

**FANNIE MAE
BOARD OF DIRECTORS**

**OCTOBER 16, 2007
FOLLOW-UP ITEMS**

1. Provide periodic updates on HUD Housing Goals (deadline: ongoing; responsible party: Rob Levin). **REDACTED**
2. **PRIVILEGED**
(upon Board member request; responsible party: Wilkinson)
3. Determine which key senior management roles to review for succession planning purposes (deadline: first quarter 2008; responsible party: Steve Ashley/Board of Directors).
4. **REDACTED**
PRIVILEGED (deadline: November 20th; responsible party, Wilkinson/Lu)

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

October 16, 2007
10:00 a.m. – 2:00 p.m.

The Fannie Mae Board of Directors met on October 16, 2007. The following members of the Board participated: Mr. Ashley (Chairman), Mr. Beresford, Ms. Gaines, Mr. Freeh, Ms. Horn, Ms. Macaskill, Mr. Mudd, Mr. Pickett, Ms. Rahl, Mr. Smith, Mr. Swygert, Mr. Wulff. Board member Beresford did not attend the meeting.

Messrs. Blakely, Dallavecchia, Greener, Levin, Lu, Niculescu, Schuppenhauer, Swad, Williams, and Winer, and Mss. Wilkinson and Reddy of Fannie Mae participated in portions of the meeting. Mr. Brome and Ms. Webster of Cravath, Swaine & Moore LLP, as counsel to the non-management directors, participated.

Chair Ashley called the meeting to order at 10:20 a.m.

Approval of Minutes

Upon motion duly made and seconded, the Board approved the minutes from its meetings held August 24, 2007, and September 18, 2007.

Nominating and Corporate Governance Committee Report

Nominating and Corporate Governance Committee Chair Wulff informed the Board that the Committee had discussed and evaluated a proposed candidate to the Board of Directors, John C. Sites, Jr. Mr. Sites is a former Executive Vice President and Member of the Board of Directors at Bear, Stearns and Company, Inc. where he founded the firm's mortgage unit, and has extensive capital markets expertise. The Board discussed several items with respect to Mr. Sites' independence, including his consulting

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relationship with Wexford Capital, LLC, and possible expansion of Wexford's business activities into the mortgage arena, his position on Fortress fund boards, and his previous relationship to the Covenant House. General Counsel Wilkinson advised the Board that she and the General Counsel of Wexford had established processes designed to ensure that Mr. Sites had no ability to influence trading in Fannie Mae securities by Wexford. Committee Chair Wulff informed the Board that Cravath, Swaine & Moore, LLP provided the Committee with a written opinion

**REDACTED
PRIVILEGED**

Information regarding Mr. Sites has been provided to OFHEO for its consideration. Upon notification from OFHEO that it has no objections to the candidate, the Committee would likely recommend that the Board consider electing Mr. Sites to the Board. If elected, Mr. Sites would be appointed to the Housing and Community Finance and Risk Policy and Capital Committees, Committee Chair Wulff indicated.

Next, Committee Chair Wulff updated the Board on the Committee's review of key governance documents. He advised the Board that in order to promote clarity and consistency, as well as compliance with best practices and legal and regulatory standards, the Committee is recommending a number of amendments to the Bylaws, Corporate Governance Guidelines and the Board of Directors Operating Policies and Procedures. He highlighted for the Board some of the key changes identified in the materials provided, including the amendments to the Bylaws to increase the number of

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authorized shares of preferred stock, and to specify that the Board will set the date for each year's annual shareholder meeting. Key changes to the Corporate Governance Guidelines include clarifications to the role of the Compensation Committee with respect to senior management succession planning, executive compensation, and management stock ownership requirements, he explained. In the Board of Directors Operating Policies and Procedures, key changes relate to providing management with additional clarification and direction regarding the content and types of reports and materials requested by the Board.

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

WHEREAS, the Corporation's Corporate Governance Guidelines require that the Nominating and Corporate Governance Committee review such guidelines annually and recommend changes to the Corporation's Board of Directors (the "Board") pursuant to the terms of the guidelines;

WHEREAS, the Fannie Mae Board of Directors' Operating Policies and Procedures (the "Director Operating Policies and Procedures") require review by the Nominating and Corporate Governance Committee to ensure that the operation of the Board and its Committees is consistent with current legal and regulatory standards and industry best practices;

WHEREAS, changes to the Corporate Governance Guidelines, Director Operating Policies and Procedures, as well as the Corporation's Bylaws have been reviewed and considered by the Committee;

WHEREAS, the changes to the Corporation's Bylaws include an amendment to increase the number of preferred shares that the corporation has the authority to issue; and

WHEREAS, the Risk Policy and Capital Committee of the Board has reviewed the proposed increase in the authorized number of preferred shares.

NOW, THEREFORE, BE IT RESOLVED, that the Board adopts the amended Corporate Governance Guidelines in substantially the form attached hereto as Exhibit A;

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FURTHER RESOLVED, that the Board adopts the amended Director Operating Policies and Procedures in substantially the form attached hereto as Exhibit B;

FURTHER RESOLVED, that the Board adopts the amended Bylaws substantially the form attached hereto as Exhibit C;

FURTHER RESOLVED, that the officers of the Company be, and they hereby are, authorized and directed to take any and all actions they deem necessary to effect the foregoing resolutions; and

FURTHER RESOLVED, that any acts of any officers of the Company and any person or persons designated and authorized to act by any officer of the Company, be, and they hereby are, severally ratified, confirmed, approved and adopted as the acts of the Company.

Committee Chair Wulff next explained that the Committee considered an additional one time adjustment to director cash compensation for the period of time beginning in January of 2008 and ending at the Annual Shareholder Meeting in May of 2008. The purpose of the adjustment would be to keep the level of total compensation even throughout the 2008 time period. This matter will be discussed further at the January Board meeting, Committee Chair Wulff advised the Board. Finally, Committee Chair Wulff indicated that responses to shareholder proposals in the proxy were reviewed by the Committee, and the responses as approved by the Committee have been included in the proxy statement to be considered by the Board later in the meeting. The inclusion of one shareholder proposal and response will depend on whether or not the proponent withdraws the proposal prior to the Company's filing of the proxy with the SEC, he advised the Board. The Committee also reviewed a draft indemnification policy which would codify provisions of the individual indemnification agreements the Company has entered into with its Directors and Officers, including the right to obtain advancement of expenses, Committee Chair Wulff said.

Risk Policy and Capital Committee Report

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Risk Policy and Capital Committee Chair Rahl reported that the Committee considered the Company's capital strategy, reviewing the projected capital levels for the third quarter of 2007, and the factors considered in the calculation of capital. In addition, Committee Chair Rahl indicated that the Committee requested that CFO Swad determine the level of capital necessary for unknown contingencies, such as forward commitments and large shifts in housing prices, to ensure that the Company maintains an acceptable capital position. Committee Chair Rahl stated that the Committee had reviewed and recommended Board approval of a resolution providing for payment of regular quarterly dividends for preferred and common stock. Upon motion duly made, seconded and approved, the Board approved the following resolution:

RESOLVED, that with respect to the Preferred Stock, Series D, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.65625 per share for the period from and including September 30, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred Stock, Series D, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the Preferred Stock, Series E, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.63750 per share for the period from and including September 30, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred Stock, Series E, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the Preferred Stock, Series F, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.5700 per share for the period from and including September 30, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred Stock, Series F, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

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RESOLVED, that with respect to the Preferred Stock, Series G, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.5738 per share for the period from and including September 30, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred Stock, Series G, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the Preferred Stock, Series H, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.7263 per share for the period from and including September 30, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred Stock, Series H, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the Preferred Stock, Series I, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.6719 per share for the period from and including September 30, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred Stock, Series I, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the Preferred Stock, Series L, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.6406 per share for the period from and including September 30, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred Stock, Series L, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the Preferred Stock, Series M, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.5938 per share for the period from and including September 30, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred Stock, Series M, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the Preferred Stock, Series N, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.6875 per share for the period from and including September 30, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred

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Stock, Series N, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the Preferred Stock, Series O, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.8750 per share for the period from and including September 30, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred Stock, Series O, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the Preferred Stock, Series P, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.3883 per share for the period from and including September 28, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred Stock, Series P, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the Preferred Stock, Series Q, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$.4078 per share for the period from and including October 4, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of Preferred Stock, Series Q, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the Convertible Series 2004-1 Preferred Stock, of the corporation that is outstanding at the close of business on December 17, 2007, there hereby is declared (and thereby set apart) a dividend of \$1,343.75 per share for the period from and including September 30, 2007 to but excluding December 31, 2007, payable on December 31, 2007, to the registered holders of the Convertible Series 2004-1 Preferred Stock, of the corporation as shown on the books of the corporation at the close of business on December 17, 2007;

RESOLVED, that with respect to the common stock of the corporation that is outstanding at the close of business on October 31, 2007, there hereby is declared a dividend of \$0.50 per share payable on November 26, 2007 to the registered holders of common stock of the corporation as shown on the books of the corporation at the close of business on October 31, 2007.

The Board discussed further capital levels and the possibility of issuing additional preferred stock. CEO Mudd indicated that additional capital generation would be sought from internal opportunities, including products and businesses.

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The Board discussed the sustainability of current dividend levels, and the expectation that based on currently known facts, the levels are sustainable. Committee Chair Rahl indicated that in order to allow the Company to avail itself a market for the Company's preferred stock, the Committee recommended that the Board increase the authorization to management to issue preferred stock by an additional \$500 million. Each individual issuance would be brought to the Committee for its review and approval, as has been done with the issuances this fall. Upon motion duly made, seconded and approved, the Board approved the following resolution:

WHEREAS, Section 303(a) of Fannie Mae's Charter Act authorizes the corporation to have preferred stock on such terms and conditions as the Board shall prescribe;

WHEREAS, Section 2.02 of the Fannie Mae Bylaws (the "Bylaws") permits the issuance of up to 200,000,000 shares of preferred stock, in one or more series, upon approval of the Board of Directors or a committee thereof appointed for such purpose;

WHEREAS, the corporation has outstanding as of the date hereof a total of 165,175,000 shares of preferred stock with an aggregated stated value of \$9,382,500,000;

WHEREAS, the Board has determined that it is in the best interest of the corporation to consider the issuance of one or more additional series of preferred stock before January 18, 2008 with an aggregate stated value not to exceed \$2,500,000,000;

WHEREAS, the Risk Policy and Capital Committee ("RPCC") has approved the terms of the Variable Rate Non-Cumulative Preferred Stock, Series P, issued on September 28, 2007, and the terms of the 6.75% Non-Cumulative Preferred Stock, Series Q, issued on October 4, 2007, such series of preferred stock having an aggregate stated value of \$1,375,000,000;

WHEREAS, the Board has determined that it is in the best interests of the corporation to provide the RPCC and the Executive Vice President, Capital Markets and his designees with additional flexibility to continue to pursue

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issuances of one or more series of preferred stock before January 18, 2008; it is therefore

RESOLVED, that the \$2,500,000,000 limit on the aggregate stated value of issues of preferred stock offerings set forth in the Resolutions of the Board adopted on August 15, 2007 is hereby increased by \$500,000,000; and it is further

RESOLVED, that the August 15, 2007 Resolutions of the Board relating to the authorization of the RPCC and the Executive Vice President, Capital Markets and his designees otherwise remain unchanged and in full force and effect.

Next Committee Chair Rahl briefed the Board on the review of models that the Committee engaged in during its meeting. The Committee reviewed the process used by management to evaluate the assumptions in models and to validate the models themselves. Management reviews models on a regular scheduled basis, she explained. Chair Ashley indicated that given the scale of the Company's business, one assumption or change to the models can have a large impact. Finally, Committee Chair Rahl reported that the Committee discussed the new risk based capital requirement issued by OFHEO, and considered the Chief Risk Officer's regular report.

Compensation Committee Report

Committee Chair Macaskill provided the Board with a report on the matters considered by her Committee and indicated that the first item of business for the Board to address was her Committee's recommendation that the Company's nonqualified deferred compensation plans be amended to comply with newly issued Internal Revenue Service rules on deferred compensation. CEO Mudd recused himself from discussion and voting on this issue. As proposed, the resolution provided to the Board would grant the General Counsel or the Chairman of the Board, depending on the matter, the authority to make these technical amendments to the plans, she explained.

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In each case, the amendments will not result in any additional compensation to affected individuals, Committee Chair Macaskill clarified. Upon motion duly made, seconded and approved, the Board approved the following resolution:

WHEREAS, the Board of Directors wishes to ensure that Fannie Mae's 2003 Stock Compensation Plan (the "Plan"), as well as its employment agreement with Daniel Mudd and its letter agreement with Robert Levin, are compliant with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), and the guidance and regulations issued thereunder, to the extent Section 409A applies to the Plan; it is

RESOLVED, that the Board delegates to the Chairman of the Board the authority to approve any amendment to Daniel Mudd's employment agreement that the Chairman determines is necessary to comply with Section 409A, as contemplated by Section 6.15 of Daniel Mudd's employment agreement, as well as any amendment to Robert Levin's letter agreement that the Chairman determines is necessary to comply with Section 409A;

RESOLVED, the Executive Vice President, General Counsel and Corporate Secretary is hereby authorized and directed, after consulting with the senior ranking officer in Human Resources, to make such changes as she deems necessary or appropriate to the Plan and to any forms, disclosure, and other related materials to comply with the requirements of Section 409A and the guidance and regulations issued thereunder; provided, that, such actions do not materially increase the costs of administering the Plan;

RESOLVED, that the General Counsel shall report to the Compensation Committee on the changes to the Plan that she has taken pursuant to this delegation; and

RESOLVED, that the General Counsel has broad discretion and authority to take all other actions she deems necessary or advisable to ensure that the Company's plans, programs and arrangements comply with Section 409A.

Next the Committee considered the Compensation Discussion and Analysis section to be included in the proxy, and evaluated the differences between this section and the 2006 10K Compensation Discussion and Analysis, and determined that it approved the section for inclusion in the proxy, Committee Chair Macaskill informed the Board. The Committee received a report from the Benefits Plan Committee ("BPC"), and asked the

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BPC to provide it with details regarding the due diligence process used to chose investment fund managers, investments and asset allocations, she said. The importance of using a competitive process for reviewing and selecting fund managers was emphasized by the Committee in its discussion with the BPC representative, Committee Chair Macaskill indicated. The Committee spent a significant amount of time evaluating succession planning and reviewing talent, especially for the management Executive Committee, considering roles, backgrounds, strengths and weaknesses, she explained. The Board will need to determine which key senior management roles it would like to review for succession purposes. Chief Operating Officer updated the Committee on OFHEO's current review of executive compensation, she explained. Finally, the Committee began its review of current compensation market data for the Company's comparator group. This year, given the varied experiences of participants in that comparator group, and the current market conditions, the data shows a higher degree of variability than is usual, she informed the Board.

Audit Committee Report

Audit Committee member Wulff reported on behalf of Committee Chair Beresford, who was unable to participate in the Board meeting. Mr. Wulff reported that the Committee considered many of the matters that will be discussed by the Board in connection with the Management Report, including Day One losses, SOP 03-03, and how to value delinquent mortgages purchased out of trusts. Mr. Wulff said that the accounting issues currently facing the Company are significant and that the issued accounting guidance is not well defined. The management of the Company has established a good process for providing information to the Committee but that due to

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market conditions, among other things, the final forecasted numbers continue to change. Mr. Wulff explained that the Deloitte & Touche national office has been involved, that the in house financial reporting team is strong, that accounting policy and financial reporting have been separated to ensure that checks and balances exist, and so, in his opinion, the Company is doing what it can to apply these accounting policies in a logical and appropriate manner. The Board discussed the separation of accounting policy from financial reporting and the additional check of the Deloitte national office. Mr. Wulff informed the Board that next the Committee received a report from Internal Audit regarding two ongoing matters, a procurement audit and a privacy audit. The Committee reviewed the first quarter 10-Q and approved an accounting policy related to marking financial assets and liabilities at fair value. Finally, in executive session, Chief Internal Audit Executive Hinrichs announced her resignation. She explained to the Committee that she felt she had built an effective internal audit function, and that for personal reasons, she had decided to return to the West Coast. She will stay to help select her successor, Mr. Wulff concluded.

Approve Proxy Statement

General Counsel Wilkinson explained that several Committees, including the Audit, Compensation and Nominating and Corporate Governance Committees, had approved inclusion of various sections of information for the proxy, and that now the Board was being asked to approve the entire proxy. She explained that the proxy would be publicly available over the internet on November 2nd, and that courtesy copies would be mailed to shareholders shortly thereafter. She explained that as discussed by the Nominating and Corporate Governance Committee, several efforts to contact the

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proponent of a proposal to restrict giving to Jesse Jackson affiliated entities had been made, and that unless the proponent requested withdrawal of the proposal, the shareholder proposal would be included in the final proxy. Upon motion duly made, seconded and approved, the Board approved the following motion:

WHEREAS, the Board of Directors (the "Board") of the Federal National Mortgage Association (the "Corporation") has reviewed drafts of the Notice of the 2007 Annual Meeting of Stockholders (the "Annual Meeting Notice"), the Corporation's Proxy Statement for the 2007 Annual Meeting of Stockholders (the "2007 Proxy Statement") and the accompanying proxy card (the "Proxy Card"), as provided to the Board on October 4, 2007;

WHEREAS, rules of the Securities Exchange Commission (the "SEC") require that the Audit Committee furnish a report (the "Audit Committee Report") to the SEC that states: (a) whether the Audit Committee reviewed, and discussed with management, the audited financial statements for the years ended December 31, 2004, December 31, 2005 and December 31, 2006; (b) whether the Audit Committee discussed with the outside auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as amended; (c) whether the Audit Committee received the written disclosures and the letter from the outside auditor, Deloitte & Touche LLP ("Deloitte"), required by Independence Standards Board Standard No. 1 ("Independence Discussions with Audit Committees") and discussed with the outside auditor its independence from Fannie Mae; and (d) whether based upon (a), (b) and (c) above, the Audit Committee recommended to the Board that the corporation's consolidated audited financial statements for the years ended December 31, 2004, December 31, 2005 and December 31, 2006 be included in the Form 10-K for the fiscal year ended December 31, 2006 (the "2006 Form 10-K");

WHEREAS, on August 15, 2007, based upon the Audit Committee's review of the 2006 Form 10-K, the recommendations of the Corporation's senior management ("Management") to the Audit Committee and Deloitte's opinion with respect to the audited financial statements contained in the 2006 Form 10-K, disclosures in the 2006 Form 10-K regarding Management's assessment of the effectiveness of the corporation's disclosure controls and procedures and the corporation's internal control over financial reporting, and based upon each of the matters required pursuant to (a), (b) and (c) in the above paragraph, the Audit Committee recommended to the Board that the Corporation's consolidated audited financial statements be included in the 2006 Form 10-K;

WHEREAS, the Audit Committee has recommended to the Board that the Audit Committee Report be included in the 2007 Proxy Statement;

WHEREAS, rules of the SEC require that the Compensation Committee furnish a report (the "Compensation Committee Report") to the SEC that states: (a) whether the

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Compensation Committee reviewed and discussed the Corporation's Compensation Discussion and Analysis (the "CD&A") to be included in the 2007 Proxy Statement, with Management; and (b) whether, based on this review and discussion, the Compensation Committee recommended to the Board that the CD&A be included in the Corporation's Proxy Statement;

WHEREAS, the Compensation Committee has met with Management, including the corporation's Chief Operating Officer, and has engaged in discussions and consultations with Management regarding the CD&A;

WHEREAS, based upon the Compensation Committee's review of the CD&A and Management's recommendations to the Compensation Committee, the Compensation Committee has recommended to the Board that the CD&A be included in the 2007 Proxy Statement;

WHEREAS, the Compensation Committee has recommended to the Board that the Compensation Committee Report be included in the 2007 Proxy Statement;

WHEREAS, Mrs. Evelyn Y. Davis, 2600 Virginia Ave, NW, Suite 215, Washington, DC 20037, who owns 600 shares of common stock of the Corporation, has submitted a resolution providing for cumulative voting in the election of directors (the "Cumulative Voting Proposal") to be included in the 2007 Proxy Statement;

WHEREAS, the American Federation of State, County and Municipal Employees Pension Plan, 1625 I Street, N.W., Washington, DC 20036, that owns 37,213 shares of common stock of the Corporation, has submitted a proposal for non-binding, shareholder advisory votes on executive compensation (the "Advisory Vote Proposal") to be included in the 2007 Proxy Statement;

WHEREAS, the National Legal and Policy Center, 107 Park Washington Park Court, Falls Church, VA 22046, that owned 35 shares of common stock of the Corporation as of December 22, 2004, has submitted a proposal to prohibit the Corporation's donations to the Fannie Mae Foundation from being used to make contributions to Jesse Jackson or non-profit entities affiliated with Jesse Jackson (the "Contributions to Jackson or Affiliates Proposal"); and

WHEREAS, the Nominating and Corporate Governance Committee of the Board has considered the merits of the Cumulative Voting Proposal, the Advisory Vote Proposal and the Contributions to Jackson or Affiliates Proposal and has recommended that the Board recommend that the Corporation's stockholders vote against the proposals.

NOW THEREFORE, BE IT HEREBY RESOLVED, that the Board hereby approves the filing of the 2007 Proxy Statement with SEC and authorizes and directs the officers of the corporation, and each of them acting singly, for and on behalf of the corporation, to cause to be prepared and filed with SEC under the Securities Exchange Act of 1934, as amended, with such additions thereto and changes therein as any such

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officer may approve, such approval to be conclusively evidenced by the filing thereof with SEC;

FURTHER RESOLVED, that the Board hereby approves the Annual Meeting Notice and the Proxy Card; and

FURTHER RESOLVED, that the officers of the corporation, and each of them acting singly, hereby are authorized and directed, in the name and on behalf of the corporation or otherwise, to execute and deliver all such instruments, agreements, documents and certificates and to take any and all such further and other action in connection with the resolutions hereinabove adopted, as any of them may deem necessary, advisable or proper to effectuate the intent and purposes of the foregoing.

Review of Revised Insider Trading Policy

Senior Vice President and Deputy General Counsel Lu joined the meeting. General Counsel Wilkinson next explained that in 2004 a policy related to prohibitions against insider trading was adopted by the Board, in addition, a stock repurchase program for non-officer employees was established. This policy, the "Securities Transactions Supervision Program," imposed a blackout on trading by senior management, and the blackout was ultimately extended to all employees, given that the Company was not current. The legal department has benchmarked a new proposed policy, to be utilized when the Company becomes current. The new policy would be administered by management and establishes quarterly blackout periods and continuing to prohibit trading while in possession of material nonpublic information. In order for the new policy to go into effect, the previous policy would need to be rescinded, and given the expected lifting of the Company-wide blackout, the stock repurchase program can be terminated. Employees will be trained on this new policy in order to ensure that they are aware of all of the limitations and requirements imposed; General Counsel Wilkinson further explained. The Board discussed the application of the new policy to directors and to former directors. The Board asked to be provided with:

**REDACTED
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**REDACTED
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Upon motion duly

made, seconded, and approved, the Board approved the following resolutions:

WHEREAS, on January 23, 2004, the Board of Directors approved and adopted the terms of the company's current Guidelines for Securities Transactions Supervision Program (the "STSP"), which governs the acquisition, ownership and dealing in Fannie Mae securities by the company's directors, officers and employees;

WHEREAS, pursuant to the terms of the STSP, there has been a company-wide restriction on trading Fannie Mae securities since April 2005 (the "Blackout");

WHEREAS, on November 15, 2005, because of the prolonged Blackout and the expected continuation of the Blackout, the Board of Directors approved Fannie Mae's establishment of a periodic stock repurchase program (the "Program") that would permit the Company to repurchase shares of Fannie Mae common stock from non-officer employees in an amount not to exceed \$100 million (the "Program");

WHEREAS, management anticipates that the Blackout will be lifted when Fannie Mae is current in filing its periodic financial reports;

WHEREAS, management has advised the Board that it desires to adopt an insider trading policy that would (1) govern the acquisition and ownership of and dealing in Fannie Mae securities by the company's directors, officers and employees and (2) supersede and replace the STSP, effective at the time that management announces the lifting of the Blackout;

WHEREAS, the Board believes that it is appropriate and advisable for management to determine the terms of, and adopt, a new insider trading policy that would govern the acquisition and ownership of and dealing in Fannie Mae securities by the company's directors, officers and employees (the "Policy"); and

WHEREAS, the Board does not believe that continuation of the Program is necessary or advisable after termination of the Blackout;

NOW THEREFORE, BE IT HEREBY RESOLVED, that the STSP and the resolutions creating the STSP, as adopted by the Board of Directors on January 23, 2004, are hereby rescinded effective at the time that the Policy becomes effective, which shall not precede the date on which management announces the lifting of the Blackout;

FURTHER RESOLVED, that the General Counsel is hereby authorized to approve and adopt the Policy, with such terms and subject to such conditions as the General Counsel shall deem appropriate, necessary or advisable.

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RESOLVED, that the Program is hereby terminated and the authority for the Program is hereby rescinded, effective at the time that the Policy becomes effective.

Management Report

CEO Mudd provided the Board with an update on key matters of focus for the management team. He explained that efforts this year have been focused on recovery, making progress on financial reporting and systems, and getting current with the filing of 10-Ks and 10-Qs. Sarbanes-Oxley remediation work has been important, and has gone well. The month of October is Compliance and Ethics month, continuing the emphasis on creating a culture of integrity. Against this backdrop, there has been a 10% reduction in the Company's workforce and one of the most dramatic market changes in the housing market in recent history. This market disruption is likely to continue in 2008 and 2009 as subprime loans from 2006 reset. The Company expects that the housing market will be down approximately 3 to 4% this year, and an additional 3 to 4% next year, he said. Overall, it may be the year 2011 before housing prices show positive gains. The impact of subprime has been worse than initially expected, with the ratings agencies issuing tens of billions of dollars in downgrades and over a 150 companies going out of business. CEO Mudd informed the Board that minority homeownership is dropping. The Company's response to these events has involved teamwork and has tested the controls put into place. At the beginning of 2007, the Company had a market share of 20% and now has a share of nearly 42%, CEO Mudd explained.

CEO Mudd next highlighted areas of concern for management. At the top of the list is capital consumption, driven by the impact of accounting policies, credit losses and dividends. He noted that management believes that the level of capital is closer to the

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"redline" than management would like for it to be. Management continues to monitor the situation closely, and will continue to keep the Risk Policy and Capital Committee and the Board apprised of developments with respect to capital, he said. An end-to-end review of the processes used with respect to mortgage-backed securities has been started, after two unexpected errors resulted from manual processes.

Congressional momentum continues for legislation, and the Company remains focused on maintaining a constructive relationship with its regulators. Once current, staying current will be a top priority. Overall, CEO Mudd stated, the Company continues to make progress in a difficult market. The Board discussed likely market responses to the filing of the 10-Qs and the impact of credit losses.

Mssrs. Blakely, Dallavecchia, Levin, Niculescu, Schuppenhauer, Swad, Winer, and Williams joined the meeting. CEO Mudd asked Chief Business Officer Levin to provide the Board with an update on business performance metrics. CBO Levin explained that the combination of bad underwriting, weakening home prices and a major market disruption have impacted business. Many of the Company's competitors have faced significant losses to their business, while the Company has experienced major increases in market share. The Company is negotiating pricing increases due to increased credit loss exposure. Key areas of business focus currently and for the future will be pricing, mitigation of credit losses, maintenance of capital and delivering on the Company's mission.

The Single Family and Housing and Community Development businesses have experienced better than expected book growth and charged fees. This growth will translate into increased revenues over time, but the market will cause losses to increase

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in the short term. Capital will be an important necessity for continuing to grow the business. The multifamily housing market has performed differently than the single family housing market, in that there are less frequent foreclosures but those foreclosures have a higher severity. Vacancies are decreasing and rents are increasing for multifamily properties, CBO Levin explained.

Loss mitigation continues to be an important focus overall, with several strategies being utilized by the Company to mitigate against losses. First, the Company has tightened underwriting standards to reduce the likelihood of buying bad product. Second, the Company has increased workouts, which are more desirable than foreclosures, and is evaluating the performance of various servicers in this area to identify and work with those servicers who are most successful at workouts. The Board discussed the level of performance of a range of servicers, and contributing factors to performance. CBO Levin emphasized that management matters with respect to credit losses, and that his team will continue to work to mitigate credit losses and to identify and work with the best performing servicers.

Next, CBO Levin explained that there have been two incidents in handling of the Mortgage Backed Securities that have caused management to initiate an end-to-end review. A Lean Six Sigma approach will be utilized to improve effectiveness and efficiency and to automate as many processes as possible.

CFO Swad provided an update on the recent financial performance of the Company. He explained that GAAP net income is forecasted to decline from the Plan provided to the Board in July in an amount of \$1.9 billion based on an increase in credit expenses and other losses, including losses resulting from mark to market swings,

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unfavorable credit expenses and day one losses. He also explained that the impact of lower prices on delinquent loans purchased from a trust will cause earnings to go down. He said that for Q3 the decline could be as high as \$600 million and more work had to be done in obtaining third party pricing.

He directed the Board to page 7 of the Management Report, and in particular the level of capital, which continues to be in excess of the 30% minimum capital required by OFHEO. Payment of dividends and issuance of preferred stock have been taken into consideration in the capital calculation, he explained.

Chief Risk Officer Dallavecchia provided the Board with an update on the Company's risk position. He stated that the base duration gap remains within the range set by the Board and was slightly lower in September. Similarly, the volatility exposure continued at a lower level in September than July and early August. Risk limit metrics set by the Board are continuously monitored, and the loss advisory remains steady at the level noted at September's Board meeting. CRO Dallavecchia next focused on updating the Board with respect to the Single Family business unit credit risks. The Conventional Single Family serious delinquency rate increased to 68 basis points in July and is estimated to increase to 77 basis points in September, he said. The states experiencing the highest serious delinquency rates are Florida and California. According to CRO Dallavecchia, there was a decrease in REO acquisitions in July. The Board discussed likely purchasers of REO inventory.

Chief Operating Officer Williams provided the Board with an update on technology, operations and human resource matters. He highlighted that operations is processing increased volumes, and will remain focused on getting current and staying

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current, as well as mitigating risk and improving quality. He next explained that the technology division is ensuring that Sarbanes-Oxley remediation is effective and that cost and productivity is tracked at the business unit level. In the human resources area, staffing levels have decreased by 485 individuals due to the Voluntary Retirement Plan, 598 individuals due to involuntary actions and 350 individuals due to voluntary actions, COO Williams concluded.

CFO Swad next presented the Board with a detailed overview of Day One losses, and the process used to determine the losses. CFO Swad indicated that a key judgment in the financial statements will be Day One losses. The importance of this judgment results from the fact that Day One losses require providing an estimate of a market where there is no market, and the fact that these losses will be one of the top expenses in the financial statements, currently estimated at \$1.6 billion. He further explained that he is aware of only two companies, Fannie Mae and Freddie Mac, who are required to determine the extent of these losses.

A Day One loss occurs when the present value of the guaranty fee and other consideration paid to the Company ("Guaranty Asset") is lower than the present value of the Guaranty Obligation, or what we would have to pay others to assume the Guaranty contract, CFO Swad reminded the Board. A review of the valuation model used by the Company resulted in the decision that the model required enhancement to be reflective of the market. The model calibration performed was focused on ensuring that the model reasonably estimates market value. The model was adjusted to reflect spot guaranties from the investor channel line of business. The impact of this adjustment decreased losses in the first half of the year, and increased them in the third quarter of

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2007. The Board discussed Alt-A loans and the fact that cash transaction pricing was available to determine actual third party value. The key drivers of the \$1.6 billion in Day One losses for 2007 are mission related acquisitions, lender channel forward pricing and investor channel forward pricing. The Board discussed the unit of measure utilized for measuring the losses, and various related concepts.

Next, CFO Swad directed the Board to the month-by-month overview of Day One losses, which shows that Day One losses increased in the second quarter of 2007 and decreased in the third quarter of 2007, reflecting an improved acquisition profile and pricing changes. Work remains on this issue, CFO Swad explained, but it is expected that the external auditor will complete its review by the filing of the 10-Qs. Overall, an extensive amount of work has already been done, including looking at all key judgments, leveraging a cross-divisional internal team, outreach to Freddie Mac and OFHEO, and a detailed review of key judgments with the Audit Committee Chair, Denny Beresford.

All members of management except Ms. Wilkinson and CEO Mudd left the meeting.

Executive Session

The Board met in executive session starting at 1:15 pm with General Counsel Wilkinson and CEO Mudd. Ms. Wilkinson

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She then distributed to each Director a letter of resignation for his or her signature to be effective in the event such Director does not receive the requisite vote at the Company's Annual Meeting in December under the Company's new majority-vote requirements. Ms. Wilkinson and Mr. Mudd left the meeting.

Chair Ashley reported on a meeting he had had the prior week with the Council of Institutional Investors at which the Company's governance practices and policies had been discussed, including the role of the non-executive Chairman. Chair Ashley explained that he would be distributing to the Board a white paper on the role of the non-executive Chairman at the Company. He also advised the Board that he and Mr. Beresford would be meeting with Calpers at Calpers' request in November. Ms. Wilkinson also will attend the meeting. Mr. Ashley noted that he expected to be having one of his periodic dinners with Mr. Mudd in the near term and solicited input from the Directors of any topics they thought would be useful to bring up at the dinner.

The Board briefly discussed that morning's training program.

Chairman Ashley adjourned the meeting at 2 p.m.

Secretary

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