

MINUTES OF THE MEETING OF THE  
BOARD OF DIRECTORS OF FANNIE MAE

February 21, 2006  
6:30 p.m.

The Board of Directors of Fannie Mae met at company headquarters in  
Washington, D.C. on February 21, 2006.

The following members of the Board were present:

Mr. Ashley (Chair)	Mr. Mudd
Mr. Duberstein	Mr. Pickett
Mr. Gerrity	Ms. Rahl
Ms. Korologos	Mr. Smith
Ms. Macaskill	Mr. Swygert
	Mr. Wulff

Also participating were Ms. Wilkinson and Messrs. Levin, Williams, Blakely,  
Weber and Greener of Fannie Mae, and Messrs. Brome and Joffe of Cravath, Swaine &  
Moore LLP as counsel to the non-management directors.

Chairman Ashley called the meeting to order at 6:30 p.m.

The Board approved the minutes of Board meetings held on January 17, 2006,  
January 24, 2006, and February 8, 2006, respectively.

Mr. Gerrity provided a report of the Audit Committee. Mr. Gerrity discussed the  
Audit Committee meeting held earlier that day. Mr. Niculescu provided the Committee  
with the status on two open audit issues that were part of the ACH/Wire Transfer audit  
issued last August. Ms. Hinrichs reviewed the internal audit status report on audits issued  
in January. Mr. Williams reported a self-identified access management issue and what  
steps the company had taken to remediate the issue. Messrs. Blakely, Hisey, Blackley  
and Lesmes, provided an update on restatement, controls and capital distribution and

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overview of SOX 404 deficiencies and remediation for 2005. Mr. Gerrity reported that the committee received an update from its external auditor and approved cumulative fees through June 2006, an increase over its previously approved fees through February.

Mr. Gerrity noted that the Committee conducted its usual executive sessions.

Mr. Pickett reported to the Board on the Compensation Committee meeting held earlier that day. Mr. Pickett reported that the Compensation Committee recommended the appointment of Linda K. Knight to executive vice president. Mr. Pickett stated that we had received the necessary approval from OFHEO with respect to Ms. Knight.

After discussion, and upon motion made and seconded, the Board of Directors approved the following resolution:

RESOLVED, that Linda Knight is hereby appointed to the office of Executive Vice President, effective as of March 1, 2006.

RESOLVED, that Linda Knight's annual salary shall be adjusted effective March 1, 2006 in accordance with the recommendation of the Compensation Committee, as recorded on a schedule dated February 21, 2006 (H.R. Document 2006-4), that shall be initialed by the Chairman of the Compensation Committee and kept in the records of the Human Resources Department;

RESOLVED, that Ms. Knight shall be awarded a grant of Restricted Stock under the Fannie Mae Stock Compensation Plan of 2003 in the dollar amount, and vesting over the period, set forth on H.R. Document 2006-4, such grants to be made as soon as practicable after the period described below for determining the number of shares has expired;

RESOLVED, that the number of Restricted Stock shares shall be determined by dividing the dollar amount set forth on H.R. Document 2006-4 by the greater of: (1) the average of the high and the low selling prices of Fannie Mae common stock on March 1, 2006; or (2) the average of the average of the high and the low sales prices of Fannie Mae common stock on each of the five trading days beginning on the third trading day after Fannie Mae files with the SEC a Form 12b-25 relating to its Form 10-K for 2005;

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RESOLVED, that Ms. Knight shall be entitled to receive deferred cash in such amount, and over the period, set forth on H.R. Document 2006-4, each such payment to be made only if and when the Restricted Stock that is to vest on the same day as such payment is scheduled, vests (including by acceleration); and

RESOLVED, that Ms. Knight's 40 percent pension goal in the Federal National Mortgage Association Executive Pension Plan hereby is approved.

[BR06-12]

Mr. Pickett reported that the Committee received an update on the Employee Stock Purchase Program and requested concurrence by the Board in seeking OFHEO's guidance and approval in rolling out the program. Mr. Pickett provided an outline of the 2006 AIP goals process.

Ms. Rahl provided a report of the Risk Policy and Capital Committee. The Committee received a report from Mr. Blakely outlining the key considerations for evaluating the appropriate dividend rate leading up to the next Board meeting. Mr. Rahl reviewed the highlights of the interim Chief Risk Officer's report to the Committee, including two new corporate risk policies on Liquid Investment Portfolio and Multifamily CMBS. Mr. Rahl further reported on two follow-up issues that the Committee received on MBS Operations metrics and impact of housing price changes on credit profile.

Mr. Duberstein provided a report of the Housing and Community Development Committee. He reported that director Wulff sat in on this meeting. The Committee received information on the regulatory housing goals, and Mr. Bacon reviewed the timeline on REMIC counting and discussed the HCD strategic re-alignment.

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Mr. Swygert provided a report of the Compliance Committee. He reviewed the milestones since the last briefing to the Board in October and the status of deliverables under the regulatory agreements. Mr. Swygert noted that the Committee had received an update from Ms. Thompson on the open positions.

Mr. Mudd provided his CEO report. He reviewed business volumes through January and highlighted key issues regarding the Foundation and the 2006 HUD goals.

Mr. Williams provided an organizational review for the Board. He highlighted the objectives and timeline for this review. Mr. Williams focused on the required changes and reviewed their impact to date. In response to a question about which companies were used for benchmark data, Mr. Williams stated that we mostly used Freddie Mac.

Mr. Levin provided the 2006 Budget Plan Overview. He reviewed the philosophy behind the plan, the revenue prospects, and managing the administrative expenses. Mr. Levin closed with a review of the expense ratios for the past five years.

After discussion, and upon motion made and seconded, the Board of Directors approved the following resolution:

RESOLVED, that the Board of Directors (the "Board") hereby approves the 2006 corporate budget presented by Mr. Levin on February 21, 2006, to the Board as the corporation's Budget for the year.

[BR06-13]

Mr. Mudd reviewed with the Board the proposed 2006 Corporate Objectives.

After discussion, and upon motion made and seconded, the Board of Directors approved the following resolution:

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RESOLVED, that the Board of Directors hereby approves the 2006 corporate objectives, substantially in the form attached hereto.

[BR06-14]

Mr. Ashley discussed the formation of a subgroup of the audit committee to provide systems and technology oversight. He stated that membership for this subcommittee would be Messrs. Ashley (Chair), Smith and Wulff.

Mr. Ashley recognized Ms. Korologos for her leadership of the Special Review Committee, including her work in establishing the parameters, setting time standards and holding Communications and the Paul Weiss team accountable throughout the process.

Mr. Greener joined the meeting at 8:50 p.m. and reviewed the meeting logistics for the next day.

The meeting concluded at 9:00 p.m.

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Secretary

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