

FANNIE MAE DEBT SECURITIES

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Introduction to Fannie Mae Debt Securities

Fannie Mae's mission has been to provide products and services that increase the availability of housing for low-, moderate-, and middle-income Americans. The corporation accomplishes this mission by operating in the secondary rather than the primary mortgage market. Fannie Mae purchases mortgage loans from mortgage lenders such as mortgage companies, savings institutions, credit unions, and commercial banks, thereby replenishing those institutions' supply of mortgage funds. Fannie Mae either packages these loans into Mortgage-Backed Securities (MBS) for which it guarantees the payment of principal and interest, or purchases these loans for cash.

Fannie obtains the funds to finance its mortgage purchases and other business activities by selling debt securities in the domestic and international capital markets. Fannie Mae is one of the world's largest issuers of debt securities. As Fannie Mae's funding needs are constant, it is important for the corporation to create securities that satisfy investor' demand and adapt its funding approaches to meet the evolving demands of the marketplace. Fannie Mae puts considerable effort into maintaining the integrity of the markets in which its debt is traded.

Fannie Mae's Funding Philosophy

Fannie Mae takes a long-term approach to its funding strategy. This is because of Fannie Mae's continuous requirements for large amounts of funding to carry out its mission. We endeavor to structure debt products that match the interests of the market. When contemplating the issuance of any new debt security, Fannie Mae works diligently with its dealers to gauge demand for various types of securities to ensure that there will be solid distribution of a security once it is brought to market. Fannie Mae's values as an issuer are reflected in the way we bring issues to market and monitor their performance in the secondary market.

Fannie Mae's Status as an Issuer

Fannie Mae's debt obligations are traded in the "U.S. agency" sector of the marketplace. This classification is

due in part to the creation and existence of the corporation under federal law and the public mission that the corporation serves. Fannie Mae's debt securities are unsecured obligations of the corporation only and are not backed by the full faith and credit of the U.S. Government.

Regulatory Treatment of Fannie Mae Debt Securities

Fannie Mae debt obligations receive favorable treatment from a regulatory perspective. Our incorporating document, the "charter act," is a federal statute. The charter act limits Fannie Mae's business to activities that provide support and stability to the secondary mortgage market, especially those activities that promote housing for low- and moderate- income families. Under the charter act, Fannie Mae securities are deemed to be exempt securities within the meaning of the laws administered by the U.S. Securities and Exchange Commission, to the same extent as U.S. Government obligations. Certain statutes and regulations also make it possible for deposit-taking institutions to invest in Fannie Mae debt more liberally than in corporate debt and mortgage-backed and asset-backed securities.

Investors in Fannie Mae Debt Securities

The most active institutional investors in Fannie Mae debt securities include commercial bank portfolios and trust departments, investment fund managers, insurance companies, pension funds, state and local governments, and central banks. Fannie Mae offers debt structures to meet the needs of virtually every type of investor segment – and Fannie Mae has experienced very strong participation in its funding program from investors both domestically and internationally.

Distribution Methods

Fannie Mae's debt securities are sold by a select group of securities dealers and dealer banks, many of which also sell U.S. Treasury obligations, through a variety of negotiated and underwritten methods. The approved dealers for underwriting various types of Fannie Mae debt securities may differ by funding program.

Characteristics of Fannie Mae Debt Securities

Fannie Mae issues a variety of debt securities with maturities across the yield curve to fulfill its ongoing funding and rebalancing needs. Fannie Mae issues both short-term debt with maturities of a year or less and long-term debt with maturities of over a year. Typically, Fannie Mae debt can either be callable or noncallable. In recent years, additional structures and features have been added in response to investor needs.

Fannie Mae Noncallable Debt

Some investors have found our noncallable or “bullet” securities attractive, presumably due to their liquidity, price transparency, as well as the typical spread advantage they offer relative to comparable maturity U.S. Treasuries. Fannie Mae bullets typically have semiannual coupon payments, and principal is redeemed only at the stated final maturity date of the security.

Fannie Mae Callable Debt

Fannie Mae helped create the U.S. agency callable debt market in 1987. Callable debt plays an important role in helping Fannie Mae manage the interest-rate risk inherent in the mortgage assets it owns. Generally, mortgage loans tend to prepay more quickly in periods of lower interest rate levels and prepay more slowly in periods of higher interest rate levels. Callable debt provides Fannie Mae with flexibility to ensure that the durations of our liabilities and of our mortgage assets are closely matched. By issuing callable debt, Fannie Mae is effectively buying a call option from investors and compensating these investors with additional yield above comparable maturity bullet securities.

The decision to redeem outstanding callable debt by Fannie Mae is a function of interest rate levels. We monitor our callable debt that is currently in its call period on a daily basis and determine whether it is economically feasible to call outstanding issues and replace them with other funding vehicles at lower yields. Callable debt securities are typically redeemed in whole.

Features of Callable Debt

The three main structural characteristics of our callable debt securities are the maturity date, the lockout period, and the type of call feature.

The maturity date of a callable debt instrument is the latest possible date at which the security will be retired and principal will be redeemed. Fannie Mae issues callable debt instruments with a variety of maturity dates along the yield curve.

The lockout period refers to the amount of time for which a callable security cannot be called. For example, with a 10 non-call 3-year (“10nc3”) debt security, the security cannot be called for the first three years. Fannie Mae most often issues callable debt with lockout periods of greater than one year.

The call feature refers to the type of call option embedded in a callable security. Fannie Mae callable debt issues incorporate one of the following call features:

- American-style callable debt has a continuous call feature after an initial lockout period. The investor is compensated for this type of call feature by receiving a higher yield in exchange for allowing Fannie Mae the flexibility to call the security at any time after the lockout period with the requisite amount of notice given to the investor.
- Fannie Mae also issues callable debt with a one-time or European-style call feature. This call option can only be exercised by the issuer on a single day at the end of the initial lockout period. European-style callable securities provide the investor an opportunity to obtain a greater spread over a typical agency bullet of the same maturity while reducing the uncertainty of a continuous call. The spread of a European-style callable will, however, be somewhat lower than an American-style callable that has the same maturity and lockout period.
- The Bermudan-style callable debt security is callable only on coupon payment or other specified dates after the conclusion of the initial lockout period. Investors benefit from the increased predictability of cash flows and full coupon payments resulting from this structure. The spread of a Bermudan-style callable will be

greater than the spread of a European-style callable but less than that of an American-style callable with the same maturity and initial lockout period.

Callable Debt Redemption Policy

Fannie Mae callable debt typically has one of three call features:

- American – the issue can be called on the call date or any time thereafter.
- European – the issue can be called only on the call date.
- Bermudan – the issue is usually called on coupon payment dates on or after the call date.

When a Fannie Mae callable debt issue has reached its call or redemption date, Fannie Mae generally can call the issue in whole or in part. Fannie Mae generally calls its securities issues in whole.

In the case of an issue that is callable at Fannie Mae's option, when Fannie Mae determines that the issue should be called, Fannie Mae gives notice in the manner set forth in the terms of the securities. Additionally, Bloomberg generally posts notification information regarding called Fannie Mae debt securities that it receives from the wire services. All call notifications are also posted on our website.

The time between when notice of a call is given and when principal redemption is 10 calendar days.

It is Fannie Mae's general practice to redeem principal on a business day (as defined in the terms of the applicable securities). An exception is if the interest payment date is on a non-business day and a call date falls on this same day – then the bond may be called on that day. This follows standard industry practice. In such cases, the redemption payment is made on the next business day.

Interest on the principal amount redeemed is paid up until the date fixed for the redemption. If payment is delayed because the date fixed for redemption is not a business day, additional interest on the principal amount redeemed is not payable as a result of the delay. Of course, the terms of any particular issue of securities are

governed by the applicable documents establishing such terms and may differ from the above information.

Strip eligibility

Some of our debt securities are eligible for stripping into principal and interest components through the Federal Reserve Book Entry System. All of our Benchmark Securities are eligible for stripping. Investors often find strip eligibility attractive because of the flexibility it affords them in cash management.

Benchmark Notes are strip eligible and have a minimum denomination of U.S. \$2,000 and are available in increments of U.S. \$1,000.

Structured notes

The majority of Fannie Mae's debt securities carry a fixed interest rate. However, various step-up, variable-rate, and zero-coupon securities are available to investors. These structures typically have been issued on a reverse inquiry basis in response to specific investor demand.

Step-up notes

These are variations of standard fixed-rate callable debt securities. The interest rate increases or "steps up" to a specified rate on one or more predetermined dates. Fannie Mae step-ups generally become eligible for redemption by Fannie Mae at the time of the first step-up. Notes that have more than one increase are called "multi-step-ups."

Variable-rate securities

These securities are divided into two broad categories and can be callable or noncallable:

- **Index** – commonly used indices are three-month Treasury Bills, Prime, Daily Fed Funds, one-month LIBOR, three-month LIBOR, Weekly Fed Funds, and Weekly Constant Maturity Treasury.

Zero-coupon securities

Fannie Mae also issues zero-coupon callable and noncallable securities. Zero-coupons are debt securities on which no coupon interest is paid to the investor. Rather, the security is purchased at a discounted dollar

price and matures at par. If the option on a callable zero-coupon security is exercised, it is redeemed at a higher dollar price than the original issue price. The security's yield is based on the difference between the original discounted price and the principal payment at maturity date (or the call date, if the security is callable).

Fannie Mae Funding Programs

Fannie Mae issues a variety of debt securities to meet investors' wide-ranging needs. Fannie Mae is able to issue different debt structures at various points on the yield curve because of its consistent funding and rebalancing needs.

Fannie Mae provides disclosure documents for its debt securities such as offering circulars and pricing supplements. The Universal Debt Facility offering circular includes detailed disclosures about Fannie Mae's funding programs. Pricing supplements are available for each long-term debt security issued. Pricing supplements provide additional details about a specific security issuance, including the CUSIP number, the offering price, settlement and maturity dates, principal amount, coupon or formula, frequency of interest payments, interest payment dates, and underwriters. There are no pricing supplements issued for our short-term securities.

Short-term Debt Securities

The majority of Fannie Mae's short-term funding needs are met through the Discount Notes and Benchmark Bills programs. These funding programs offer investors highly liquid, high credit quality instruments with maturities ranging from overnight to 360 days. Some of the advantages of Fannie Mae's short-term notes include:

- in typical environments, an incremental spread over U.S. Treasury bills of comparable maturity,
- large volume and broad distribution of a wide range of maturities,
- flexibility with respect to reverse inquiry,
- high credit quality and strong secondary market liquidity, and
- greater price transparency in Benchmark Bills maturities.

DISCOUNT NOTES

Fannie Mae's Discount Notes are unsecured general obligations of Fannie Mae that are issued in book-entry form through the U.S. Federal Reserve Banks. Discount Notes have maturities ranging from overnight to 360 days from the date of issuance. Three-, six-month, and one-year maturities are issued through the Benchmark Bills program, which is discussed in greater detail later. There are no periodic payments of interest on Discount Notes. They are sold at a discount from the principal amount and mature at par. Discount Notes are offered each business day through a Selling Group of securities dealers and dealer banks.

Discount Notes are available on a cash-, regular-, or skip-day settlement basis. Fannie Mae publicly announces rates for its Discount Notes through various wire services. Fannie Mae will also accommodate reverse inquiry transactions for Discount Notes.

DEBT TRANSACTIONS APPLICATION (DTA)

DTA (Debt Transaction Application) is an electronic trading platform that is used to manage the daily issuance of Fannie Mae's U.S. dollar-denominated, non-interest bearing short-term notes. The DTA application streamlines the issuance process and allows Fannie Mae to provide greater liquidity to the debt markets.

BENCHMARK BILLS[®]

Fannie Mae's Benchmark Bills program has transformed the company's short-term debt securities into a more organized, highly liquid product in the money market sector of the fixed income market. The disciplined and programmatic issuance of Benchmark Bills better meets the needs of investors and other market participants by providing enhanced liquidity and transparency in high credit quality short-term structures. Through this program, Fannie Mae is committed to a schedule of weekly issues in three-, six-month, and one-year maturities. While Benchmark Bills are a component of the regular Discount Notes program, they are unlike Discount Notes in that they are issued via a Dutch auction process using Web-based technology. The auction process creates greater price transparency in the primary market while the larger size of each issue adds secondary market liquidity for the benefit of investors. This system has improved market efficiencies

as results are posted on a variety of electronic information sources (our Web site, Reuters, and Telerate) within a few minutes of the final outcome.

As with Discount Notes, the Benchmark Bills program is conducted through a group of dealers. Auction bids are obtained via the Internet, and the results of the auction are also announced through the Internet. By working with a designated group of dealers, Fannie Mae ensures an active secondary market for Benchmark Bills. Investors in Benchmark Bills receive the benefit of increased liquidity that only a dealer group can provide. The size of the offerings will be announced on the same day on which the auctions occur. Auctions, generally on Wednesdays, will be open for bidding between 9:00 a.m. and 9:45 a.m. Eastern time. Fannie Mae has the option of forgoing any scheduled Benchmark Bills auctions. If Fannie Mae elects not to issue a scheduled Benchmark offering, it will provide notice of its election either prior to or on the scheduled announcement date. Dealers submit bids either on behalf of investors or for their own accounts. Bids on behalf of investors may be competitive or noncompetitive, with noncompetitive bids allowed up to a maximum of 20 percent of a transaction. Settlement occurs on the date of the auction (cash settlement) or on the following business day (regular settlement) at the option of the investor. Benchmark Bills have the following minimum and incremental denominations unless otherwise specified by Fannie Mae: Minimum: U.S. \$1,000 and Incremental: U.S. \$1,000. Information on the auction results is posted to our site as soon as practicable on a number of information sources and is also available on Reuters page 1FN5C.

Discount Notes and Benchmark Bills are typically considered acceptable collateral for margin deposits at various exchanges and clearing corporations. In certain instances, Discount Notes and Benchmark Bills are acceptable investments for escrow accounts associated with municipal bond offerings. In addition, Discount Notes and Benchmark Bills, like most other Fannie Mae debt products, are typically eligible as collateral in repurchase transactions entered into with the Federal Reserve Banks.

Fannie Mae believes that a flexible underwriting group further enhances both the primary and secondary market liquidity in Discount Notes and Benchmark Bills, which will benefit investors.

FANNIE MAE AUCTION SYSTEM TECHNOLOGY (FAST)

Fannie Mae's Benchmark Bills[®] are issued to approved securities dealers through a Dutch auction process executed over the Internet using Fannie Mae Auction System Technology (FAST). Fannie Mae uses this technology for Benchmark Bills in place of the traditional syndicated underwriting method to accommodate the greater frequency of issuance. Benchmark Bills are issued in three month, six month, and one year maturities. The results are posted to our web site within minutes of the auction. Fannie Mae also periodically issues Discount Notes and Benchmark Notes[®] using the auction system. The link below directs you to the Fannie Mae Auction System Technology Calendar page. To log in to Fannie Mae Auction System Technology, select the "login" link in the top right corner of the Calendar.

Long-term Debt Securities

Fannie Mae issues long-term debt securities with maturities of greater than one year. Fannie Mae offers a variety of long-term debt securities to meet investors' diverse needs.

NONCALLABLE BENCHMARK SECURITIES[®] PROGRAM

Overview

Noncallable Benchmark Notes are large size, regularly scheduled bullet issues which provide increased efficiency, liquidity, and tradability to the market. With the noncallable Benchmark Notes Securities program, Fannie Mae has established a full yield curve of noncallable Benchmark Notes. Fannie Mae may look to maximize liquidity of each issue by increasing its size through reopenings, which are generally driven by increased investor demand.

Noncallable Benchmark Notes are securities with maturities of 2-, 3-, 5- and 10-years. A diverse and broad-based group of investors participate in noncallable Benchmark Securities because of their liquidity, attractive spreads, and their outstanding credit quality. Fannie Mae's noncallable Benchmark Notes have excellent liquidity and predictability of issuance that serve as high quality investment vehicles as well as viable trading instrument and hedging tools for investors.

In addition, given the liquidity of noncallable Benchmark Securities, we understand a number of market participants have started to use noncallable Benchmark Securities for a variety of market transactions. For example, some mortgage investors use noncallable Benchmark Securities as duration management tools during periods of rapid mortgage prepayments. Many dealers and investors often use these securities for hedging other high quality spread products. Some indexed investors have found it beneficial to purchase noncallable Benchmark Securities to replace core holdings of off-the-run U.S. Treasuries in order to add spread with little reduction in liquidity as a means of potentially outperforming the U.S. Treasury component of established fixed-income indices.

Issuance Calendar

Fannie Mae's noncallable Benchmark Notes are issued according to an issuance calendar that is published annually. The calendar sets forth the announcement dates during the course of the year. Fannie Mae believes that in providing this extensive organization and definition around our issuance intentions, market participants now have a greater opportunity to plan how best to incorporate Benchmark Notes into their investment strategies.

Forthcoming noncallable Benchmark Securities transactions are announced monthly, as scheduled on the calendar, through each transaction's dealer group and via press release which appears on newswire services and the company's website. At that time, Fannie Mae announces whether it will issue new noncallable Benchmark Notes or reopen previously issued noncallable Benchmark Notes, and states the maturity it will issue. There are no designated maturity sectors specified each month on the calendar for Benchmark Notes issuance. Fannie Mae will state the maturity it will issue in a given month on the defined announcement date. Fannie Mae may elect to forego any monthly scheduled Benchmark Notes issuance. This flexibility allows Fannie Mae to better gauge investor needs and demand for specific structures at the time of issuance while continuing to provide clear guidance on its Benchmark Notes issuance. If Fannie Mae elects not to issue on a scheduled date, it will provide a notice of its

election either prior to or on the scheduled monthly announcement date.

Fannie Mae uses a dealer syndicate format for new issues and reopenings of its noncallable Benchmark Notes. Benchmark Securities are issued off of Fannie Mae's Universal Debt Facility and are listed on the EuroMTF market of the Luxembourg Stock Exchange. Settlement for Benchmark Securities is available directly through the Federal Reserve Book Entry System and indirectly through Euroclear and Clearstream. Interest is calculated on a 30/360-day count.

Benchmark Repo Lending Facility Overview

The goal of Fannie Mae's Repo Lending Facility is to enhance liquidity and trading activity in our Benchmark Securities in the cash overnight repo market.

Features of Fannie Mae's Benchmark Repo Lending Facility:

- The facility applies to Fannie Mae noncallable senior Benchmark Notes with original maturities from two to 10 years along with 3-month, 6-month & one-year Benchmark Bills.
- For Benchmark Notes, Fannie Mae will issue to its own account an additional 25 percent of each new issue brought to market.
- Fannie Mae only makes a portion of these securities available each day. Fannie Mae may lend out the total amount held in its account minus the amount lent on the previous day with a maximum of 12.5 percent of the total outstanding issue amount of a specific noncallable Benchmark Security at one time. Holding the remaining 12.5 percent in reserve will allow Fannie Mae to lend collateral daily, thereby strengthening our ability to have collateral available every day. For example:
- If Fannie Mae brings to market \$5 billion of a new issue 10-year Benchmark Note in accordance with its scheduled Benchmark Securities calendar, Fannie Mae would retain an additional \$1.25 billion for the Benchmark Repo Lending Facility. In this case, the official total outstanding issue size of the Benchmark Note is \$5 billion. A maximum of \$625 million of the Benchmark Security would be

allowed to be lent out under the parameters of the Benchmark Repo Lending Facility.

- If the 10-year Benchmark Note is later reopened, an additional 25 percent of the total reopening amount will be retained by Fannie Mae for the Facility.
- The relevant allocation for Benchmark Bills is an additional 50 percent issued to Fannie Mae's account with 35 percent available at a given auction and 15 percent held in reserve. Fannie Mae retains the right to change the percentage reserved for each issue at any time.
- Bids are accepted for new issues of Benchmark Securities beginning the next business day after settlement.
- Benchmark Securities are available each business day to approved dealers through a multiple price auction process similar to that used for our Discount Notes issuance.
- Commencing at 10:00 a.m. ET each business day, the system will be open for bids by approved dealers for collateral. The auction will conclude at 10:30 a.m. with results disclosed to winning dealers as soon as possible thereafter. Auction results will be posted soon after the auction ends on Fannie Mae's Web site and Reuters Page 1FNREPO.
- Every day we will set a minimum bid and a maximum bid based on the current market level.
- The minimum bid by approved dealers is \$25 million with bids increasing by increments of \$1 million.
- At each auction, a single dealer is allowed to win up to a maximum of 35 percent of Fannie Mae's lendable supply for Benchmark Notes and Benchmark Bills.
- The term for repo transactions via the Facility is overnight for cash settlement only. Failure to deliver bonds back to Fannie Mae on the maturity date of the repo will result in the dealer being assessed a penalty fee per TMPG guidelines.
- The Benchmark Securities retained by Fannie Mae as collateral for the Benchmark Repo

Lending Facility will be held in a sub account at the Federal Reserve Bank of New York.

- Fannie Mae is committed to maintain this Facility and will evaluate the continuation of the program on a periodic basis.

Benchmark Repo Facility

Fannie Mae uses the Benchmark Repo Facility (FAST) to lend out its Benchmark Securities®. The Facility is available each business day to the approved Benchmark Securities dealers through a multiple price auction process. Fannie Mae introduced the Benchmark Repo Facility in October 2001 in order to increase the liquidity in the repo market for overnight lending. The facility applies to all new issue Benchmark Notes® and Bills®.

- For technical support and customer service issues related to the FAST application, send an e-mail to: ecommerce_treasury@fanniemae.com or call the ecommerce hotline at 202-752-8054.

Financing Noncallable Benchmark Securities

With the liquidity facilitated by the noncallable Benchmark Securities program, deep and liquid overnight and term repo markets for noncallable Benchmark Securities exist. Both the overnight and term repo markets may offer investors favorable financing rates. The large size of the noncallable Benchmark Securities encourages frequent trading and increased activity as a hedging instrument that, in turn, leads to greater demand for these securities in the repo market. This has often resulted in attractive repo rates. Investors have at times been able to increase their overall return on noncallable Benchmark Securities by taking advantage of these repo-financing activities.

New Issuance

Fannie Mae brings each noncallable Benchmark Notes transaction to market using a traditional underwriting syndicate structure. For each Benchmark Notes transaction, the dealers are chosen to underwrite that specific transaction. In addition to the co-leads, a designated co-manager group is selected. The company's Benchmark Securities dealer group is responsible for providing timely information on potential

demand and pricing levels so that we can determine the size of an impending transaction.

Each noncallable Benchmark Notes transaction is announced in the issuance calendar. Prior to pricing, the transaction is announced and a period of marketing and book building starts. Fannie Mae generally expects to price each new issue within three business days of the announcement date and will generally settle within two days after pricing of the issue. Fannie Mae works diligently with all of the underwriters in a Benchmark Securities transaction to facilitate and coordinate communication among all of those participating in the transaction. Our objective is to try to ensure that information is communicated to investors in a consistent and timely manner by all the firms participating in an underwriting.

Reopenings

In some instances, Fannie Mae will reopen an existing debt issue. The decision to reopen an issue is based on investor demand and ability to further enhance the liquidity of a particular security. A reopening is publicly announced according to the Benchmark Securities calendar. Fannie Mae's objective is to not disadvantage current holders of its securities. Any of Fannie Mae's long-term debt securities can be reopened, and reopenings are conducted in accordance with the calendar and may be conducted in conjunction with another new issue.

BENCHMARK AUTOMATED SYNDICATION SYSTEM (BASS)

Fannie Mae uses the Benchmark Automated Syndication System[®] (BASS) to capture and disseminate market transaction information on each Benchmark Securities issuance to the market in a more efficient and effective manner.

The BASS system collects each syndicate dealer's book via a system-to-system feed or a password-protected site, aggregating the information as it is received. This provides Fannie Mae with a much quicker assessment of each transaction's progress and the ability to more accurately size each transaction to promote strong secondary market performance. The system also distributes investor type and geographic location distribution for each transaction.

Foreign Currency Denominated Notes

Fannie Mae has issued securities in several different currencies and is prepared to issue in numerous non-U.S. dollar currencies. All foreign currency denominated transactions are swapped back into U.S. dollars for funding Fannie Mae's mortgage portfolio. Fannie Mae does not take any foreign currency risk exposure. Fannie Mae was the first agency to issue in yen, deutsche marks, pounds sterling, Hong Kong dollars, Australian dollars, and New Zealand dollars.

Typically the preferred minimum size for reverse inquiry, non-dollar transactions is approximately \$25 million U.S. dollar equivalent.

Fannie Mae's foreign currency transactions are most often priced at spreads above the comparable local government issues. This provides investors with an opportunity for spread pickup over local government issues while still allowing them to obtain high credit quality paper in a particular currency. Fannie Mae's proven liquidity, credit quality, and pricing seem to be the main reasons why such a diverse range of investors have participated in these non-dollar offerings.

FOREIGN CURRENCY DENOMINATED GLOBAL SECURITY SETTLEMENT PROCEDURES

Settlement procedures on Fannie Mae foreign currency denominated debt vary slightly from that of U.S. dollar denominated debt. These variations include the use of a clearing agent other than the Federal Reserve, selection of a foreign fiscal/paying agent, modification to the usual minimum initial and incremental bond investment amounts, potential registration of the bonds, and if appropriate, listing of the securities.

The Federal Reserve Clearing system, which Fannie Mae uses for its U.S. dollar debt securities, is not able to process foreign currency denominated transactions. Consequently, Fannie Mae has established relationships with other clearing agents. To date, Fannie Mae's foreign currency transactions have cleared through DTCC (Depository Trust Clearing Corporation) for investors in the United States, and for overseas investors through Euroclear or Clearstream (formerly Cedelbank) as well as certain other agents that are indigenous to a particular currency's home market.

At the time of issuance, Fannie Mae will adjust the minimum initial and incremental debt denominations in accordance with the currency in which the debt is being issued and the conventions that govern that market. In so doing, Fannie Mae is mindful of the operational procedures preferred by its investors. This flexibility is of particular importance to retail investors who are more constrained by bond denomination restrictions.

An investor purchasing a foreign currency denominated debt security will follow a process similar to that of a U.S. dollar purchase. The investor delivers funds, denominated in the issue currency, to their dealer. The investor will then receive scheduled interest and principal payments denominated in the currency specified by the terms and conditions of the issue. Payments are made to the investor via Fannie Mae's authorized fiscal agent, usually Bank of New York Mellon or its affiliates. As with domestic currency issues, Fannie Mae's nondollar securities can be accessed on Bloomberg using the issue's CUSIP number, ISIN, or common code.

ACCESS Program

Fannie Mae's vehicle for expanding business with minority- and women-owned securities dealers is its ACCESS[®] program. Fannie Mae established ACCESS in 1992 and structured the program to provide the company "access" to these investors and give the firms "access" to Fannie Mae securities. These firms help us find important new sources of funding for our mission. ACCESS has been cited as a key feature of Fannie Mae's commitment to diversity and minority populations.

Fannie Mae selected 10 firms to serve as the initial group of ACCESS members. While there has been membership turnover, historically 11-17 members have consistently participated in the program. Over the years, more than 35 firms have been included in the program.

Fannie Mae reinforces ACCESS-member success through a number of activities, including: conducting debt marketing meetings with major fixed-income investors, providing training exercises to help the firms participate more effectively and educating the sales forces about our debt products. The company also consults with other corporations as they develop similar programs or consider using some of our firms. Fannie

Mae vigorously looks for opportunities to use ACCESS firms in all of its funding and investment activities and other activities that help fulfill its mission.

The company reviews membership on an ongoing basis.

Contact Information

For additional information or assistance, please call the Fannie Mae Fixed Income Investor Helpline at 1-800-2FANNIE, Option 2 or e-mail [Fannie Mae's Fixed Income Marketing department](#).

This document is for information purposes only. It is neither an offer to sell nor a solicitation of an offer to buy any Fannie Mae security. Fannie Mae securities are offered only in jurisdictions where permissible by offering documents available through qualified dealers. Securities issued by Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than Fannie Mae. All statements made herein are qualified in their entirety by reference in the applicable offering documents. Securities discussed herein may not be eligible for sale in certain jurisdictions or to certain persons and may not be suitable for all types of investors. An offering only may be made through delivery of the Offering Document. Investors considering purchasing a Fannie Mae security should consult their own financial and legal advisors for information about such security, the risks and investment considerations arising from an investment in such security, the appropriate tools to analyze such investment, and the suitability of such investment in each investor's particular circumstances.