



Debt Securities Information

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Introduction to Fannie Mae Debt Securities

Fannie Mae is a government-sponsored enterprise (“GSE”) chartered by Congress. We serve as a stable source of liquidity for purchases of homes and financing of multifamily rental housing, as well as for refinancing existing mortgages. Our role in the market enables qualified borrowers to have reliable access to affordable mortgage credit, including a variety of conforming mortgage products such as the prepayable 30-year fixed-rate mortgage that protects homeowners from fluctuations in interest rates.

We operate in the secondary mortgage market. We support the liquidity and stability of the U.S. mortgage market primarily by securitizing mortgage loans originated by lenders into Fannie Mae mortgage-backed securities that we guarantee, which we refer to as Fannie Mae MBS. We also purchase mortgage loans and mortgage-related securities, primarily for securitization and sale at a later date.

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’s Funding Philosophy

Fannie Mae takes a long-term approach to its funding strategy. We endeavor to structure debt products that balance the interests of the market with those of Fannie Mae. When contemplating the issuance of any new debt security, Fannie Mae works diligently with its dealers to gauge demand for various types of securities before it is brought to 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 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 the securities of other corporations.

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 a broad segment of investors – and Fannie Mae has experienced 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 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 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 and can either be callable or noncallable.

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 additional spread 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 allows Fannie Mae to diversify its investor base by targeting a segment of borrowers that prefer investing in callable debt over bullet 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 largely 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 to call outstanding issues and replace them with other funding vehicles.

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 across 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 three years after issuance.

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

- 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.
- 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 less than that of an American-style callable with the same maturity and initial lockout period.
- European-style callable debt is callable only on a single day after 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 option. The spread of a European-style callable will be the lowest of all three call features.

Callable Debt Redemption Policy

When a Fannie Mae callable debt issue has reached its call or redemption date, Fannie Mae 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 period between when notice of a call is given and principal is redeemed is typically 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. 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, step-up interest rates and variable rate securities are available to investors. These structures are typically 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 is generally fixed for a given period, then increases or "steps up" to a higher fixed rate on one or more predetermined dates. Fannie Mae step-up notes generally have a Bermudan-style call option and become eligible for redemption on one or more step-up dates. Notes that have more than one increase are called "multi-step-ups."

Fannie Mae Funding Programs

Fannie Mae provides disclosure documents for its debt securities such as offering circulars and pricing supplements. The Universal Debt Facility (UDF) 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,
- broad distribution of a wide range of maturities,
- flexibility with respect to reverse inquiry, and
- high credit quality, strong secondary market liquidity, and greater price transparency.

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. Maturities of two, three, and six months and one year are issued through the Benchmark Bills program, which is discussed in greater detail below. There are no periodic payments of interest on Discount Notes. They are, typically, sold at a discount from the principal amount and mature at par. Discount Notes are generally 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.

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 has weekly debt auctions that are typically in two-, three-, six-month, or one-year maturities. While Benchmark Bills are a component of the regular Discount Notes program, they are issued via a Dutch auction process. The auction process creates greater price transparency in the primary market for investors. This system has improved market efficiencies as results are posted on a multiple electronic information sources within a few minutes of the final outcome.

As with Discount Notes, the Benchmark Bills program is conducted through a select group of dealers. Working with a designated group of dealers ensures an active secondary market for Benchmark Bills. Investors in Benchmark Bills receive the benefit of increased liquidity that a dealer group can provide. The size of the offerings is announced on the same day in which the auctions occur. Auctions, generally on Wednesday, are typically 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 percent of a transaction established by Fannie Mae. Settlement occurs on the date of the auction (cash settlement), on the following business day (regular settlement), on two business days following the auction (skip settlement), or on a flex settlement date set by Fannie Mae at the option of the investor. Benchmark Bills will have the following minimum and incremental denominations unless otherwise specified by.

Fannie Mae: Minimum: U.S. \$50,000 and Incremental: U.S. \$1,000. Information on the auction results are posted to our website as soon as practicable and on a number of market information sources.

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.

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' needs.

Overview

Noncallable Benchmark Securities Program

Noncallable Benchmark Notes are large size bullet issues which provide increased efficiency, liquidity, and tradability to the market. 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 credit quality. Fannie Mae's noncallable Benchmark Notes serve as high-quality investment vehicles as well as viable trading instrument and hedging tools for investors.

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. The calendar allows market participants an opportunity to plan how best to incorporate Benchmark Notes into their investment strategies.

Forthcoming noncallable Benchmark Securities transactions are published in a calendar on the website, through each transaction's dealer group and via press release that appears on newswire services and the company's website. There are no designated maturity sectors specified on the calendar for Benchmark Notes issuance. Fannie Mae will state the maturity it will issue on the defined announcement date. Fannie Mae may elect to forego any scheduled Benchmark Notes issuance. This flexibility allows Fannie Mae to better gauge investor needs and demand for specific maturities 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 announcement date.

Fannie Mae uses a dealer syndicate format for new issues of its noncallable Benchmark Notes. Benchmark Securities are issued under Fannie Mae's Universal Debt Facility (UDF). Settlement for Benchmark Securities is available directly through the Federal Reserve Book Entry System and indirectly through Euroclear and Clearstream. Interest is typically calculated on a 30/360-day count.

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 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 upcoming transaction.

Following the announcement of a new issue, a period of marketing and book-building starts. Fannie Mae generally expects to price each new issue the day after the announcement date and will generally settle within two days after pricing of the issue.

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 Benchmark Notes reopening is publicly announced according to the Benchmark Securities calendar. Any of Fannie Mae's long-term debt securities can be reopened, and a re-opening may be conducted in conjunction with another new issue.

Treasury Bridge

Fannie Mae's short-term and long-term debt securities utilize Treasury Bridge, a proprietary electronic trading platform. Treasury Bridge is used to manage the daily issuance of Fannie Mae's U.S. dollar-denominated, non-interest-bearing short-term notes and conduct the weekly Benchmark Bills auctions. The Treasury Bridge application streamlines the issuance process and allows Fannie Mae to provide greater liquidity to the debt markets.

Treasury Bridge also captures and disseminates information on each Benchmark Securities issuance to the market in a more efficient and effective manner. The system collects each syndicate dealer's order, aggregating the information as it is received. This provides Fannie Mae with a quicker assessment of each transaction's progress and the ability to accurately size each transaction to promote strong secondary market performance.

To access Treasury Bridge: debt.fanniemae.com/public.

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

Contact Us

For additional information or assistance, please call the Fannie Mae Fixed Income Investor Helpline at 1-800-2FANNIE or email us at fixedincome_marketing@fanniemae.com.



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