minimum capital requirement by $4.2 billion. Total capital of $43.0 billion exceeded the statutory risk-based capital requirement by $16.2 billion.

Fair Value of Net Assets (Non-GAAP): Fannie Mae’s estimated fair value of net assets (net of tax effect), a non-GAAP measure, increased to $42.2 billion as of December 31, 2005, compared with $40.1 billion as of year-end 2004, and $28.4 billion as of year-end 2003.

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2005 Financial Results

2005 results include:

- ***Guaranty fee income*** increased approximately five percent to $3.8 billion in 2005 from $3.6 billion in 2004, primarily due to an increase in average outstanding Fannie Mae MBS and other guaranties. The company's average effective guaranty fee rate, which includes the effect of buy-up impairments, remained essentially unchanged at 21 basis points in 2005, 2004 and 2003.
- ***Net interest income*** dropped 36 percent year-over-year, to $11.5 billion in 2005 from $18.1 billion in 2004, driven by a ten percent decrease in Fannie Mae's average interest-earning assets and a 30 percent (55 basis point) decline in the company's net interest yield to 1.31 percent.
- ***Net derivatives fair value losses*** totaled $4.2 billion for 2005, down from $12.3 billion for 2004. A significant portion of the company's derivatives are pay-fixed swaps, resulting in increases in fair value and decreases in swap contractual interest expense as interest rates increased.
- ***Fee and other income*** totaled $1.5 billion in 2005, up significantly from $404 million in 2004. The increase was primarily due to exchange gains recorded in 2005 on Fannie Mae's foreign-denominated debt that stemmed from the strengthening of the U.S. dollar relative to the Japanese yen, which were offset by corresponding net losses on foreign currency swaps that are included in net derivatives fair value losses (discussed above).
- ***Provision for credit losses*** increased to $441 million in 2005, from $352 million in 2004, largely due to a provision for losses of $106 million in 2005 for single-family and multifamily properties affected by Hurricane Katrina (substantially lower than our original estimated range for after tax losses associated with Hurricane Katrina of $250 to $550 million).

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- ***Administrative expenses*** totaled $2.1 billion in 2005, up $459 million, or 28 percent over $1.7 billion in 2004. The increase primarily related to costs associated with the company's restatement and related regulatory examinations, investigations and litigation defense, which totaled approximately $570 million in 2005.
- ***Investment losses, net*** increased to $1.3 billion in 2005 from a loss of $362 million in 2004. The increase was due primarily to impairments on mortgage related securities of $1.2 billion in 2005, up from $285 million in 2004. This increase was due to changes in interest rates — not credit quality — with increasing rates driving the fair value of certain securities below our cost basis.
- ***Other expenses*** totaled $251 million in 2005, down from $607 million in 2004. The decrease was primarily due to the recognition in 2004 of a $400 million civil penalty that the company paid in 2006 pursuant to settlements with the SEC and OFHEO.

Going forward, Fannie Mae expects high levels of period to period volatility in financial results as changes in market conditions cause periodic fluctuations in the estimated fair value of derivative instruments used by the company. Fannie Mae uses derivatives as economic hedges to help manage interest rate risk and achieve a targeted interest rate risk profile. The estimated fair value of the company's derivatives may fluctuate substantially from period to period because of changes in interest rates, expected interest rate volatility and derivative activity.

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2003-2005 Consolidated Results

The following table from the Form 10-K provides a consolidated breakdown of Fannie Mae's results for 2005, 2004 and 2003:

Table 3: Condensed Consolidated Results of Operations

	For the Year Ended December 31,			Variance			
				2005 vs. 2004		2004 vs. 2003	
	2005	2004	2003	$	%	$	%
	(Dollars in millions, except per share amounts)						
Net interest income	$ 11,505	$ 18,081	$ 19,477	$ (6,576)	(36)%	$(1,396)	(7)%
Guaranty fee income	3,779	3,604	3,281	175	5	323	10
Fee and other income	1,526	404	340	1,122	278	64	19
Investment losses, net	(1,334)	(362)	(1,231)	(972)	(269)	869	71
Derivatives fair value losses, net	(4,196)	(12,256)	(6,289)	8,060	66	(5,967)	(95)
Debt extinguishment losses, net	(68)	(152)	(2,692)	84	55	2,540	94
Loss from partnership investments	(849)	(702)	(637)	(147)	(21)	(65)	(10)
Provision for credit losses	(441)	(352)	(365)	(89)	(25)	13	4
Other non-interest expense	(2,351)	(2,266)	(1,598)	(85)	(4)	(668)	(42)
Income before federal income taxes, extraordinary gains (losses), and cumulative effect of change in accounting principle	7,571	5,999	10,286	1,572	26	(4,287)	(42)
Provision for federal income taxes	(1,277)	(1,024)	(2,434)	(253)	(25)	1,410	58
Extraordinary gains (losses), net of tax effect	53	(8)	195	61	763	(203)	(104)
Cumulative effect of change in accounting principle, net of tax effect	—	—	34	—	—	(34)	(100)
Net income	$ 6,347	$ 4,967	$ 8,081	$ 1,380	28%	$ (3,114)	(39)%
Diluted earnings per common share	$ 6.01	$ 4.94	$ 8.08	$ 1.07	22%	$ (3.14)	(39)%

2006 Outlook

Fannie Mae said in today's filing that the company expects net income to decline in 2006, primarily due to further reductions in net interest income and net interest yield in 2006, and the decline in the spread between the average yield on assets and on borrowing costs (which the company began experiencing at the end of 2004). Administrative expenses also significantly increased in 2006, to an estimated $3.1 billion, largely due to costs associated with the restatement process and related regulatory examinations, investigations and litigation defense, the preparation of consolidated financial statements, control remediation activities and increased personnel to support these efforts. Fannie Mae also expects, however, continued strength in guaranty fee income, moderate increases in our provision for credit losses and somewhat lower derivative fair value losses as interest rates have generally trended up since the end of 2005 and remain at overall higher levels.

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The company does not expect to be able to further quantify its operating results and financial condition until it completes the preparation of consolidated financial statements for the year ended December 31, 2006. However, the company meets regularly with OFHEO to discuss its current capital position.

Results of 2005 Business Segment Operations

Fannie Mae's business is organized into three complementary business segments:

- The Single-Family Credit Guaranty business works with lender customers to securitize single-family mortgage loans into Fannie Mae MBS and to facilitate the purchase of single-family mortgage loans for our portfolio.
- The Housing and Community Development business helps to expand the supply of affordable and market-rate rental housing in the United States by working with lender customers to securitize multifamily mortgage loans into Fannie Mae MBS, facilitate the purchase of multifamily mortgage loans for the company's mortgage portfolio, and also by making investments in rental and for-sale housing projects, including investments in rental housing projects that qualify for federal low-income housing tax credits.
- The Capital Markets group manages the company's investment activity in mortgage loans and mortgage-related securities, and has responsibility for managing the company's assets and its liabilities and the company's liquidity and capital positions.

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The following table shows the company's results for 2005, 2004 and 2003 by each business segment, as provided in the 2005 Form 10-K:

Table 12: Business Segment Results Summary

	For the Year Ended December 31,			Increase (Decrease)			
				2005 vs. 2004		2004 vs. 2003	
	2005	2004	2003	$	%	$	%
				(Dollars in millions)			
Revenues: (1)							
Single-Family Credit Guaranty	$ 5,805	$ 5,153	$ 4,994	$ 652	13%	$ 159	3%
Housing and Community Development	743	538	398	205	38	140	35
Capital Markets	43,601	46,135	47,293	(2,534)	(5)	(1,158)	(2)
Total	$ 50,149	$ 51,826	$ 52,685	$ (1,677)	(3)%	$ (859)	(2)%
Net income:							
Single-Family Credit Guaranty	$ 2,889	$ 2,514	$ 2,481	$ 375	15%	$ 33	1%
Housing and Community Development	462	337	286	125	37	51	18
Capital Markets	2,996	2,116	5,314	880	42	(3,198)	(60)
Total	$ 6,347	$ 4,967	$ 8,081	$ 1,380	28%	$ (3,114)	(39)%

	As of December 31,			
	2005	2004		
Total assets:				
Single-Family Credit Guaranty	$ 12,871	$ 11,543	$ 1,328	12%
Housing and Community Development	11,829	10,166	1,663	16
Capital Markets Group	809,468	999,225	(189,757)	(19)
Total	$ 834,168	$ 1,020,934	$ (186,766)	(18)%

(1) Includes interest income, guaranty fee income, and fee and other income.

The following provides further explanation of the business segment results:

- The Single-Family Credit Guaranty business generated net income of $2.9 billion in 2005 and $2.5 billion in 2004. Net income for the single-family business segment increased by $375 million, or 15 percent in 2005 from 2004, primarily due to higher interest income and guaranty fee income, offset by an increase in our provision for credit losses and administrative expenses. Interest income earned on cash flows from the date of the remittance by servicers to us until the date of distribution by us to MBS certificate holders increased by $282 million as a result of higher short-term interest rates throughout 2005.

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Guaranty fee income for 2005 increased slightly from 2004 as the average single-family credit book of business increased three percent. The average effective guaranty fee rate remained essentially unchanged from year to year.

The provision for credit losses increased by 46 percent to $454 million in 2005 due to the provision for losses from the Gulf Coast hurricanes and the adoption of a new accounting standard.

- The Housing and Community Development business generated net income of $462 million in 2005 and $337 million in 2004. Net income for the HCD business segment increased by $125 million, or 37 percent in 2005 from 2004 as a result of increased tax benefits from tax-advantaged investments and higher fee and other income. Low Income Housing Tax Credit (LIHTC) investments totaled $7.7 billion in 2005, compared to $6.8 billion in 2004, and represented the largest proportion of HCD equity investment activity in 2005. Losses from partnership investments increased by $147 million as HCD increased its investment activity; however, these losses were more than offset by increased LIHTC tax benefits that resulted in a reduction in Fannie Mae's tax rate by approximately thirteen percent from the statutory tax rate in 2005.
- The Capital Markets group generated net income of $3.0 billion in 2005 and $2.1 billion in 2004. Net income for the Capital Markets group increased by $880 million, or 42 percent in 2005 from 2004, as a reduction in net interest income and an increase in investment losses were more than offset by lower derivatives fair value losses. Net interest income decreased $6.9 billion, or 39 percent in 2005 from 2004 largely due to a ten percent decline in the company's average portfolio balance.

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Fair Value Balance Sheet (Non-GAAP)

GAAP requires disclosure of the fair value of our financial assets and liabilities. Fair value is the amount at which an asset or liability could be sold or exchanged between willing parties, other than in a forced or liquidation sale. In addition to the fair value of the company's financial assets, management looks at the estimated non-GAAP supplemental fair value of the company's other assets and liabilities. A reconciliation of the company's fair value of net assets (non-GAAP) to stockholders' equity (GAAP) is presented in Annex 1 to this press release.

"As we've said before, we believe fair value measures are a useful tool in assessing our business economics and risks," said Blakely, "We use fair value measures to make investment decisions and to measure, monitor and manage our interest rate risk and market risk, and our non-GAAP fair value balance sheets are an important component in assessing the sensitivity of our net asset fair value. As a result, we intend to provide a non-GAAP fair value balance sheet on a quarterly basis once we become current in our financial reporting."

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The following table from the 2005 10-K shows Fannie Mae's non-GAAP fair value balance sheet as of the years-ended 2005 and 2004:

Table 17: Non-GAAP Supplemental Consolidated Fair Value Balance Sheets

	As of December 31, 2005			As of December 31, 2004		
	Carrying Value	Fair Value Adjustment	Estimated Fair Value	Carrying Value	Fair Value Adjustment	Estimated Fair Value
	(Dollars in millions)					
Assets:						
Cash and cash equivalents	$ 3,575	$ —	$ 3,575	$ 3,701	$ —	$ 3,701
Federal funds sold and securities purchased under agreements to resell	8,900	—	8,900	3,930	—	3,930
Trading securities	15,110	—	15,110	35,287	—	35,287
Available-for-sale securities	390,964	—	390,964	532,095	—	532,095
Mortgage loans held for sale	5,064	36	5,100	11,721	131	11,852
Mortgage loans held for investment, net of allowance for loan losses	362,479	(350)	362,129	389,651	7,952	397,603
Derivative assets at fair value	5,803	—	5,803	6,589	—	6,589
Guaranty assets and buy-ups	7,629	3,077	10,706	6,616	2,647	9,263
Total financial assets	799,524	2,763	802,287	989,590	10,730	1,000,320
Other assets	34,644	(861)	33,783	31,344	(23)	31,321
Total assets	$ 834,168	$ 1,902	$ 836,070	$ 1,020,934	$ 10,707	$ 1,031,641
Liabilities:						
Federal funds purchased and securities sold under agreements to repurchase	$ 705	$ —	$ 705	$ 2,400	$ (1)	$ 2,399
Short-term debt	173,186	(209)	172,977	320,280	(567)	319,713
Long-term debt	590,824	5,978	596,802	632,831	15,445	648,276
Derivative liabilities at fair value	1,429	—	1,429	1,145	—	1,145
Guaranty obligations	10,016	(4,848)	5,168	8,784	(3,512)	5,272
Total financial liabilities	776,160	921	777,081	965,440	11,365	976,805
Other liabilities	18,585	(1,916)	16,669	16,516	(1,850)	14,666
Total liabilities	794,745	(995)	793,750	981,956	9,515	991,471
Minority interests in consolidated subsidiaries	121	—	121	76	—	76
Net assets, net of tax effect (non-GAAP)	$ 39,302	$ 2,897	$ 42,199	$ 38,902	$ 1,192	$ 40,094
Fair value adjustments			(2,897)			(1,192)
Total stockholders' equity (GAAP)			$ 39,302			$ 38,902

A reconciliation of the fair value of the company's other assets, other liabilities, total assets and total liabilities as of those periods to the most comparable GAAP measures is contained in the notes to the non-GAAP fair value balance sheet included in Annex 1.

(more)

As of December 31, 2005, the (non-GAAP) estimated fair value of Fannie Mae's net assets (net of tax effect) was $42.2 billion after payments of $1.4 billion of cash dividends to holders of common and preferred stock, an increase of $2.1 billion, or five percent, over the 2004 net asset fair value of $40.1 billion. Fannie Mae's own activities — as well as market conditions — caused changes in the estimated fair value of net assets. The key drivers of the change include:

- an increase in the fair value of our net guaranty assets of approximately $1.5 billion; and
- earnings of the corporation.

Conclusion

"2005 was a good year for our business and an important year for Fannie Mae as we began the process of repairing our financials, remediating systems and controls, building a new management team and renewing our corporate culture," said CEO Mudd. "We also faced a shifting market in 2005, where we felt many of the mortgages being originated weren't appropriately priced for risk. We believe the tough business decisions we made at that time have helped put us in a stronger position today," he added.

Conference Call

Fannie Mae will host a conference call for the investment community at 1:30 p.m. Eastern Time, today, May 2nd. Mary Lou Christy, Senior Vice President, Investor Relations, will host the call. Daniel H. Mudd, President and Chief Executive Officer, and Robert Blakely, 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 call is 1-888-423-3273, for international callers, 612-332-0923. The confirmation code is 872289. Please dial in 5 to 10 minutes prior to the start of the call. The conference call will also be web cast at *http://www.fanniemae.com* and will be available for 30 days after the call.

# # #

Certain statements in this press release, including those relating to our future performance, trends and expectations for our industry, our future plans, business activities and expenses, and financial measures that may be relevant in assessing our performance, 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 operations and its actual performance may differ materially from those indicated in any forward-looking statements. Additional information that could cause actual results to differ materially from these statements are detailed in Fannie Mae's annual report on SEC Form 10-K for the year ended December 31, 2005, including the "Risk Factors" section, and in its reports on SEC Form 8-K.

Any security holder may receive a copy of Fannie Mae's Annual Report on Form 10-K for the year ended December 31, 2005, free of charge, by sending a request to: Fannie Mae, Investor Relations, 3900 Wisconsin Avenue N.W., Washington, DC 20016. The 10-K, and all other Fannie Mae forms filed with the SEC, can also be obtained on the company's web site at www.fanniemae.com/ir/sec/.

Annex 1

FANNIE MAE
Consolidated Balance Sheets
(Dollars in millions, except share amounts)

	As of December 31, 2005	As of December 31, 2004
ASSETS		
Cash and cash equivalents (includes cash equivalents that may be repledged of $686 and $242 as of December 31, 2005 and 2004, respectively)	$ 2,820	$ 2,655
Restricted cash	755	1,046
Federal funds sold and securities purchased under agreements to resell	8,900	3,930
Investments in securities:		
Trading, at fair value (includes Fannie Mae MBS of $14,607 and $34,350 as of December 31, 2005 and 2004, respectively)	15,110	35,287
Available-for-sale, at fair value (includes Fannie Mae MBS of $217,842 and $315,195 as of December 31, 2005 and 2004, respectively)	390,964	532,095
Total investments in securities	406,074	567,382
Mortgage loans:		
Loans held for sale, at lower of cost or market	5,064	11,721
Loans held for investment, at amortized cost	362,781	390,000
Allowance for loan losses	(302)	(349)
Total loans held for investment, net of allowance	362,479	389,651
Total mortgage loans	367,543	401,372
Advances to lenders	4,086	4,850
Accrued interest receivable	3,506	4,237
Acquired property, net	1,771	1,704
Derivative assets at fair value	5,803	6,589
Guaranty assets	6,848	5,924
Deferred tax assets	7,684	6,074
Partnership investments	9,305	8,061
Other assets	9,073	7,110
Total assets	$ 834,168	$ 1,020,934
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accrued interest payable	$ 6,616	$ 6,212
Federal funds purchased and securities sold under agreements to repurchase	705	2,400
Short-term debt	173,186	320,280
Long-term debt	590,824	632,831
Derivative liabilities at fair value	1,429	1,145
Reserve for guaranty losses (includes $71 and $113 as of December 31, 2005 and 2004, respectively, related to Fannie Mae MBS included in Investments in securities)	422	396
Guaranty obligations (includes $506 and $814 as of December 31, 2005 and 2004, respectively, related to Fannie Mae MBS included in Investments in securities)	10,016	8,784
Partnership liabilities	3,432	2,662
Other liabilities	8,115	7,246
Total liabilities	794,745	981,956
Minority interests in consolidated subsidiaries	121	76
Commitments and contingencies (see Note 19)	—	—
Stockholders' Equity:		
Preferred stock, 200,000,000 shares authorized—132,175,000 shares issued and outstanding as of December 31, 2005 and 2004	9,108	9,108
Common stock, no par value, no maximum authorization—1,129,090,420 shares issued as of December 31, 2005 and 2004; 970,532,789 shares and 969,075,573 shares outstanding as of December 31, 2005 and 2004, respectively	593	593
Additional paid-in capital	1,913	1,982
Retained earnings	35,555	30,705
Accumulated other comprehensive income (loss)	(131)	4,387
Treasury stock, at cost, 158,557,631 shares and 160,014,847 shares as of December 31, 2005 and 2004, respectively	(7,736)	(7,873)
Total stockholders' equity	39,302	38,902
Total liabilities and stockholders' equity	$ 834,168	$ 1,020,934

See Notes to Consolidated Financial Statements.

FANNIE MAE

Consolidated Statements of Income
(Dollars and shares in millions, except per share amounts)

	For the Year Ended December 31, 2005	2004	2003
Interest income:			
Investments in securities	$ 24,156	$ 26,428	$ 27,694
Mortgage loans	20,688	21,390	21,370
Total interest income	44,844	47,818	49,064
Interest expense:			
Short-term debt	6,562	4,399	4,012
Long-term debt	26,777	25,338	25,575
Total interest expense	33,339	29,737	29,587
Net interest income	11,505	18,081	19,477
Guaranty fee income (includes imputed interest of $803, $833 and $314 for 2005, 2004 and 2003, respectively)	3,779	3,604	3,281
Investment losses, net	(1,334)	(362)	(1,231)
Derivatives fair value losses, net	(4,196)	(12,256)	(6,289)
Debt extinguishment losses, net	(68)	(152)	(2,692)
Loss from partnership investments	(849)	(702)	(637)
Fee and other income	1,526	404	340
Non-interest loss	(1,142)	(9,464)	(7,228)
Administrative expenses:			
Salaries and employee benefits	959	892	849
Professional services	792	435	238
Occupancy expenses	221	185	166
Other administrative expenses	143	144	201
Total administrative expenses	2,115	1,656	1,454
Minority interest in earnings of consolidated subsidiaries	(2)	(8)	—
Provision for credit losses	441	352	365
Foreclosed property expense (income)	(13)	11	(12)
Other expenses	251	607	156
Total expenses	2,792	2,618	1,963
Income before federal income taxes, extraordinary gains (losses), and cumulative effect of change in accounting principle	7,571	5,999	10,286
Provision for federal income taxes	1,277	1,024	2,434
Income before extraordinary gains (losses) and cumulative effect of change in accounting principle	6,294	4,975	7,852
Extraordinary gains (losses), net of tax effect	53	(8)	195
Cumulative effect of change in accounting principle, net of tax effect	—	—	34
Net income	$ 6,347	$ 4,967	$ 8,081
Preferred stock dividends	(486)	(165)	(150)
Net income available to common stockholders	$ 5,861	$ 4,802	$ 7,931
Basic earnings (loss) per share:			
Earnings before extraordinary gains (losses) and cumulative effect of change in accounting principle	$ 5.99	$ 4.96	$ 7.88
Extraordinary gains (losses), net of tax effect	0.05	(0.01)	0.20
Cumulative effect of change in accounting principle, net of tax effect	—	—	0.04
Basic earnings per share	$ 6.04	$ 4.95	$ 8.12
Diluted earnings per share:			
Earnings before extraordinary gains (losses) and cumulative effect of change in accounting principle	$ 5.96	$ 4.94	$ 7.85
Extraordinary gains (losses), net of tax effect	0.05	—	0.20
Cumulative effect of change in accounting principle, net of tax effect	—	—	0.03
Diluted earnings per share	$ 6.01	$ 4.94	$ 8.08
Cash dividends per common share	$ 1.04	$ 2.08	$ 1.68
Weighted-average common shares outstanding:			
Basic	970	970	977
Diluted	998	973	981

See Notes to Consolidated Financial Statements.

FANNIE MAE

Consolidated Statements of Cash Flows
(Dollars in millions)

	For the Year Ended December 31, 2005	2004	2003
Cash flows provided by operating activities:			
Net income	$ 6,347	$ 4,967	$ 8,081
Reconciliation of net income to net cash provided by operating activities:			
Amortization of mortgage loans and security cost basis adjustments	(56)	1,249	1,852
Amortization of debt cost basis adjustments	7,179	4,908	4,517
Provision for credit losses	441	352	365
Valuation losses	1,394	433	1,433
Debt extinguishment losses, net	68	152	2,692
Debt foreign currency transaction (gains) losses, net	(625)	304	707
Loss from partnership investments	849	702	637
Current and deferred federal income taxes	79	(1,435)	(1,083)
Extraordinary (gains) losses, net of tax effect	(53)	8	(195)
Cumulative effect of change in accounting principle, net of tax effect	—	—	(34)
Derivatives fair value adjustments	826	(1,395)	(5,811)
Purchases of loans held for sale	(26,562)	(30,198)	(72,519)
Proceeds from repayments of loans held for sale	1,307	2,493	9,703
Proceeds from sales of loans held for sale	51	66	8
Net decrease in trading securities, excluding non-cash transfers	86,637	58,396	106,679
Net change in:			
Guaranty assets	(1,464)	(2,033)	(5,018)
Guaranty obligations	507	2,926	7,745
Other, net	1,216	(339)	(1,536)
Net cash provided by operating activities	78,141	41,556	58,223
Cash flows provided by (used in) investing activities:			
Purchases of available-for-sale securities	(117,826)	(234,081)	(503,313)
Proceeds from maturities of available-for-sale securities	169,734	196,606	339,878
Proceeds from sales of available-for-sale securities	117,713	18,503	129,487
Purchases of loans held for investment	(57,840)	(55,996)	(92,668)
Proceeds from repayments of loans held for investment	99,943	100,727	164,822
Advances to lenders	(69,505)	(53,865)	(180,338)
Net proceeds from disposition of acquired property	3,725	4,284	3,355
Contributions to partnership investments	(1,829)	(1,934)	(1,675)
Proceeds from partnership investments	329	208	60
Net change in federal funds sold and securities purchased under agreements to resell	(5,040)	8,756	(12,355)
Net cash provided by (used in) investing activities	139,404	(16,792)	(152,747)
Cash flows (used in) provided by financing activities:			
Proceeds from issuance of short-term debt	2,578,152	1,925,159	1,944,544
Payments to redeem short-term debt	(2,750,912)	(1,965,693)	(1,904,640)
Proceeds from issuance of long-term debt	156,336	253,880	349,356
Payments to redeem long-term debt	(197,914)	(240,031)	(285,872)
Repurchase of common and redemption of preferred stock	—	(523)	(1,390)
Proceeds from issuance of common and preferred stock	29	5,162	1,488
Payment of cash dividends on common and preferred stock	(1,376)	(2,185)	(1,796)
Net change in federal funds purchased and securities sold under agreements to repurchase	(1,695)	(1,273)	(5,497)
Net cash (used in) provided by financing activities	(217,380)	(25,504)	96,193
Net increase (decrease) in cash and cash equivalents	165	(740)	1,669
Cash and cash equivalents at beginning of period	2,655	3,395	1,726
Cash and cash equivalents at end of period	$ 2,820	$ 2,655	$ 3,395
Cash paid during the period for:			
Interest	$ 32,491	$ 29,777	$ 30,322
Income taxes	1,197	2,470	3,516
Non-cash activities:			
Net transfers between investments in securities and mortgage loans	$ 35,337	$ 17,750	$ 71,560
Transfers from advances to lenders to investments in securities	69,605	53,705	195,964
Net mortgage loans acquired by assuming debt	18,790	13,372	9,274
Transfers of loans held for sale to loans held for investment	3,208	15,543	51,855
Transfers from mortgage loans to acquired property, net	3,699	4,307	3,580
Issuance of common stock from treasury stock for stock option and benefit plans	137	306	149

See Notes to Consolidated Financial Statements.

FANNIE MAE
Consolidated Statements of Changes in Stockholders' Equity
(Dollars and shares in millions, except per share amounts)

	Shares Outstanding Preferred	Shares Outstanding Common	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (1)	Treasury Stock	Total Stockholders' Equity
Balance as of January 1, 2003	53	989	$ 2,678	$ 593	$ 1,937	$ 21,638	$ 11,468	$ (6,415)	$ 31,899
Comprehensive income:									
Net income	—	—	—	—	—	8,081	—	—	8,081
Other comprehensive income, net of tax effect:									
Unrealized losses on available-for-sale securities (net of tax of $3,381)	—	—	—	—	—	—	(6,278)	—	(6,278)
Reclassification adjustment for losses included in net income	—	—	—	—	—	—	57	—	57
Unrealized gains on guaranty assets and guaranty fee buy-ups (net of tax of $47)	—	—	—	—	—	—	88	—	88
Net cash flow hedging losses	—	—	—	—	—	—	(18)	—	(18)
Minimum pension liability (net of tax of $1)	—	—	—	—	—	—	(2)	—	(2)
Total comprehensive income									1,928
Common stock dividends ($1.68 per share)	—	—	—	—	—	(1,646)	—	—	(1,646)
Preferred stock:									
Preferred dividends	—	—	—	—	—	(150)	—	—	(150)
Preferred stock issued	29	—	1,430	—	(13)	—	—	—	1,417
Treasury stock:									
Treasury stock acquired	—	(22)	—	—	—	—	—	(1,390)	(1,390)
Treasury stock issued for stock options and benefit plans	—	3	—	—	61	—	—	149	210
Balance as of December 31, 2003	82	970	4,108	593	1,985	27,923	5,315	(7,656)	32,268
Comprehensive income:									
Net income	—	—	—	—	—	4,967	—	—	4,967
Other comprehensive income, net of tax effect:									
Unrealized losses on available-for-sale securities (net of tax of $483)	—	—	—	—	—	—	(897)	—	(897)
Reclassification adjustment for gains included in net income	—	—	—	—	—	—	(17)	—	(17)
Unrealized losses on guaranty assets and guaranty fee buy-ups (net of tax of $4)	—	—	—	—	—	—	(8)	—	(8)
Net cash flow hedging losses	—	—	—	—	—	—	(3)	—	(3)
Minimum pension liability (net of tax of $2)	—	—	—	—	—	—	(3)	—	(3)
Total comprehensive income									4,039
Common stock dividends ($2.08 per share)	—	—	—	—	—	(2,020)	—	—	(2,020)
Preferred stock:									
Preferred dividends	—	—	—	—	—	(165)	—	—	(165)
Preferred stock issued	50	—	5,000	—	(75)	—	—	—	4,925
Treasury stock:									
Treasury stock acquired	—	(7)	—	—	—	—	—	(523)	(523)
Treasury stock issued for stock options and benefit plans	—	6	—	—	72	—	—	306	378
Balance as of December 31, 2004	132	969	9,108	593	1,982	30,705	4,387	(7,873)	38,902

FANNIE MAE
Consolidated Statements of Changes in Stockholders' Equity (cont'd.)
(Dollars and shares in millions, except per share amounts)

	Shares Outstanding Preferred	Shares Outstanding Common	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (1)	Treasury Stock	Total Stockholders' Equity
Comprehensive income:									
Net income	—	—	—	—	—	6,347	—	—	6,347
Other comprehensive income, net of tax effect:									
Unrealized losses on available-for-sale securities (net of tax of $2,238)	—	—	—	—	—	—	(4,156)	—	(4,156)
Reclassification adjustment for gains included in net income	—	—	—	—	—	—	(432)	—	(432)
Unrealized gains on guaranty assets and guaranty fee buy-ups (net of tax of $39)	—	—	—	—	—	—	72	—	72
Net cash flow hedging losses (net of tax of $2)	—	—	—	—	—	—	(4)	—	(4)
Minimum pension liability (net of tax of $1)	—	—	—	—	—	—	2	—	2
Total comprehensive income	—	—	—	—	—	—	—	—	1,829
Common stock dividends ($1.04 per share)	—	—	—	—	—	(1,011)	—	—	(1,011)
Preferred stock dividends	—	—	—	—	—	(486)	—	—	(486)
Treasury stock issued for stock options and benefit plans	—	2	—	—	(69)	—	—	137	68
Balance as of December 31, 2005	132	971	$ 9,108	$ 593	$ 1,913	$ 35,555	$ (131)	$ (7,736)	$ 39,302

(1) Accumulated Other Comprehensive Income ending balance as of December 31, 2005 is comprised of $300 million in net unrealized losses on available-for-sale securities, net of tax, and $169 million in net unrealized gains on all other components, net of tax, and $4.3 billion and $5.2 billion of net unrealized gains on available-for-sale securities, net of tax, and $99 million and $113 million net unrealized gains on all other components, net of tax, as of December 31, 2004 and 2003, respectively.

Table 17: Non-GAAP Supplemental Consolidated Fair Value Balance Sheets

	As of December 31, 2005			As of December 31, 2004		
	Carrying Value	Fair Value Adjustment(1)	Estimated Fair Value	Carrying Value	Fair Value Adjustment(1)	Estimated Fair Value
	(Dollars in millions)					
Assets:						
Cash and cash equivalents	$ 3,575	$ —	$ 3,575(2)	$ 3,701	$ —	$ 3,701(2)
Federal funds sold and securities purchased under agreements to resell	8,900	—	8,900(2)	3,930	—	3,930(2)
Trading securities	15,110	—	15,110(2)	35,287	—	35,287(2)
Available-for-sale securities	390,964	—	390,964(2)	532,095	—	532,095(2)
Mortgage loans held for sale	5,064	36	5,100(2)	11,721	131	11,852(2)
Mortgage loans held for investment, net of allowance for loan losses	362,479	(350)	362,129(2)	389,651	7,952	397,603(2)
Derivative assets at fair value	5,803	—	5,803(2)	6,589	—	6,589(2)
Guaranty assets and buy-ups	7,629	3,077	10,706(2)(3)	6,616	2,647	9,263(2)(3)
Total financial assets	799,524	2,763	802,287	989,590	10,730	1,000,320
Other assets	34,644	(861)	33,783(4)(5)	31,344	(23)	31,321(4)(5)
Total assets	$ 834,168	$ 1,902	$ 836,070(6)	$ 1,020,934	$ 10,707	$ 1,031,641(6)
Liabilities:						
Federal funds purchased and securities sold under agreements to repurchase	$ 705	$ —	$ 705(2)	$ 2,400	$ (1)	$ 2,399(2)
Short-term debt	173,186	(209)	172,977(2)	320,280	(567)	319,713(2)
Long-term debt	590,824	5,978	596,802(2)	632,831	15,445	648,276(2)
Derivative liabilities at fair value	1,429	—	1,429(2)	1,145	—	1,145(2)
Guaranty obligations	10,016	(4,848)	5,168(2)	8,784	(3,512)	5,272(2)
Total financial liabilities	776,160	921	777,081	965,440	11,365	976,805
Other liabilities	18,585	(1,916)	16,669(5)(7)	16,516	(1,850)	14,666(5)(7)
Total liabilities	794,745	(995)	793,750(8)	981,956	9,515	991,471(8)
Minority interests in consolidated subsidiaries	121	—	121	76	—	76
Net assets, net of tax effect (non-GAAP)	$ 39,302	$ 2,897	$ 42,199(9)	$ 38,902	$ 1,192	$ 40,094(9)
Fair value adjustments			(2,897)			(1,192)
Total stockholders' equity (GAAP)			$ 39,302			$ 38,902

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 reported in our GAAP consolidated balance sheets and our best judgment of the estimated fair value of the listed asset or liability.

(2) The estimated fair value of each of these financial instruments has been computed in accordance with the GAAP fair value guidelines prescribed by SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* ("SFAS 107"), as described in "Notes to Consolidated Financial Statements—Note 18, Fair Value of Financial Instruments." In Note 18, we also discuss the methodologies and assumptions we use in estimating the fair value of our financial instruments.

(3) Represents the estimated fair value produced by combining the estimated fair value of our guaranty assets as of December 31, 2005 and 2004, respectively, with the estimated fair value of buy-ups. In our GAAP consolidated balance sheets, we report our guaranty assets as a separate line item and include all buy-ups associated with our guaranty assets in "Other assets." As a result, the GAAP carrying value of our guaranty assets reflects only those arrangements entered into subsequent to our adoption of FIN 45 on January 1, 2003. On a GAAP basis, our guaranty assets totaled $6.8 billion and $5.9 billion as of December 31, 2005 and 2004, respectively, and the associated buy-ups totaled $781 million and $692 million as of December 31, 2005 and 2004, respectively.

(4) In addition to the $9.1 billion and $7.1 billion of assets included in "Other assets" in the GAAP consolidated balance sheets as of December 31, 2005 and 2004, respectively, the assets included in the estimated fair value of our non-GAAP "other assets" consist primarily of the assets presented on five line items in our GAAP consolidated balance sheets, consisting of advances to lenders, accrued interest receivable, partnership investments, acquired property, net, and deferred tax assets, which together totaled $26.4 billion and $24.9 billion as of December 31, 2005 and 2004, respectively, in both the GAAP consolidated balance sheets and the non-GAAP supplemental consolidated balance sheets. In addition, we deduct the carrying value of the buy-ups associated with our guaranty obligation from our GAAP other assets because we combine the guaranty asset with the associated buy-ups when we determine the fair value of the asset.

(5) "Other assets" and "other liabilities" are reflected in each of the non-GAAP fair value balance sheets at their GAAP carrying values. With the exception of partnership investments and partnership liabilities, the GAAP carrying values of these other assets and other liabilities generally approximate fair value. The fair values of partnership investments and partnership liabilities are generally different from their GAAP carrying values, potentially materially. We have included partnership investments and partnership liabilities at their carrying value in each of the non-GAAP fair value balance sheets. We assume that other deferred assets and liabilities, consisting of prepaid expenses and deferred charges such as deferred debt issuance costs, have no fair value. We adjust the GAAP-basis deferred income taxes for purposes of each of our non-GAAP supplemental consolidated fair value balance sheets to include estimated income taxes on the difference between our non-GAAP supplemental consolidated fair value balance sheets net assets, including deferred taxes from the GAAP consolidated balance sheets, and our GAAP consolidated balance sheets stockholders' equity. 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.

(6) Non-GAAP total assets represent the sum of the estimated fair value of (i) all financial instruments carried at fair value in our GAAP balance sheets, including all financial instruments that are not carried at fair value in our GAAP balance sheets but that are reported at fair value in accordance with SFAS 107 in "Notes to Consolidated Financial Statements—Note 18, Fair Value of Financial Instruments," (ii) non-GAAP other assets, which include all items listed in footnote 4 that are presented as separate line items in our GAAP consolidated balance sheets rather than being included in our GAAP other assets and (iii) the estimated fair value of credit enhancements, which are not included in "Other assets" in the consolidated balance sheets.

(7) In addition to the $8.1 billion and $7.2 billion of liabilities included in "Other liabilities" in the GAAP consolidated balance sheets as of December 31, 2005 and 2004, respectively, the liabilities included in the estimated fair value of our non-GAAP "other liabilities" consist primarily of the liabilities presented on three line items on our GAAP consolidated balance sheets, consisting of accrued interest payable, reserve for guaranty losses and partnership liabilities, which together totaled $10.5 billion and $9.3 billion as of December 31, 2005 and 2004. As indicated above in footnote 5, these items are reported in our non-GAAP fair value balance sheets at their GAAP carrying values.

(8) Non-GAAP total liabilities represent the sum of the estimated fair value of (i) all financial instruments that are carried at fair value in our GAAP balance sheets, including those financial instruments that are not carried at fair value in our GAAP balance sheets but that are reported at fair value in accordance with SFAS 107 in "Notes to Consolidated Financial Statements—Note 18, Fair Value of Financial Instruments," and (ii) non-GAAP other liabilities, which include all items listed in footnote 7 that are presented as separate line items in our GAAP consolidated balance sheets rather than being included in our GAAP other liabilities.

(9) Represents the estimated fair value of total assets less the estimated fair value of total liabilities, which reconciles to total stockholders' equity (GAAP).

Exhibit 99.2

Guide to Fannie Mae's 2005 Annual Report on SEC Form 10-K

Fannie Mae provides this guide as an exhibit to its Form 10-K filing of May 2, 2007. It is neither comprehensive nor a substitute for the information in the full filing. This guide is being distributed only with either the Form 10-K or Fannie Mae's press release (including Annex 1), dated May 2, 2007, relating to the Form 10-K.

Overview and Highlights

Filing Timelines. The company previously announced that it expects to file its 2006 Form 10-K by the end of 2007. Management is assessing how the timing of the filing of this 2005 Form 10-K will impact the timing of the filing of the 2006 Form 10-K. We have made significant progress in our efforts to remediate operational weaknesses that have prevented us from reporting our financial results on a timely basis. Fannie Mae also said that the company intends to continue to provide periodic updates regarding progress toward timely financial reporting. *(page 1)*

2005 Earnings. Fannie Mae reported annual net income of $6.3 billion in 2005, up from $5.0 billion in 2004. Diluted earnings per share were $6.01 in 2005, up from $4.94 in 2004. *(page 64)*

Stockholders' Equity. Total stockholders' equity increased to $39.3 billion as of December 31, 2005 from $38.9 billion as of December 31, 2004. Our stockholders' equity increased by $400 million, or 1%, to $39.3 billion as of December 31, 2005. The increase in stockholders' equity was generated primarily from a $4.8 billion increase in retained earnings in 2005, offset by the reversal of unrealized gains on available for sale securities. *(pages 64 and 178)*

Regulatory Capital. On March 30, 2007, OFHEO announced that we were classified as adequately capitalized as of December 31, 2006. Our core capital of $42.3 billion exceeded our statutory minimum capital requirement by $13.0 billion and our OFHEO-directed minimum capital requirement by $4.2 billion. Our total capital of $43.0 billion exceeded our statutory risk-based capital requirement by $16.2 billion. *(page 159)*

Fair Value of Net Assets. The estimated fair value of Fannie Mae's net assets (net of tax effect), a non-GAAP measure, increased to $42.2 billion as of December 31, 2005, compared with $40.1 billion as of year-end 2004. The increase in the 2005 fair value of net assets was impacted by payments of $1.4 billion of dividends to holders of our common and preferred stock, an increase in the value of our net guaranty assets by approximately $1.5 billion, and earnings produced by the company. *(page 108)*

We expect periodic fluctuations in the estimated fair value of our net assets due to our business activities, as well as due to changes in market conditions, including changes in interest rates, changes in relative spreads between our mortgage assets and debt, and changes in implied volatility.

Description of Business Segments. Fannie Mae is organized in three complementary business segments that contribute to providing liquidity to the mortgage market and increasing the availability and affordability of housing in the United States. *(page 5)*

- <u>Single-Family Credit Guaranty</u> works with our lender customers to securitize single-family mortgage loans into Fannie Mae MBS and to facilitate the purchase of single-family mortgage loans for our mortgage portfolio. Our Single-Family business has responsibility for managing credit risk exposure relating to the single-family Fannie Mae MBS held by third parties (such as lenders, depositories and global investors), as well as the single-family mortgage loans and single-family Fannie Mae MBS held in our mortgage portfolio. Revenues in the segment are derived primarily from the guaranty fees the segment receives as compensation for assuming the credit risk on the mortgage loans underlying single-family Fannie Mae MBS and on the single-family mortgage loans held in our portfolio.

- <u>Housing and Community Development helps</u> to expand the supply of affordable and market-rate rental housing in the United States by working with our lender customers to securitize multifamily mortgage loans into Fannie Mae MBS and to facilitate the purchase of multifamily mortgage loans for our mortgage portfolio. Our HCD business also helps to expand the supply of affordable housing by making investments in rental and for-sale housing projects, including investments in rental housing that qualify for federal low-income housing tax credits. Our HCD business has responsibility for managing our credit risk exposure relating to the multifamily Fannie Mae MBS held by third parties, as well as the multifamily mortgage loans and multifamily Fannie Mae MBS held in our mortgage portfolio. Revenues in the segment are derived from a variety of sources, including the guaranty fees the segment receives as compensation for assuming the credit risk on the mortgage loans underlying multifamily Fannie Mae MBS and on the multifamily mortgage loans held in our portfolio, transaction fees associated with the multifamily business and bond credit enhancement fees. In addition, HCD's investments in housing projects eligible for the low-income housing tax credit and other investment tax credits generate both tax credits and net operating losses that reduce our federal income tax liability.

- Capital Markets manages our investment activity in mortgage loans and mortgage-related securities, and has responsibility for managing our assets and liabilities and our liquidity and capital positions. Through the issuance of debt securities in the capital markets, our Capital Markets group attracts capital from investors globally to finance housing in the United States. In addition, our Capital Markets group increases the liquidity of the mortgage market by maintaining a constant, reliable presence as an active investor in mortgage assets. Our Capital Markets group has responsibility for managing our interest rate risk. Our Capital Markets group generates income primarily from the difference, or spread, between the yield on the mortgage assets we own and the cost of the debt we issue in the global capital markets to fund these assets.

Key 2005 Priorities. We entered 2005 facing some of the most significant challenges in our company's history, including serious deficiencies in our accounting, controls and financial reporting as identified in an interim report of the special examination undertaken by OFHEO. *(page 63)*

In addition to our primary business and mission objectives, in 2005 we focused on a number of key corporate priorities to address specific identified issues and to build a fundamentally stronger and sounder company going forward. These priorities included the following:

- **Restoring Capital.** Rebuilding our capital position, and achieving the 30% surplus over required minimum capital levels in accordance with our agreement with OFHEO, was our most immediate and important corporate objective in 2005. OFHEO determined that we achieved the 30% surplus requirement at September 30, 2005.

- **Progress on the Restatement of our Financials.** We devoted substantial resources in 2005 and 2006 toward our restatement effort. On December 6, 2006, we filed our 2004 10-K, including restated results for previous periods.

- **Rebuilding Relationships.** We have focused on reshaping the culture of Fannie Mae to fully reflect the levels of service, engagement, accountability and effective management that we believe should characterize a company serving such an important role in a large and vital market. This remains an ongoing priority of the company.

2006 Outlook. Fannie Mae said in today's filing that the company expects net income to decline in 2006, primarily due to further reductions in net interest income and net interest yield in 2006, and the decline in the spread between the average yield on assets and on borrowing costs (which the company began experiencing at the end of 2004). Administrative expenses also significantly increased in 2006, to an estimated $3.1 billion, largely due to costs associated with the restatement process and related regulatory examinations, investigations and litigation defense, the preparation of consolidated financial statements, control remediation activities and increased personnel to support these efforts. Fannie Mae also expects, however, continued strength in guaranty fee income, moderate increases in our provision for credit losses and somewhat lower derivative fair value losses as interest rates have generally trended up since the end of 2005 and remain at overall higher levels. *(page 65)*

Summary of Consolidated Results

2005 Financial Results. *(page 75)*

- Net income totaled $6.3 billion.

- Diluted earnings per share totaled $6.01.

- The three main drivers of earnings were net interest income of $11.5 billion, net derivative fair value losses of $4.2 billion and guaranty fee income of $3.8 billion.

2004 Financial Results. *(page 75)*

- Net income totaled $5.0 billion.

- Diluted earnings per share totaled $4.94.

- The three main drivers of earnings were net interest income of $18.1 billion, net derivative fair value losses of $12.3 billion and guaranty fee income of $3.6 billion.

2003 Financial Results. *(page 75)*

- Net income of $8.1 billion.

- Diluted earnings per share totaled $8.08.

- The three main drivers of earnings were net interest income of $19.5 billion, net derivative fair value losses of $6.3 billion and guaranty fee income of $3.3 billion.

Business Segment Financial Results

Summary of Segment Results. Our business segments generate revenues from three principal sources: net interest income, guaranty fee income, and fee and other income. Other significant factors affecting our net income include the timing and size of investment and debt repurchase gains and losses, equity investments, the provision for credit losses, and administrative expenses. *(page 93)*

- Single-Family Credit Guaranty business generated net income of $2.9 billion, $2.5 billion and $2.5 billion on revenue of $5.8 billion, $5.2 billion and $5.0 billion in 2005, 2004 and 2003, respectively.

- Housing and Community Development business generated net income of $462 million, $337 million and $286 million on revenue of $743 million, $538 million and $398 million in 2005, 2004 and 2003, respectively.

- Capital Markets business generated net income of $3.0 billion, $2.1 billion and $5.3 billion on revenue of $43.6 billion, $46.1 billion and $47.3 billion in 2005, 2004 and 2003, respectively.

Other Information

Glossary of Terms. *(page 32)*

Executive Summary. *(page 62)*

Company Risks. This section identifies specific risks that should be considered carefully in evaluating our business. *(page 36)*

Legal Proceedings. *(page 48)*

Risk Management. Effective management of risks is an integral part of our business and critical to our safety and soundness. In the 2005 10-K, we provide an overview of our corporate risk governance structure and risk management processes, which are intended to identify, measure, monitor and control the principal risks we assume in conducting our business activities in accordance with defined policies and procedures. *(page 109)*

Our businesses expose us to the following four major categories of risk:

- **Credit Risk.** We assess, price and assume mortgage credit risk as a basic component of our business. We assume institutional counterparty credit risk in a variety of our business transactions, including transactions designed to mitigate mortgage credit risk and interest rate risk. *(page 112)*

- **Interest Rate and Market Risks.** Our most significant market risks are interest rate risk and spread risk, which arise primarily from the prepayment uncertainty associated with investing in mortgage-related assets with prepayment options and from the changing supply and demand for mortgage assets. *(page 138)*

- **Operational Risk.** Operational risk can manifest itself in many ways, including accounting or operational errors, business disruptions, fraud, technological failures and other operational challenges resulting from failed or inadequate internal controls. These events may potentially result in financial losses and other damage to our business, including reputational harm. *(page 146)*

- **Liquidity Risk.** We actively manage our liquidity and capital position with the objective of preserving stable, reliable and cost-effective sources of cash to meet all of our current and future operating financial commitments and regulatory capital requirements. We obtain the funds we need to operate our business primarily from the proceeds we receive from the issuance of debt. *(page 148)*

Risk Characteristics of Conventional Single-Family Mortgage Credit Book. *(page 117)*

OFHEO Supervision. *(page 154)*

Capital Management. Our objective in managing capital is to maximize long-term stockholder value through the pursuit of business opportunities that provide attractive returns while maintaining capital at levels sufficient to ensure compliance with both regulatory and internal capital requirements. *(page 156)*

We are subject to capital adequacy requirements established by the 1992 Act. The statutory capital framework incorporates two different quantitative assessments of capital—both a minimum capital requirement and a risk-based capital requirement. Pursuant to the 1992 Act, we are required to maintain sufficient capital to meet both of these requirements in order to be classified as “adequately capitalized.” In addition, pursuant to our May 2006 consent order with OFHEO, we are currently required to maintain a 30% capital surplus over our statutory minimum capital requirement, which is referred to as the OFHEO-directed minimum capital requirement. We are subject to continuous examination by OFHEO to ensure that we meet these capital adequacy requirements on an ongoing basis.

Off-Balance Sheet Arrangements. We enter into certain business arrangements to facilitate our statutory purpose of providing liquidity to the secondary mortgage market and to reduce our exposure to interest rate fluctuations. Some of these arrangements are not recorded in the consolidated balance sheets or may be recorded in amounts different from the full contract or notional amount of the transaction, depending on the nature or structure of, and accounting required to be applied to, the arrangement. *(page 163)*

The most significant off-balance sheet arrangements that we engage in result from the mortgage loan securitization and resecuritization transactions that we routinely enter into as part of the normal course of our business operations. Our Single-Family Credit Guaranty business generates most of its revenues through the guaranty fees earned from these securitization transactions. In addition, our HCD business generates a significant amount of its revenues through the guaranty fees earned from these securitization transactions. We also enter into other guaranty transactions and hold LIHTC partnership interests that are considered off-balance sheet arrangements.

Impact of Future Adoption of New Accounting Pronouncements. *(page 166)*

Management's Report on Internal Control Over Financial Reporting. *(page 181)*

Remediation Activities and Changes in Internal Control Over Financial Reporting. *(page 185)*

Executive Compensation. *(page 201)*

Accounting Fees. *(page 217)*

Report of Independent Registered Public Accounting Firm. *(page F-2)*

Exhibit 99.3

news release

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

FannieMae.

Contact:	Chuck Greener 202-752-2616	Janis Smith 202-752-6673
Number:	3994	
Date:	May 2, 2007	

FANNIE MAE ANNOUNCES CFO TRANSITION

Former AOL CFO Stephen M. Swad to Succeed Robert T. Blakely as CFO

WASHINGTON, DC — Fannie Mae (FNM/NYSE) today announced that, with the completion of the restatement of its 2002-2004 financial results, the filing of its 2005 results and progress toward filing its 2006 results this year, the Board of Directors has approved the selection of Stephen M. Swad to succeed Robert T. Blakely as Chief Financial Officer later this year. Mr. Blakely will continue serving as an Executive Vice President to the company through the end of 2007. Blakely will focus on completing Fannie Mae's last remaining historical filing — the 2006 10-K. Swad will drive the company's return to timely filing of its financial statements.

"Bob Blakely came to Fannie Mae with a daunting job — to serve as chief financial officer at a critical moment for our company, to lead our new financial organization, and to oversee a large, complex financial restatement. He did it all with great skill and confidence," said Daniel H. Mudd, President and Chief Executive Officer. "My hat is off to Bob, who has now orchestrated not one, but two significant restatement projects — and I now wish him as much peace and quiet as he can bear!"

"It has been challenging and rewarding to be given this opportunity at Fannie Mae by helping to complete the restatement and to work toward timely filings," Blakely said. "This has been a dream job for me, someone who likes large, complex tasks and helping people take on great challenges, particularly at organizations with a distinct public mission like Fannie Mae. The company has accomplished a great deal over the past several years, and as it moves forward on stronger financial footing, Fannie Mae's future will be well served by Steve Swad as its next chief financial officer."

(more)

Swad comes to Fannie Mae having served as executive vice president and chief financial officer for AOL. He also was executive vice president of finance and administration at Turner Entertainment Group, and vice president, financial planning and analysis, at Time Warner. Swad, a Certified Public Accountant and former partner of KPMG LLP, also served as Deputy Chief Accountant at the U.S. Securities and Exchange Commission (SEC). In addition, Swad was one of the founding members of the Financial Accounting Standards Board's Derivatives Implementation Group and assisted in developing the SEC rules on disclosures about financial instruments and derivatives.

"Steve Swad's strong financial background and breadth of experience will be a terrific asset for the company as we continue to build on the progress we've made in recent years," Mudd said. "We're excited he has joined the company and look forward to his leadership of our financial reporting and management team."

"Steve is highly skilled in finance with in-depth knowledge of a number of Fannie Mae's most critical accounting policies," said Dennis R. Beresford, former chairman of the Financial Accounting Standards Board (FASB) who now chairs Fannie Mae's audit committee of the board of directors. "He has demonstrated leadership in multiple facets of finance, including his invaluable work at the U.S. Securities and Exchange Commission while I was chairman of the FASB."

"I congratulate Bob Blakely and his team for their work on rebuilding Fannie Mae's financial statements, organization and systems," Swad said. "I look forward to working with Bob during this transition and helping to lead the company toward becoming a current financial filer. Fannie Mae plays a critical role in the housing finance system, and I am thrilled to be joining the management team."

# # #

Exhibit 99.4

Fannie Mae
2005 10-K Investor Summary

FannieMae

May 2, 2007

- These materials present tables and other information contained in Fannie Mae's Annual Report on Form 10-K for the year ended December 31, 2005 and should be reviewed together with the 2005 Form 10-K, a copy of which is 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 are contained in the 2005 Form 10-K, which also includes more detailed explanations and additional information relating to the information contained in this presentation. Footnotes to the included tables have been omitted.

Current Highlights

- **Continue to hit key milestones**
  - 2004 10-K with Restated Historical Results – 12/6/06
  - 2005 10-K – 5/2/07
  - Continued momentum towards timely reporting
- **Demonstrated commitment to return capital to shareholders**
  - Two dividend increases in last five months (to $0.50/share per quarter)
- **Businesses well-positioned for opportunities in evolving market**
  - Guaranty business momentum and Single-Family recapture of market share
  - Capital Markets' continued support of MBS and opportunistic purchases and sales focused on long-term total return
- **Risk measures demonstrate effectiveness of risk disciplines**
  - Strong credit characteristics of existing book
  - Low credit losses (though expected to trend up)
  - Duration gap continues in +/- one month range
- **Completed build-out of senior leadership team and announced transition to next CFO**
  - Disciplined, seamless transition
  - Assures continued high-quality leadership of Finance organization
- **Building the foundation needed to support a dynamic, growing business**
  - Strong and growing capital position
  - Remediation of many controls issues
  - Improving systems infrastructure
  - Progress toward lowering 2007 administrative expenses and establishing a lower run-rate

2005 Highlights

FannieMae

- **Good 2005 results in a challenging market environment**
  - Net income increased to $6.3 billion, a $1.4 billion or 28% increase
  - Book of business grew modestly to $2.4 trillion in a very competitive environment
  - Core capital grew to $39.4 billion, $2.7 billion above our regulator's 30% minimum capital requirement ($4.2 billion as of December 31, 2006)
  - Estimated fair value of net assets (non-GAAP), before capital transactions, grew by $3.5 billion, or 9%
  - Guaranty businesses' revenue grew to $6.5 billion, an increase of 15%
  - Interest rate risk and credit risk measures remain strong

2005 Financial Results by Segment

FannieMae

	For the Year Ended December 31,			Increase (Decrease)			
				2005 vs. 2004		2004 vs. 2003	
	2005	2004	2003	$	%	$	%
	(Dollars in millions)						
Revenues:							
Single-Family Credit Guaranty	$ 5,805	$ 5,153	$ 4,994	$ 652	13%	$ 159	3%
Housing and Community Development	743	538	398	205	38	140	35
Capital Markets	43,601	46,135	47,293	(2,534)	(5)	(1,158)	(2)
Total	$ 50,149	$ 51,826	$ 52,685	$ (1,677)	(3)%	$ (859)	(2)%
Net income:							
Single-Family Credit Guaranty	$ 2,889	$ 2,514	$ 2,481	$ 375	15%	$ 33	1%
Housing and Community Development	462	337	286	125	37	51	18
Capital Markets	2,996	2,116	5,314	880	42	(3,198)	(60)
Total	$ 6,347	$ 4,967	$ 8,081	$ 1,380	28%	$ (3,114)	(39)%

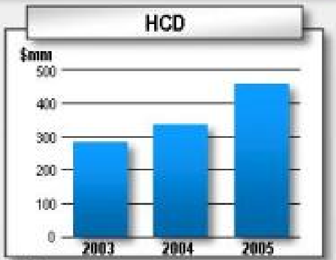
- GAAP Net Income increased to $6.3 billion, a $1.4 billion or 28% increase from 2004 levels.
- Single-Family revenues increased to $5.8 billion, up 13%. Net income increased to $2.9 billion, up 15% from 2004. Key drivers included higher interest income and guaranty fee income.
- Housing and Community Development revenues increased to $743 million, up 38% from 2004, while net income improved to $462 million, up 37%. Key drivers included higher fee and other income, and increased tax benefits from tax-advantaged investments.
- Our Capital Markets business generated $3 billion in net income, up 42%, as lower derivative fair value losses more than offset declines in net interest income. Capital Markets also sold approximately $85 billion of assets at attractive spreads.

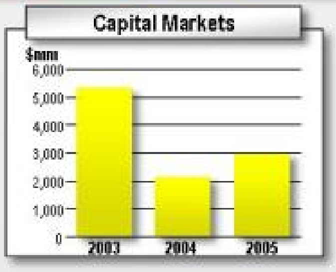
Source: Table 12, Consolidated Statements of Income, Table 13

2005 Income Statement by Segment

FannieMae

	For the Year Ended December 31, 2005			
	Single-Family Credit Guaranty	HCD	Capital Markets	Total
	(Dollars in millions)			
Net interest income (expense)	$ 906	$ (217)	$ 10,816	$ 11,505
Guaranty fee income (expense)	4,649	342	(1,212)	3,779
Investment gains (losses), net	169	---	(1,503)	(1,334)
Derivatives fair value losses, net	---	---	(4,196)	(4,196)
Debt extinguishment losses, net	---	---	(68)	(68)
Losses from partnership investments	---	(849)	---	(849)
Fee and other income	250	628	648	1,526
Non-interest income (loss)	5,068	121	(6,331)	(1,142)
Provision (benefit) for credit losses	454	(13)	---	441
Restatement and related regulatory expenses	226	80	263	569
Other expenses	933	427	422	1,782
Income (loss) before federal income taxes and extraordinary gains	4,361	(590)	3,800	7,571
Provision (benefit) for federal income taxes	1,472	(1,052)	857	1,277
Income before extraordinary gains	2,889	462	2,943	6,294
Extraordinary gains, net of tax effect	---	---	53	53
2005 Net income	$ 2,889	$ 462	$2,996	$6,347
2004 Net income	$ 2,514	$ 337	$ 2,116	$ 4,967
2003 Net income	$ 2,481	$ 286	$5,314	$ 8,081





Source: Notes to Consolidated Financial Statements – Footnote 20

GAAP Financial Results

FannieMae

Dollars in millions, except per share amounts

	For the Year Ended December 31, 2005	2004	2003
Net interest income	$ 11,505	18,081	19,477
Guaranty fee income	3,779	3,604	3,281
Fee and other income	1,526	404	340
Investment losses, net	(1,334)	(362)	(1,231)
Derivatives fair value losses, net	(4,196)	(12,256)	(6,289)
Debt extinguishment losses, net	(68)	(152)	(2,692)
Loss from partnership investments	(849)	(702)	(637)
Provision for credit losses	(441)	(352)	(365)
Other non-interest expense	(2,351)	(2,266)	(1,598)
Income before federal income taxes, extraordinary gains (losses), and cumulative effect of change in accounting principle	7,571	5,999	10,286
Provision for federal income taxes	(1,277)	(1,024)	(2,434)
Extraordinary gains (losses), net of tax effect	53	(8)	195
Cumulative effect of change in accounting principle, net of tax effect	—	—	34
Net income	$ 6,347	4,967	8,081
Diluted earnings per common share	$ 6.01	4.94	8.08

Cumulative Net Income, 2003-2005 **$19,395**

Source: Consolidated Statements of Income

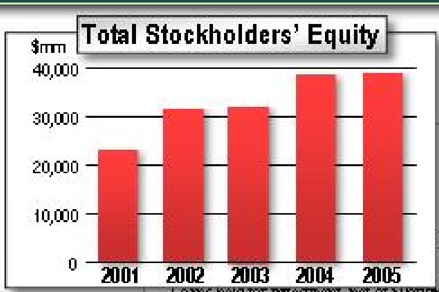
Selected Financial and Operating Statistics

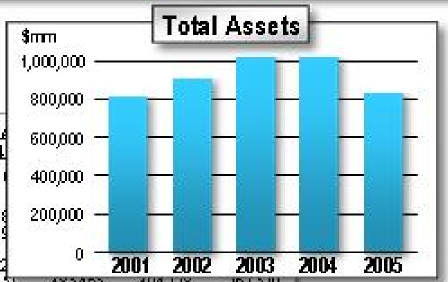
Ratios:	2005	2004	2003	2002
Return on assets ratio..	0.63%	0.47%	0.82%	0.44%
Return on equity ratio………………………………………	19.5	16.6	27.6	15.2
Equity to assets ratio………………………………………	4.2	3.5	3.3	3.2
Dividend payout ratio………………………………………	17.2	42.1	20.8	34.5
Average effective guaranty fee rate (in basis points)…..	21.0 bp	20.8 bp	21.0 bp	19.3 bp
Credit loss ratio (in basis points)………………………..	1.9 bp	1.0 bp	0.9 bp	0.8 bp

Source: Item 6: Selected Financial Information

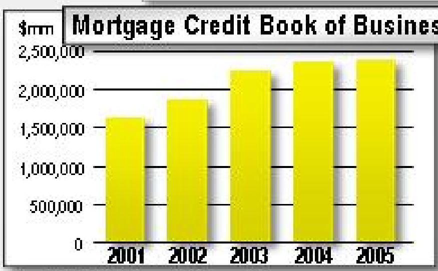
Selected On- and Off-Balance Sheet Data and Capital

FannieMae





	2005	2004			
	$ 15,110	$ 35,28			
	390,964	532,09			
	5,064	11,72			
Loans held for investment, net of allowance	362,479	389,651	383,465	304,178	267,510
Total assets	834,168	1,020,934	1,022,275	904,739	814,561
Short-term debt	173,186	320,280	343,662	293,538	280,848
Long-term debt	590,824	632,831	617,618	547,755	484,182
Total liabilities	794,745	981,956	990,002	872,840	791,305
Preferred stock	9,108	9,108	4,108	2,678	2,303
Total stockholders' equity	39,302	38,902	32,268	31,899	23,256
Regulatory Capital Data:					
Core capital	$ 39,433	$ 34,514	$ 26,953	$ 20,431	$ 18,234
Total capital	40,091	35,196	27,487	20,831	18,500
Mortgage Credit Book of Business Data:					
Mortgage portfolio	$ 737,889	$ 917,209	$ 908,868	$ 799,779	$ 715,953
Fannie Mae MBS held by third parties	1,598,918	1,408,047	1,300,520	1,040,439	878,039
Other guarantees	19,152	14,825	13,168	12,027	16,421
Mortgage credit book of business	$2,355,959	$2,340,081	$2,222,556	$1,852,245	$1,610,413



Source: Item 6: Selected Financial Information

Net Interest Income and Yield

FannieMae

	For the Year Ended December 31,								
	2005			2004			2003		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield	Average Balance	Interest	Yield
	(Dollars in millions)								
Interest-earning assets:									
Mortgage loans	$ 384,869	$ 20,688	5.38%	$ 400,603	$ 21,390	5.34%	$ 362,002	$ 21,370	5.90%
Mortgage securities	443,270	22,163	5.00	514,529	25,302	4.92	495,219	26,483	5.35
Non-mortgage securities	41,369	1,590	3.84	46,440	1,009	2.17	44,375	1,069	2.41
Federal funds sold and securities purchased under agreements to resell	6,415	299	4.66	8,308	84	1.01	6,509	32	0.49
Advances to lenders	4,468	104	2.33	4,773	33	0.69	12,613	110	0.87
Total interest - earning assets	$ 880,391	$ 44,844	5.09	$ 974,653	$ 47,818	4.91	$ 920,718	$ 49,064	5.33
Interest-bearing liabilities:									
Short-term debt	$ 246,733	$ 6,535	2.65%	$ 331,971	$ 4,380	1.32%	$ 318,600	$ 3,967	1.25%
Long-term debt	611,827	26,777	4.38	625,225	25,338	4.05	582,686	25,575	4.39
Federal funds purchased and securities sold under agreements to repurchase	1,552	27	1.74	3,037	19	0.63	6,421	45	0.70
Total interest-bearing liabilities	$ 860,112	$ 33,339	3.88%	$ 960,233	$ 29,737	3.10%	$ 907,707	$ 29,587	3.26%
Impact of net non-interest bearings funding	$ 20,279		0.10	$ 14,420		0.05	$ 13,011		0.05
Net interest income and net interest yield		$ 11,505	1.31%		$ 18,081	1.86%		$ 19,477	2.12%

Key Drivers:

- Higher debt costs due to flattening of the yield curve
- Decrease in portfolio size
- Shift in mix of portfolio assets – greater proportion of ARMs

Source: Table 4

Derivative Fair Value & Purchased Options Premiums Data

FannieMae

	As of December 31, 2005	2004	2003
	(Dollars in millions)		
Beginning net derivative asset (liability)	**$ 5,432**	**$ 3,988**	**$ (3,365)**
Effect of cash payments:			
Fair value at inception of contracts entered into during the period	846	2,998	5,221
Fair value at date of termination of contracts settled during the period [1]	879	4,129	1,520
Periodic net cash contractual interest payments	1,632	6,526	5,365
Total cash payments	3,357	13,653	12,106
Income statement impact of recognized amounts:			
Periodic net contractual interest expense accruals on interest rate swaps	(1,325)	(4,981)	(6,363)
Net change in fair value during the period	(3,092)	(7,228)	1,610
Derivatives fair value losses, net	(4,417)	(12,209)	(4,753)
Ending derivative asset	**$ 4,372**	**$ 5,432**	**$ 3,988**
Derivatives fair value gains (losses) attributable to:			
Periodic net contractual interest expense accruals on interest rate swaps	$ (1,325)	$ (4,981)	$ (6,363)
Net change in fair value of terminated derivative contracts from end of prior year to date of termination	(1,434)	(4,096)	(1,103)
Net change in fair value of outstanding derivative contracts, including derivative contracts entered into during the period	(1,658)	(3,132)	2,713
Derivatives fair value losses, net	$ (4,417)	$ (12,209)	$ (4,753)

	Original Premium Payments	Original Weighted Average Life to Expiration	Remaining Weighted Average Life
	(Dollars in Millions)		
Outstanding options as of December 31, 2004	$ 13,230	5.6 years	4.0 years
Purchases	853		
Exercises	(1,027)		
Expirations	(1,398)		
Outstanding options as of December 31, 2005	$ 11,658	6.5 years	4.3 years

Money spent to purchase options

Money spent to terminate derivatives

Net accrued interest on interest rate swaps

Reduction due to net effect of:
- Decrease in swap interest expense
- Portfolio rebalancing
- Lower implied interest rate volatility

New disclosures on options book

(1) The weighted average life in years at termination was approximately 15.5 years, 8.1 years, and 6.7 years for contracts terminated in 2005, 2004, and 2003, respectively. The fair value at date of termination of contracts settled during 2002 totaled $7.6 billion, and had a weighted average life at termination of approximately 5.2 years.

Source: Table 8, Table 9

Guaranty Fee Analysis

FannieMae

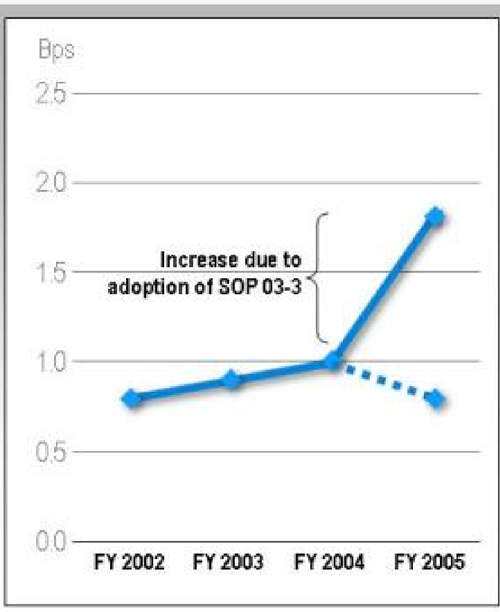
	For the Year Ended December 31,					
	2005		2004		2003	
	Amount	Rate	Amount	Rate	Amount	Rate
			(Dollars in Millions)			
Guaranty fee income and average effective guaranty fee rate, excluding impairment of buy-ups	$3,828	21.3 bp	$3,640	21.0 bp	$3,474	22.2 bp
Impairment of buy-ups	(49)	(0.3)	(36)	(0.2)	(193)	(1.2)
Guaranty fee income and average effective guaranty fee rate....................	$3,779	21.0 bp	$3,604	20.8 bp	$3,281	21.0 bp
Average outstanding Fannie Mae MBS and other guaranties	$1,797,547		$1,733,060		$1,564,812	
Fannie Mae MBS issues............................	510,138		552,482		1,220,066	

Source: Table 6

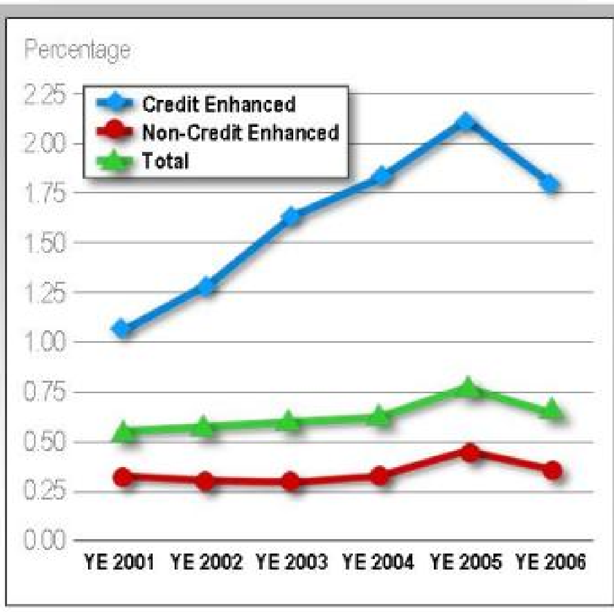
Credit Costs

FannieMae

Credit Losses/Book of Business[1]



Single Family Serious Delinquency Rate[2]



(1) Credit losses include foreclosed property expenses plus net charge-offs.

■ ■ ■ Excluding Impact of SOP 03-3

Under SOP 03-3, we are required to record as an increase in charge-offs the excess of the acquisition price over fair value of loans we purchased from Fannie Mae trusts due to credit deterioration since origination.

Source: Table 26

(2) Greater than 90 days past due

Source: Table 24

Administrative Expenses

FannieMae

($mm)	2005	2004	2003	2002
Salaries and Employee Benefits	$ 959	$ 892	$ 849	$ 679
Professional Services	792	435	238	218
Occupancy Expenses	221	185	166	165
Other Administrative Expenses	143	144	201	94
Total Administrative Expenses	$ 2,115	$ 1,656	$ 1,454	$ 1,156

Increase largely due to restatement and related regulatory examinations, investigations and litigation.

Source: Consolidated Statement of Operation

Change in Estimated Fair Value of Net Assets (Non-GAAP)

FannieMae

	2005	2004
Balance as of January 1	$40,094	$28,393
Capital transactions:		
Common dividends, share repurchases and issuances, net	(943)	(2,165)
Preferred dividends and share issuances, net	(486)	4,760
Capital transactions, net	(1,429)	2,595
Change in estimated fair value of net assets, net of capital transactions	3,534	9,106
Total increase in estimated fair value of net assets	2,105	11,701
Balance as of December 31	$42,199	$40,094

Estimated Fair value of net assets, has grown by $2.1 billion.

Key Drivers:

- Payments of $1.4 billion of dividends to holders of common and preferred stock
- An increase in the fair value of our net guaranty assets of approximately $1.5 billion
- Wider spreads between mortgages and debt suppressed fair value
- Earnings of the corporation

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 the Appendix.

Source: Table 19

FannieMae

APPENDIX

- 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 17 of the 2005 Form 10-K.

(Dollars in millions)	As of December 31,	
	2005	**2004**
Estimated Fair Value of Net Assets, net of tax effect (non-GAAP)	$ 42,199	$ 40,094
Fair value adjustments	(2,897)(1)	(1,192)(2)
Total Stockholders' Equity (GAAP)	$ 39,302	$ 38,902

(1) Represents fair value increase of $1.9 billion to total assets of $834.2 billion plus a fair value decrease of $0.995 billion to total liabilities of $794.7 billion.

(2) Represents fair value increase of $10.7 billion to total assets of $1.0 trillion, less a fair value increase of $9.5 billion to total liabilities of $982.0 billion.