MINUTES OF A MEETING OF THE
FANNIE MAE
BOARD OF DIRECTORS

January 18, 2008
8:30 a.m—1:00 p.m.

The Fannie Mae Board of Directors met on January 18, 2008. The following members of the Board participated: Mr. Ashley (Chair), Mr. Beresford, Mr. Freeh, Ms. Gaines, Ms. Horn, Ms. Macaskill, Mr. Mudd, Ms. Rahl, Mr. Sites, Mr. Smith, Mr. Swygert and Mr. Wulff.

Messrs. Dallavecchia, Greener, Niculescu, Senhauser and Swad and Mss. Doyle, Reddy, Thompson and Wilkinson participated in portions of the meeting. Mr. Joffe and Ms. Sweet of Cravath, Swaine & Moore LLP, as counsel to the non-management directors participated. Director James B. Lockhart III, the Director of OFHEO, Mr. Chris Dickerson, OFHEO's Director of Supervision, and Mr. John Kerr, the OFHEO Executive in Charge of Fannie Mae, participated in a portion of the meeting. Mr. Kip Johnson of Latham & Watkins participated in a portion of the meeting.

The meeting was called to order by Chairman Ashley at 8:30 a.m.

Meeting with OFHEO Representatives

Director Lockhart, Mr. Dickerson and Mr. Kerr joined the meeting. Director Lockhart provided the Board with a handout and discussed each slide in the handout. His discussion focused on OFHEO's strategic goals, the size and importance of the GSEs, the continuing growth of the total book of business of Fannie Mae and Freddie Mac, issues related to mortgage credit leverage, the dramatic increase in Fannie Mae's and Freddie Mac's share of mortgage originations in 2007 and OFHEO's views of the risks facing Fannie Mae and Freddie Mac.

Director Lockhart also discussed Fannie Mae's recent accomplishments as well as OFHEO's view of Fannie Mae's key challenges and issues. The Board asked for clarification on OFHEO's view of Fannie Mae's handling of interest rate risk. The Board also asked whether Director Lockhart believed Fannie Mae's accomplishments indicated that Fannie Mae's and the Board's commitment to remediation under the Consent Order was being satisfied. Director Lockhart agreed that it was, and that he expected full remediation to be achieved this year, although he had not as yet received and reviewed OFHEO's examination report for Fannie Mae and his view was subject to any new developments.

Director Lockhart was asked by the Board for his view of the relationship and cooperation of Fannie Mae's management with OFHEO. Director Lockhart, Mr. Dickerson and Mr. Kerr each reported that he thought there was a very good relationship and that management at all levels of Fannie Mae was very cooperative, with significant improvement from the prior year. Director Lockhart then provided the Board with his view of the need for a new, stronger regulator for Fannie Mae and Freddie Mac.

Director Lockhart discussed the Consent Order constraints on Fannie Mae. With respect to the portfolio caps, he described how they had been loosened and were not binding now. He described the key issue for a complete lifting of the caps to be timely, SOX-compliant financials. In response to questions by the Board with respect to the conditions under which the Consent Order's portfolio caps would be lifted completely, Director Lockhart indicated that absent a new development, he expected OFHEO to lift the portfolio caps upon the timely filing of Fannie Mae's 2007 10-K.

Director Lockhart and the Board then exchanged views on the need for an appropriate capital cushion during difficult credit environments such as the current environment. Director Lockhart expressed his view that the current 2.5% capital requirement that would apply when the Consent Order is lifted is too low, and that he is seeking authority from Congress to increase it. The Board expressed the view that any capital cushion above the then-applicable statutory requirement should be the responsibility of the Board and not the regulator. Director Lockhart expressed his agreement with this view.

Director Lockhart discussed the lifting of the Consent Order, and indicated it was still conditioned on the successful achievement of operational remediation, which was mostly specified in the Consent Order. The Board inquired as to whether OFHEO was using criteria beyond the Consent Order as a condition to lifting the Consent Order. Director Lockhart promised to provide a definitive list of the remaining items that needed to be achieved in order to lift the Consent Order and a timetable for achieving those items. Director Lockhart agreed that OFHEO would prepare the list as soon as possible and provide it to Fannie Mae's management within the next two or three weeks. The Board indicated that it would like to be in a position to review the list at its February 28, 2008 Board meeting. In response, Director Lockhart pledged to make his team available to work out any open issues with Fannie Mae's management promptly after sending them the list so that a final list could be discussed with the Board at the February 28th meeting. Mr. Dickerson also indicated that, in some cases, OFHEO may be able to conclude that remaining items were far enough along that they could be reviewed under the normal OFHEO examination process rather than under the Consent

Order. The Board and Mr. Mudd emphasized at several points in the discussion that it was an important priority for Fannie Mae and its shareholders that Fannie Mae move beyond the Consent Order and operate as a normal, regulated entity.

Director Lockhart and Mr. Kerr also indicated that the draft Fannie Mae examination report would be provided to Fannie Mae's management by mid-February. Both the Board and Director Lockhart agreed that Fannie Mae and OFHEO would make the resources available to work quickly on finalizing the report, so that the Board may discuss the report at the February 28th meeting. Director Lockhart, Mr. Dickerson and Mr. Kerr then left the meeting.

Approval of Minutes

Upon motion duly made and seconded, the Board unanimously approved the minutes from its meetings on November 9, 2007, November 20, 2007, December 3, 2007, December 4, 2007 and December 14, 2007.

2007 Annual Incentive Plan Goals Review

CEO Mudd reviewed management's assessment of Fannie Mae's performance against the 2007 Annual Incentive Plan ("AIP") goals. CEO Mudd reported that since the December 14, 2007 Compensation Committee meeting when he had previously reviewed performance against the 2007 AIP goals, Fannie Mae had achieved its HUD regulatory base goals, although two of the three HUD sub-goals were not achievable. As an overview, CEO Mudd said that Fannie Mae had met or exceeded all the 2007 AIP goals except for one of the financial goals, which was a review of overall financial performance. Although no specific numerical or other quantitative targets for overall financial performance had been established for 2007, and the deteriorating housing market and illiquid capital markets had a significant negative impact on Fannie Mae's

GAAP financials and stock price, in light of the 2007 net loss and the poor performance of Fannie Mae's stock, he and other members of senior management felt that the overall financial performance was below expectations.

CEO Mudd then provided an overview of the highlights of Fannie Mae's performance within each of the following five categories of AIP goals using the handout provided to the Board in the pre-Board meeting materials: Business Goals, Mission Goals, Financial Goals, Risk Management Goal and Compliance and Culture Goals.

With respect to Business Goals, CEO Mudd pointed out that Fannie Mae had met these goals with a significant margin. He reported that he believed that this achievement reflected the processes and controls that Fannie Mae had put in place that enabled it to take advantage of the opportunities presented when the market shifted toward the types of mortgage products that are Fannie Mae's strengths.

With respect to Mission Goals, CEO Mudd advised that Fannie Mae had successfully balanced its safety and soundness goals with the need to step-up in the market and help to provide liquidity, which is part of Fannie Mae's core mission. He pointed out that Fannie Mae had outperformed both the jumbo loan providers and sub-prime loan providers.

With respect to Financial Goals, CEO Mudd described how Fannie Mae's focus on composite net income as a metric rather than GAAP results would not be well received in the marketplace at this time. He pointed out that management did not anticipate the full GAAP impact of the worsening market situation. Finally, he concluded that because Fannie Mae did not have positive earnings in 2007, the overall financial performance was below expectations.

With respect to the Risk Management Goal, CEO Mudd pointed out the critical importance of Fannie Mae having successfully built out the CRO function in 2007. He also focused on the success in complying with, disclosing and discussing Fannie Mae's risk limits.

With respect to the Compliance and Culture Goals, CEO Mudd reported that the notion of compliance had been well accepted throughout Fannie Mae and that programs had been implemented in a timely manner. In addition, he noted that both Fannie Mae's regulatory relationships with OFHEO and HUD had significantly improved. He also commented that while there was still work to be done on diversity, the office of diversity had made progress.

First Executive Session

The Board went into its first Executive Session at 9:49 a.m. Mr. Mudd and Ms. Thompson participated.

Compensation Committee Chair Macaskill provided an overview to the Board with respect to the process used to set the 2007 AIP and long-term incentive program ("LTI") overall targets for Executive Vice Presidents ("EVPs") and above and for Senior Vice President ("SVPs") and below and to approve a recommendation to the Board for the 2007 individual AIP bonuses and LTI grants and 2008 salary increases for the EVPs. Ms. Macaskill explained that the Compensation Committee had met on December 14, 2007 to review Fannie Mae's performance against the AIP goals with CEO Mudd and Mr. Williams. The Compensation Committee then met in Executive Session at such December meeting to further discuss Fannie Mae's performance against the AIP goals and agree on preliminary guidance to give to CEO Mudd with respect to target percentages for the AIP and LTI for EVPs and above and SVPs and below. At such meeting, the Compensation Committee had no significant disagreement with the assessment previously described to the Board by CEO Mudd, and discussed the overall financial performance goal at some length. Ms. Macaskill explained that the Compensation Committee and Board have not established any formula or specific philosophy for weighing the relative importance of the five categories of AIP goals or the goals that are included within each category, such as the overall financial performance goal. This year, however, the Compensation Committee decided that, while overall financial performance was only one goal within the Financial Goals category and did not have any quantitative targets, the Compensation Committee felt that such goal was so fundamental, and the failure to meet expectations so significant in terms of both the net loss and impact on shareholders due to the decline in Fannie Mae's stock price, that such failure needed to play a significant role in determining the Compensation Committee's recommendation for AIP target percentages.

Ms. Macaskill then explained the basic principles used by the Compensation Committee, at the December 14, 2007 meeting and subsequently, in making their recommendation for the 2007 overall target percentages under the AIP for EVPs and above and SVPs and below, as set forth below.

- Although overall financial performance was only one part of one category of AIP goals, and management met or exceeded all other goals, the Compensation Committee would consider this failure as significant in making their recommendation, although no specific weight or formula was used by the Compensation Committee. Accordingly, management's overall compensation for 2007 should reflect an overall decrease due to Fannie Mae's net loss and the declining stock price of Fannie Mae in 2007, although no specific weight or formula was used by the Compensation Committee to tie the decrease in compensation with the extent of the net loss or the decrease in stock price.

- In determining individual awards, more senior management should bear a higher proportion of the responsibility and, thus, should have a relatively higher overall decrease in their compensation, as compared to less senior management.
- The Compensation Committee recognized that the primary drivers behind the failure to meet expectations with respect to overall financial performance were market driven, but the Committee felt that management had not sufficiently anticipated the potential impact of those market developments on Fannie Mae. The Compensation Committee recognized that it was unlikely that Fannie Mae's 2007 results would have changed had management anticipated the impact of such developments sooner. Nevertheless, the Compensation Committee believed management's compensation should reflect that management had not sufficiently anticipated some of the impact on Fannie Mae of these developments.

Ms. Macaskill reported to the Board that, based on these principles, at the December 14, 2007 meeting, unlike prior years, the Compensation Committee decided to recommend separate overall targets for the EVPs and above versus the SVPs and below. Accordingly, the Compensation Committee gave guidance to CEO Mudd in December that the Compensation Committee's initial recommendation was to provide an overall AIP target percentage of 90% of the target pool for the SVPs and below and 80% for the EVPs and above, subject to a review of actual compensation numbers reflecting such target percentages. The Compensation Committee also gave guidance at the December meeting that the Compensation Committee's view was that an overall target percentage award under the LTI of 100% for EVPs and above and SVPs and below would be appropriate, subject again to a review of how total overall compensation under the AIP and the LTI would be affected. CEO Mudd was then asked to make recommendations as to how the overall bonus pool for the AIP and the LTI would be allocated for the SVPs and below, and to provide the actual compensation numbers for the EVPs and SVPs and comparative information for 2006, to the extent applicable.

Ms. Macaskill then described to the Board that the Compensation Committee had met in Executive Session on January 15, 2008 to continue their discussion of year-end compensation for EVPs and their guidance on target percentages for AIP and LTI grants.

Ms. Macaskill explained that the Compensation Committee met on January 17, 2008 and reviewed again Fannie Mae's performance against AIP goals and reviewed in detail CEO Mudd's recommendations for individual SVP bonus compensation for 2007 under the AIP and LTI and salary increases for 2008, including performance assessments and market comparability data, and approved such recommendations. Ms. Macaskill responded to a Board question regarding the range of the potential AIP targets.

Ms. Macaskill also reported that on January 17th, the Compensation Committee had reviewed in detail CEO Mudd's recommendations for EVP bonus compensation for 2007 under the AIP and LTI and salary increases for 2008, including performance assessments and market comparability data, and approved a recommendation to the

Board for EVP 2007 bonus compensation and 2008 salary increases. In doing so, she reported that the Compensation Committee confirmed their prior guidance on splitting the target percentages, resulting in 80% for EVPs and above and 90% for SVPs and below. She also explained that in reviewing the EVPs, the Compensation Committee had looked at available comparative data provided by Alan Johnson, the outside compensation consultant engaged by management. Ms. Macaskill explained that, of the EVPs, only eight out of the 10 EVPs that remain at Fannie Mae had been an EVP at Fannie Mae for two years or more, and that for those eight, they had looked at how each person's compensation, based on CEO Mudd's recommendation for each individual, including AIP and LTI grants, compared to their 2006 compensation.

Ms. Macaskill also explained that the Compensation Committee had discussed whether to leave the overall target percentage for the LTI at 100% of target, which was the overall target percentage historically used. Historically, the LTI overall target was 100%, and the overall target percentage was not adjusted for corporate performance against the AIP goals. She noted that, beginning in 2008, this policy would change, and both the AIP and LTI overall target percentages would rise and fall depending on management's performance against the AIP goals. The Compensation Committee decided that the target percentage for 2007 should be left at the historical 100% target percentage.

Ms. Macaskill then responded to Board questions. The Board inquired as to how the mechanics of the targets work, and they were given some examples as well as referred to the Board materials setting forth each EVPs actual proposed compensation. The Board asked about how concerns about retention as well as concerns about how management that had been at Fannie Mae a longer period, with perhaps lower overall compensation than more recent hires who benefited from recent beneficial market conditions for compensation, were taken into account in the compensation recommendations. Ms. Macaskill explained, and CEO Mudd confirmed, that the Compensation Committee gave the guidelines to CEO Mudd, and then CEO Mudd made individual recommendations, and that those recommendations took into account these concerns to the extent appropriate. Chairman Ashley noted that, if financial performance continued to be poor in light of market conditions, an important issue for 2008 compensation decisions would be retaining star performers.

CEO Mudd also explained that it was important that he be sensitive in his performance reviews to the message being given. He intends to make clear that the message in the 80% and 90% AIP targets is that management needs to pay attention, as a group, to financial performance, but also that he and the Board feel that management still performed well. Consistent with that message, the 100% target under the LTI would convey his and the Board's feeling that this management team has made contributions that will benefit Fannie Mae in the long-term and their expectation that management will continue to perform well in the long-term and will thus benefit, along with the shareholders, from that performance.

CEO Mudd then explained that, in making his individual recommendations for how the AIP and LTI grants would be made to EVPs, he put a greater amount of the responsibility for overall financial performance on the most senior management who directly have responsibility for finances and operational performance: himself, Steve Swad, Rob Levin and Mike Williams. CEO Mudd noted that the Board should understand that over the course of the year there had been forced terminations so that the individuals who remained were the high performers.

CEO Mudd also explained that, with respect to salary increases for 2008, he had not recommended an increase in salary if a person was at or above market, using as "market" Fannie Mae's general guideline targeting the median, or 50th percentile, of the total of salary, bonus and equity compensation paid at companies in Fannie Mae's comparator group. If someone was below market, he had recommended an increase. CEO Mudd then responded to Board questions with respect to whether the stock bonuses should be adjusted upwards for someone below market. CEO Mudd explained that because of the volatility of the Fannie Mae stock, it was not necessarily the best primary lever to use to adjust compensation to be competitive.

CEO Mudd then discussed each EVP by name, summarizing for the Board the strengths of each person, areas in which he planned on focusing that executive's development in 2008, contributions to AIP goals, overall performance of job responsibilities, importance to Fannie Mae of the executive, applicable market comparability data (which was prepared by Alan Johnson) and, where relevant, issues of retention and competition for executives for similar positions. He also explained his recommendation for each EVP's AIP bonus, LTI grant and, if applicable, salary increase, as well as any pertinent historical data. CEO Mudd referred the Board with respect to each person to a handout the Board had received on Thursday evening, that set forth a summary of CEO Mudd's performance review of each EVP as well as the relevant 2007 compensation amounts, details of current and historical compensation and market compatibility data from Alan Johnson. During his discussion, he responded to various specific questions from the Board, which generally focused on retention and the market competitiveness of Fannie Mae's compensation.

CEO Mudd and Ms. Thompson then left the meeting. The Board discussed CEO Mudd's performance and the Compensation Committee's recommendation for 2007 compensation. Chairman Ashley first explained the process by which the Compensation Committee had agreed on a recommendation for CEO Mudd's compensation. The recommendation was based on CEO Mudd's self-evaluation, Chairman Ashley's assessment of CEO Mudd's performance and a review of comparable CEO compensation and certain other analysis prepared by Semler Brossy Consulting Group, the independent compensation consulting firm engaged by the Compensation Committee. Copies of each of these documents were provided to the Board prior to the Board meeting.

Chairman Ashley then discussed the process he used for preparing his assessment of CEO Mudd's performance, which assessment was ultimately reflected in a memo to the Board. Chairman Ashley spoke with each director of the Board with respect to CEO Mudd's 2007 performance and their respective views of the challenges for 2008. He spoke to four direct reports to CEO Mudd: Mr. Levin, CFO Swad, Mr. Senhauser and Ms. Wilkinson. Chairman Ashley also reviewed the results of the 360° review of CEO Mudd. In addition, Chairman Ashley spoke separately to two portfolio managers at Capital Re.

Chairman Ashley reported that the two portfolio managers were very positive in their comments on CEO Mudd. They indicated that they viewed him as a notch above comparable CEOs. They thought his strengths, in particular, included his knowledge of the business, steadiness and calmness in times of crisis or challenge and the team he had built. Chairman Ashley noted that both portfolio managers had noted that they liked CFO Swad as well, and that he was developing well.

Chairman Ashley pointed out to the Board certain parts of his review of CEO Mudd that he had emphasized with CEO Mudd, including some of his comments under Capital, Credit Risk and Financial Management, his leadership in developing a high quality team and some of his comments under Shareholder Value and Investor relations. The Board then discussed the CEO's performance and challenges for 2008, concentrating on the need in 2008 for: continued integration between CEO Mudd and CFO Swad; CEO Mudd's leadership in improving management's forecasting and further developing this area of the organization; clearer guidance on what cultural change means as a part of AIP goals and how management proposes to measure performance; an updated succession plan covering the first, second and third tiers of management; Fannie Mae's macro strategy, and performance against that strategy, to be communicated to the Board at each meeting; a continued focus on improving the quality of financial reporting and using the discipline of returning to quarterly filing to assist in better forecasting and anticipation of the impact of market developments on the results of Fannie Mae.

Chairman Ashley referred the Board to the handout the Board had received on Thursday evening that provided four proposals for potential 2007 compensation for CEO Mudd. Chairman Ashley reported that the Compensation Committee recommended Example 3 in the handout, which would be an AIP bonus of 75% of target and an LTI grant of 90% of the value of CEO Mudd's 2006 LTI award. The Compensation Committee was not recommending any salary increase in 2008 for CEO Mudd.

Chairman Ashley explained that the Compensation Committee believed that this recommendation for CEO Mudd's compensation would reflect both CEO Mudd's and the Compensation Committee's view that, as CEO, Mr. Mudd should bear the greatest overall decrease in his compensation. Example 3 would result in a decline of 15.4% in CEO Mudd's overall compensation in 2007 as compared to 2006. The percentage declines for Rob Levin and Mike Williams for 2007 over 2006 will be 11.3% and 12%, respectively. CFO Swad does not have comparative amounts because he was not at Fannie Mae in 2006, and although he had a lower AIP percentage than CEO Mudd (70% versus 75%), his LTI grant will be made at 100% (versus 90% for CEO Mudd), and he received a full year grant under the AIP and LTI even though he was not at Fannie Mae for the entire year.

Chairman Ashley noted that, in making their recommendation, the Compensation Committee used the same compensation principles it applied to the other EVPs, as described by Ms. Macaskill.

Upon motion duly made and seconded, the independent members of the Board unanimously approved the following resolutions:

WHEREAS, in determining Mr. Mudd's compensation, the Compensation Committee and the Board of Directors have reviewed and given consideration to comparability data and recommendations prepared by Semler Brossy Consulting Group, the independent compensation consulting firm engaged by the Compensation Committee;

WHEREAS, the Compensation Committee and the Board each has reviewed performance against the Corporate Goals for 2007 under the Annual Incentive Plan (the "AIP");

WHEREAS, the Compensation Committee and the Board have reviewed the performance of Mr. Mudd; it is therefore

RESOLVED, that Mr. Mudd shall be paid a cash bonus for 2007 performance under the AIP in the amount set forth on H.R. Document 2008-1;

RESOLVED, that Mr. Mudd 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 2008-1;

RESOLVED, that the number of Restricted Stock shares shall be determined by dividing the dollar amount set forth on H.R. Document 2008-1 by the average of the high and low selling prices of Fannie Mae common stock on January 28, 2008, or if later, the date that OFHEO approves the grant of Restricted Stock to Mr. Mudd; and it is further

RESOLVED, that Mr. Mudd's cash bonus and Restricted Stock award shall not be paid or granted until OFHEO approves the bonus and award.

[BR08-01]

With respect to compensation for the EVPs, upon motion duly made and seconded, the Board approved the following resolutions:

WHEREAS, in determining the compensation of the Executive Vice Presidents, the Compensation Committee and the Board of Directors have reviewed and given consideration to comparability data and recommendations prepared by Alan Johnson, the outside executive compensation consultant engaged by management;

WHEREAS, the Compensation Committee and the Board each has reviewed performance against the Corporate Goals for 2007 under the Annual Incentive Plan (the "AIP");

WHEREAS, the Compensation Committee and the Board of Directors have reviewed the performance of the Executive Vice Presidents of Fannie Mae; it is therefore

RESOLVED, that the annual salaries paid to the Executive Vice Presidents shall be adjusted as of February 17, 2008, to the amounts set forth on H.R. Document 2008-2;

RESOLVED, that the Executive Vice Presidents shall be paid cash bonuses for 2007 performance under the AIP in the amounts set forth on H.R. Document 2008-2;

RESOLVED, that the Executive Vice Presidents shall be awarded grants of Restricted Stock under the Fannie Mae Stock Compensation Plan of 2003 in the dollar amounts, and vesting over the periods, set forth on H.R. Document 2008-2;

RESOLVED, that the number of Restricted Stock shares shall be determined by dividing the dollar amounts set forth on H.R. Document 2008-2 by the average of the high and low selling prices of Fannie Mae common stock on January 28, 2008, or if later, the date that OFHEO approves the grants of Restricted Stock to the Executive Vice Presidents; and it is further

RESOLVED, that the cash bonuses and Restricted Stock awards for Executive Vice Presidents shall not be paid or granted until OFHEO approves the bonuses and awards.

[BR08-02]

The Board then discussed potential press and shareholder reaction to CEO Mudd's compensation. They noted that the approved compensation was on the low to middle end of compensation for CEO's in its comparator group, based on the market data provided by Semler Brossy Consulting Group, the outside executive compensation consulting firm employed by the Compensation Committee.

Compensation Committee Report

Committee Chair Macaskill reported that, in addition to the compensation matters already discussed with the Board, the Committee had discussed a recommendation to the Board for a 2% of employees' salaries contribution to the ESOP for the 2007 performance year. The ESOP is one of the components of the Fannie Mae retirement program and, since 1989, the actual contribution rate each year has been 2% of employees' salaries. She explained that this will be the last year an ESOP contribution will be made, because under the new retirement program, Fannie Mae will make a 2 percent contribution to employees' 401(k) accounts.

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

> WHEREAS, the Board of Directors is authorized under the provisions of the Federal National Mortgage Association Employee Stock Ownership Plan ("ESOP") to determine the annual contribution to the ESOP;
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> WHEREAS, the ESOP has been amended effective January 1, 2008 to freeze participation in the ESOP and to provide that no contributions shall be made with respect to any Plan Year beginning after December 31, 2007; it is therefore
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> RESOLVED, that the ESOP contribution for the 2007 Plan Year shall be 2 percent of the aggregate Compensation of all eligible employees, as defined under the terms of the ESOP; and it is further
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> RESOLVED, that this ESOP contribution for 2007 shall be made in shares of Fannie Mae common stock on January 28, 2008.

[BR08-03]

Risk Policy & Capital Committee Report

Risk Policy and Capital Committee Chair Rahl reported that the Committee considered the home price forecast and related income statement sensitivities, as well as the current capital forecast. She advised the Board that management's current forecasts do not contemplate a recession, and that the Committee encouraged management to consider scenarios incorporating a recession forecast. The Committee also discussed counterparty and mortgage insurer exposures, and received a report from the Chief Risk Officer. Consistent with Fannie Mae's prior public disclosure regarding its expected dividend, the Committee recommended that the Board approve a regular quarterly dividend of 35 cents a share for the common stock and for the preferred stock, as specified in the resolution found in the Board materials.

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

RESOLVED, that with respect to the Preferred Stock, Series D, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.65625 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series E, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.63750 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series F, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.5700 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series G, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.5738 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series H, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.7263 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series I, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.6719 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series L, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.6406 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series M, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.5938 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series N, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.6875 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, to the registered holders of Preferred Stock, Series N, of the corporation as shown on the books of the corporation at the close of business on March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series O, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.8750 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series P, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.3526 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series Q, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.4219 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series R, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.4766 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, to the registered holders of Preferred Stock, Series R, of the corporation as shown on the books of the corporation at the close of business on March 17, 2008;

RESOLVED, that with respect to the Preferred Stock, Series S, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $.6302 per share for the period from and including December 11, 2007 to but excluding March 31, 2008, payable on March 31, 2008, to the registered holders of Preferred Stock, Series S, of the corporation as shown on the books of the corporation at the close of business on March 17, 2008;

RESOLVED, that with respect to the Convertible Series 2004-1 Preferred Stock, of the corporation that is outstanding at the close of business on March 17, 2008, there hereby is declared (and thereby set apart) a dividend of $1,343.75 per share for the period from and including December 31, 2007 to but excluding March 31, 2008, payable on March 31, 2008, 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 March 17, 2008;

RESOLVED, that with respect to the common stock of the corporation that is outstanding at the close of business on January 31, 2008, there hereby is declared a dividend of $0.35 per share payable on February 25, 2008 to the registered holders of common stock of the corporation as shown on the books of the corporation at the close of business on January 31, 2008.

[BR08-04]

Nominating & Corporate Governance Committee Report

Committee Chair Wulff reported that the Committee had reviewed and approved recommendations to the Board to (1) approve new committee assignments in light of Mr. Pickett's retirement from the Board and (2) to approve a $56,250 one-time, supplemental cash retainer for directors. Committee Chair Wulff also reported that the

Committee discussed the skill set they thought was most appropriate in the candidate that would replace Mr. Pickett. Because the eight new members in recent years have added financial, industry, regulatory and Washington expertise to the Board, the Committee focused on the lack of CEO expertise on the Board, since former directors, Ms. Mulcahy and Mr. Marron, left the Board. The Committee is planning on seeking a candidate who is either a current CEO, a recently retired CEO, or on the fast-track to become a CEO of a public company. Committee Chair Wulff asked for any feedback or suggestions from the Board to be communicated to him at any time.

With respect to the new committee assignments, upon motion duly made and seconded, the Board unanimously approved the following resolutions:

> WHEREAS, the Nominating and Corporate Governance Committee of the Board of Directors has reviewed Committee assignments and made recommendations to the Board; it is hereby
>
> RESOLVED, that Louis H. Freeh is hereby appointed to the Housing and Community Finance Committee;
>
> RESOLVED, that Brenda J. Gaines is hereby appointed to the Technology and Operations Committee;
>
> RESOLVED, that Greg C. Smith is hereby appointed to the Compliance Committee; and
>
> RESOLVED, that the Board of Directors ratifies and affirms the following Committee structure and assignments effective January 18, 2008:

<u>Executive Committee</u>

Stephen B. Ashley, Chair

Dennis R. Beresford

Brenda J. Gaines

Bridget A. Macaskill

Leslie Rahl

Greg C. Smith

H. Patrick Swygert

John K. Wulff

Audit Committee

Dennis R. Beresford, Chair

Stephen B. Ashley

Karen N. Horn

Greg C. Smith

John K. Wulff

Compensation Committee

Bridget A. Macaskill, Chair

Stephen B. Ashley

Louis J. Freeh

Brenda J. Gaines

Greg C. Smith

Compliance Committee

Brenda J. Gaines, Chair

Stephen B. Ashley

Louis J. Freeh

Leslie Rahl

Greg C. Smith

Consent Order Conduct Committee

Bridget Macaskill, Chair

Dennis Beresford

Greg C. Smith

John K. Wulff

Housing and Community Finance Committee

H. Patrick Swygert, Chair

Stephen B. Ashley

Louis J. Freeh

Brenda J. Gaines

Leslie Rahl

John C. Sites, Jr.

Nominating and Corporate Governance Committee

John K. Wulff, Chair

Stephen B. Ashley

Karen N. Horn

Bridget A. Macaskill

H. Patrick Swygert

Risk Policy and Capital Committee

Leslie Rahl, Chair

Stephen B. Ashley

Dennis R. Beresford

Karen N. Horn

John C. Sites, Jr.

H. Patrick Swygert

Special Review Committee

Stephen B. Ashley, Chair

Greg C. Smith

John K. Wulff

Technology and Operations Committee

Greg C. Smith, Chair

Stephen B. Ashley

Brenda J. Gaines

John K. Wulff

[BR08-05]

Committee Chair Wulff explained the reason behind the one-time supplemental cash retainer for directors was to provide transition period compensation because no stock would vest between January 2008 and May 2008, when directors will receive an annual grant of restricted stock units under the new director compensation program adopted in September 2007. The recommended $56,250 is equivalent to the dollar amount of equity that would vest between January 2008 and May 2008 if the equity grant under the new compensation program was made in January 2008 instead of May 2008.

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

WHEREAS, the Nominating & Corporate Governance Committee (the "Committee") is responsible for reviewing the compensation of directors for service on the Board and its committees and recommending changes to the Board as appropriate; and

WHEREAS, the Committee recommended, and the Board approved, a new compensation program for directors in September 2007;

WHEREAS, the new compensation program implemented an annual grant of restricted stock with a value of $135,000 for 2008;

WHEREAS, the first annual grant under the new program will not be made until immediately after the annual meeting of shareholders to be held in May 2008, and directors will not receive an equity grant that relates to the period from January 2008 until May 2008;

WHEREAS, the Committee has determined that a transitional, one-time, supplemental retainer payment equivalent to the dollar amount of equity that would have vested between January 2008 and May 2008 if equity grants under the new director compensation program commenced in January 2008 as opposed to May 2008 is desirable and appropriate;

WHEREAS, the Committee has asked Semler Brossy Consulting Group, the Board's independent compensation consulting firm, to review this proposed supplemental retainer and Semler Brossy has determined that the award is reasonable; and

WHEREAS, the Committee has recommended that the Board approve a one-time, supplemental cash retainer payment; it is therefore

RESOLVED, that the non-management members of the Board shall be paid a one-time, supplemental cash retainer equal to $56,250, payable in equal monthly installments beginning in January 2008 and ending in May 2008, or, in the case of Directors who have elected to defer their retainers, credited as deferred stock on a quarterly basis in accordance with their deferral elections;

RESOLVED, that non-management members of the Board appointed after the date hereof but prior to May 1, 2008 shall be paid a pro rata portion of the supplemental cash retainer based on their period of service; and it is further

RESOLVED, that the management of the corporation is hereby authorized to take all actions necessary to implement the intent and content of this resolution.

[BR08-06]

Committee Chair Wulff also reported on discussions of the potential conflicts of Mr. Mudd (with respect to four not-for-profit Boards) and Mr. Levin (with respect to one not-for-profit Board) due to their sitting on the Boards of not-for-profit organizations that Fannie Mae supports financially. He reported that Mr. Mudd and Mr. Levin have agreed with the Committee to a process through which they would recuse themselves from certain decisions to avoid any actual conflict or any appearance of conflict.

Committee Chair Wulff also reported on the two shareholder proposals that Fannie Mae had received with respect to the 2008 proxy season. The first, for cumulative voting, is the same proposal Fannie Mae has received in the past. The Committee's initial view is that the Board should recommend to shareholders against approving such proposal and that the Company should discuss the proposal with Capital Re. The second proposal is to grant certain voting rights to shareholders to amend Fannie Mae's by-laws. The Committee's initial view is that the Committee is likely to recommend that the Board accept and implement the proposal with some modifications and then ask CALPERS, which made the proposal, to withdraw it.

Committee Chair Wulff discussed the Board self-assessment. In particular, several directors had raised whether the current Committee structure is the best structure. The Committee will be reviewing the structure and has asked management for recommendations for an optimal Committee structure that is consistent with management's work streams. The Committee will be reviewing the self-assessment and addressing the various comments over the course of 2008.

Audit Committee Report

Committee Chair Beresford reported that the Committee heard a report from the CFO, which particularly focused on the forecast and various key accounting matters such as Day 1 Losses, the Allowance for Loan Losses and Deferred Tax Assets. Committee Chair Beresford explained, in particular, the accounting for deferred tax assets, to familiarize the Board with this matter.

Committee Chair Beresford reminded the Board that they soon will be receiving for their review a draft of the 2007 10-K. He then updated the Board on the status of Fannie Mae's compliance with SOX and noted that the final two material weaknesses were expected to be fully remediated upon the filing of the 2007 10-K.

Committee Chair Bereford also briefed the Board on an upcoming accounting change in the first quarter of 2008 and on the status of the 2007 audit. He also reported on a communication received by him from an individual who had been described in a recent Wall Street Journal article as having not paid his mortgage to Fannie Mae for ten years without consequences.

2008 Operating Plan and Budget

CFO Swad presented an updated 2008 financial plan to the Board. He distributed a handout setting forth a 2008 Updated Financial Plan Overview and discussed each slide in the handout. He described the key elements of the 2008 financial outlook and reconciled the key drivers behind 2006 net income, the 2007 net loss and forecasted 2008 net income, focusing in particular on the key negative and positive factors behind the 2007 net loss and the change in these factors expected for 2008. The Board focused on the potential risks behind the 2008 estimated net income.

CFO Swad also described the impact of the dividend for the newly issued preferred stock on GAAP EPS and GAAP net income.

CFO Swad described the continuing efforts to reduce administrative costs and the cushion of approximately $175 million of additional cost reductions management had not yet identified but expected to be able to accomplish in order to meet the goal of a $2.1 billion reduction in 2008. The Board focused on the elements of the expected cost reductions, including what business support is comprised of and the use of outside contractors. CFO Swad described key corporate and segment metrics, and the Board and CFO Swad focused on the most significant metrics and assumptions behind those metrics. CFO Swad then described what management expects will happen to capital in 2008, and responded to Board questions regarding whether Fannie Mae could raise additional capital in the public markets if necessary. He then described the key risks and opportunities expected in 2008, with credit being described as the most significant risk, and counterparty risk being something they were closely monitoring in addition to the risks and opportunities listed on slide 7 of his handout. CFO Swad concluded his presentation by describing in summary the key aspects of the 2008 financial outlook: that revenue growth is strong, credit-related expenses will drag down net income, administrative expenses are expected to continue to decline and capital preservation is a key objective.

CFO Swad then responded to Board questions regarding the decrease in Fannie Mae's stock price on that day and whether the administrative cost cuts related to strategic initiatives would adversely impact important initiatives. CFO Swad explained that, in general, the cost cuts related to strategic initiatives were being achieved through workarounds to achieve the same objectives less expensively, moving some initiatives to the fourth quarter of 2007 when Fannie Mae was under budget and increasing productivity of full-time employees with less reliance on contractors.

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

> RESOLVED, that the Board of Directors (the "Board") hereby approves the 2008 operating plan and corporate budget as set forth in the materials provided to the Board.

[BR08-07]

Housing and Community Finance Committee Report

Committee Chair Swygert reported that, for 2007, Fannie Mae will meet the HUD base goals but not all the sub-goals and discussed briefly the concentration of Fannie Mae's customers. He reported that the Committee had discussed the business results in 2007, including the housing goals, the strategic outlook and the implications for Fannie Mae's businesses of Fannie Mae's capital position.

Technology & Operations Committee Report

Committee Chair Smith reported that management had provided the Committee with an update on the accomplishments of 2007, and he particularly noted the improved controls and the status of the initiatives related to controls. He reported that there would be a continued focus on investment tracking and delivery in 2008 and a process and project review mid-year.

Compliance Committee Report

Committee Chair Gaines reported that the Chief Compliance Officer had given a presentation to the Committee with respect to 2007 activities and 2008 priorities, and that the General Counsel also had given a presentation to the Committee. In particular, Committee Chair Gaines noted that the compliance department intends to continue to address third-party privacy issues and to implement a year-long ethics program throughout Fannie Mae. The year-long program is intended to continue to foster an ethical culture at Fannie Mae at all levels of the organization. Committee Chair Gaines also noted that the Committee had reviewed and approved a recommendation to the Compensation Committee for the 2007 compensation of, and a 2008 merit salary increase for, the Chief Compliance Officer and reviewed and approved the 2008 AIP goals for Compliance and Ethics.

Second Executive Session

The Board went into its second Executive Session at 12:33 p.m. Ms. Wilkinson and Mr. Mudd participated. Mr. Johnson of Latham & Watkins joined the meeting. Ms. Wilkinson

REDACTED
PRIVILEGED

Mr. Joffe, representing the non-management directors,

REDACTED
PRIVILEGED

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

RESOLVED, that the Board of Directors adopts the amended Special Review Committee Charter in substantially the form attached hereto as Exhibit A.

[BR08-08]

Mr. Joffe and Mr. Johnson then left the meeting. Mr. Freeh also left the meeting.

Ms. Wilkinson briefed the Board on HUD's investigation into Fannie Mae's authority to make certain nonmortgage investments under Fannie Mae's charter.

Mr. Mudd and Ms. Wilkinson then left the meeting. Chairman Ashley requested and encouraged that future agenda items be brought to his or Ms. Wilkinson's attention by any director. Chairman Ashley discussed the need for the Board to be focused, in particular, on capital, credit and the quality of financial reporting.

Chairman Ashley also discussed Chairman succession. Chairman Ashley indicated that he is willing to serve as Chairman for one more term (which would end in May 2009), subject to Board approval and Fannie Mae receiving approval from OFHEO to allow an extension of his term. Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board authorizes management to seek approval from OFHEO to allow Chairman Ashley to serve an additional term as Chairman of the Board through May 2009.

[BR08-09]

Mr. Swygert then discussed his recommendation to have management present an overview of Fannie Mae's macro strategy and a summary of how well Fannie Mae is implementing such strategy at each meeting of the Housing & Community Finance Committee (or to the Board as a whole).

Chairman Ashley adjourned the Board meeting at 12:58 p.m.

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Secretary