



September 10, 2008

Dear Fannie Mae DirectSERVICE Investment Program participant:

This letter is to notify you that, effective September 10, 2008, Fannie Mae has directed Computershare Trust Company, N.A. ("Computershare") to suspend the DirectSERVICE Investment Program for Fannie Mae ("Program"). Accordingly, no purchases of Fannie Mae common stock under the Program will be made after September 10, 2008, and no dividends paid after the dividend payable on August 29, 2008 will be reinvested.

As announced on September 7, Fannie Mae's common stock dividend has been eliminated until further notice.

Any checks or other funds received by Computershare from Program participants after September 10, 2008 for optional cash investments will be returned without interest. If you participate in the automatic investment feature of the Program, the last automatic deduction from your bank account was taken on September 2, 2008 and invested on September 5, 2008.

After September 10, 2008, all other features of the Program will operate normally as set forth in the Program, including sales, transfers and certificate issuances of stock held in your account.

If you have questions regarding this notice, or need more information, please call us at 1-800-910-8277.

Sincerely,

Computershare Trust Company, N.A.

**REMINDER:**

**Do not send any checks to Computershare after September 10, 2008.  
Your funds will not be invested and will not earn interest.  
Computershare will return any such funds without interest.**



## Notice of Plan Administrator Change

Please note that the administrator for this plan is now Computershare Trust Company, N.A. Computershare Inc. acts as service agent to Computershare Trust Company, N.A. under the plan.

The terms and conditions of this plan remain in force. To contact the plan administrator or view online information about this plan, please visit [www.computershare.com](http://www.computershare.com). Check this website often for exciting new features and services. To call the plan administrator, you may continue to use the telephone number listed in the accompanying documentation.

All written correspondence should be mailed to the plan administrator at:

Computershare  
P.O. Box 43078  
Providence, RI 02940-3078

All correspondence should contain your account number and the name of the corporation that appears on your stock certificate or account statement.



**Notice of Amendment to All Direct Stock Purchase and  
Dividend Reinvestment Plans Sponsored by  
Computershare Trust Company, N.A. (the “Plan”)**

The enclosed Plan document may include information stating that when sending in a stock certificate for deposit and safekeeping under the Plan, you should insure your package for 2% of the market value of the shares and send it by registered or certified mail. This recommendation was based on the surety premium then in effect of 2% to replace lost certificates, should they become lost in transit to Computershare. This rate may no longer be the applicable rate. Generally, the cost to replace certificates includes a surety premium of 3% of the market value of the shares, plus a processing fee. Computershare still recommends that you send your certificate by registered, certified, or some other form of traceable mail.

A collage of images representing different stages of life: an elderly hand reaching down, a family with children, two boys playing on a roof, a house, and graduates.

**The  
DirectSERVICE™  
Investment  
Program**

**A Simple, Convenient, and  
Affordable Way to Invest**

Program offered and administered by  
EquiServe

The logo consists of a dark green rectangular background with white text. The text is arranged in five lines, centered horizontally: "The", "Fannie Mae", "DirectSERVICE™", "Investment", and "Program".

## The Fannie Mae DirectSERVICE™ Investment Program

First Chicago Trust Company of New York is pleased to announce the DirectSERVICE Investment Program ("Program") for current shareholders and new, first-time investors in shares of Fannie Mae common stock ("shares"). First Chicago Trust of New York has been appointed to originate and administer this Program with EquiServe Limited Partnership to act as service agent (collectively "EquiServe"). Securities held in custody by EquiServe are not subject to protection under the Securities Investor Protection Act. This Program is not offered or sponsored by Fannie Mae.

### **BENEFITS OF THE PROGRAM**

- New investors can affordably buy their first shares directly through the Program with a minimum initial investment of \$250, or \$100 for "Young Shareowner" Children's Accounts.
- You can affordably build your investment over time by making additional purchases periodically, either by automatic deduction from your bank account, or by mailing in a check.
- Your purchase and sale orders are processed promptly.
- You can buy shares in whole dollar amounts rather than a specified quantity of shares.
- Shares purchased for your account are held in secure electronic safekeeping by EquiServe.
- You may reinvest all or part of your dividends, at no cost, to purchase additional shares.
- You can sell your shares by simply picking up the telephone and instructing EquiServe.
- You can deposit any Fannie Mae common stock certificates you hold in your account for safekeeping.

### **HOW THE PROGRAM WORKS**

Investors and current Fannie Mae shareholders may choose to use the services

provided in the DirectSERVICE Program if they make their own investment decisions and have a particular interest in Fannie Mae common stock. The Program provides you with an alternative to traditional methods of buying, holding, and selling Fannie Mae shares, and is governed by the terms and conditions contained in this Shareholder Information Brochure.

You can purchase and sell shares directly through the Program at a cost generally lower than what traditional brokerage firms charge. You may also buy or sell your shares through a broker if you wish, subject to commissions and fees you negotiate with your broker.

## **ELIGIBILITY**

### **1 Who is eligible to participate in the Program?**

Almost everyone. All shareholders with Fannie Mae common stock registered in their name on the records of Fannie Mae's Transfer Agent, EquiServe, are automatically enrolled in the Program. Program services are available to any shareholder of record, even if you own only one share. Other Fannie Mae shareholders who have shares registered in the name of a bank, broker, or trustee can arrange to have some or all of their shares registered in their own name on the records of EquiServe in order to participate in the Program. (*See Question 12*)

If you are already a shareholder, you may participate in several ways. You can 1) send your certificates to EquiServe for safekeeping, 2) send a check to purchase additional shares (\$25 minimum) and/or 3) reinvest the dividends from some or all of your shares, even shares you hold in certificate form.

Shareholders wishing to purchase additional shares may do so at any time.

Use the envelope provided to send in the transaction form (attached to every statement and transaction advice you receive) and your check or money order for your purchase. EquiServe will purchase the number of full and fractional shares your investment will buy and record them in your name on Fannie Mae's books.

### **2 How can new investors who do not own any Fannie Mae shares participate?**

Even if you do not currently own shares, you are eligible to participate in the Program by carefully reading the terms and conditions of this Shareholder Information Brochure, completing the Initial Investment Form, and sending the form to EquiServe with an initial cash investment of at least \$250 and a one-time account activation fee of \$15 to purchase shares.

The \$250 minimum initial investment can be waived for first-time investors choosing to make their initial purchase and subsequent ongoing purchases, through the automatic investment feature. Using this feature, new investors may purchase shares on a regular monthly basis by authorizing automatic

withdrawals of \$25 per month or more for at least 12 consecutive months from a designated U.S. bank account.

### **3 *What is a Fannie Mae "Young Shareowner" Account? Who is eligible to participate?***

The Fannie Mae Young Shareowner Account is designed for children and young adults eligible for the Uniform Gifts or Transfers to Minors Act account registrations. The Young Shareowner Account Participant enjoys special services including a lower initial investment minimum of \$100, an additional investment minimum of \$10 (with no fee for additional cash investments of up to \$100), full no-cost automatic reinvestment of dividend payments, and an annual statement of account.

Young Shareowner Accounts may be established by a parent, grandparent, custodian or other grantor by purchasing, or transferring a number of shares having the equivalent of \$100 or more based upon the current market value of Fannie Mae common stock at the time of purchase or transfer. The custodian or grantor for the Young Shareowner Account Participant must complete the custodial account section of the Initial Investment Form, sign and return it to EquiServe.

The \$100 minimum initial investment for the Young Shareowner Account can be waived for first-time investors choosing to make their initial purchase and subsequent ongoing purchases through the automatic investment feature. Using this feature, new investors may purchase shares on a regular monthly basis by authorizing automatic withdrawals of \$12 per month or more for at least 12 consecutive months from a designated U.S. bank account.

### **4 *Are there any restrictions for people living outside of the United States who wish to participate in the Program?***

Regulations in certain countries may limit or prohibit participation in this type of program. Therefore, persons residing outside the United States who wish to participate in the Program should first determine whether they are subject to any governmental regulation prohibiting their participation. See "Terms and Conditions" for limitations.

### **5 *Do I pay any fee or service charge for starting or terminating my use of the Program?***

There are small fees associated with certain purchase and sale services. Please review the schedule of Program fees for more information on transaction fees.

## **SHARE PURCHASES**

## **6** *How do I purchase shares through the Program?*

If you want to purchase additional shares, send a check or money order payable to "EquiServe - Fannie Mae" and the transaction form (supplied with each statement or transaction advice) in the envelope provided. Purchase orders may be processed daily when practical and at least once every five business days. Upon settlement, EquiServe will record your purchase on Fannie Mae's record books with the appropriate number of full and fractional shares. All of your money will be invested, less applicable fees and commissions. You can purchase shares as often as once a week.

## **7** *What is the Automatic Investment Service provided through the Program?*

Automatic investment enables you to pre-authorize EquiServe to electronically debit your checking or savings account each month to purchase additional shares. This permits you to make regular investments, if you choose, in an amount and schedule that are comfortable for you, without the inconvenience of writing and mailing checks.

To initiate automatic investments, you must complete and sign an Authorization Form for Automatic Deductions and return it to EquiServe. Authorization forms will become effective as promptly as practicable; however, you should allow 4-6 weeks for your first investment to be initiated. Once automatic deductions are begun, funds will be withdrawn from your bank account on either the 1st or 15th of each month, or both (as chosen by you), or the next business day if either the 1st or the 15th is not a business day, and will normally be invested within five business days.

## **STATEMENTS AND TRANSACTION ADVICES**

### **8** *How will I know the status of my investment activity and account balance?*

Whenever you purchase, sell, or deposit shares through the Program, you will promptly receive a statement with the details of the transaction. On each statement you will find information such as how to buy or sell shares through the Program, and where to call or write for additional information. You will receive a comprehensive year-end statement summarizing activity in your account for the entire year, which is helpful for record keeping and tax purposes. We suggest you keep these records together for easy and complete tracking. Shareowners using a touchtone telephone can obtain account balance or other account information anytime, 24 hours a day, 7 days a week by calling 1-(800)-910-8277.

All shares you hold or purchase through the Program are recorded in the same account. Your Program shares are recorded in electronic registration (also known as book-entry) form. Just like any certificated shares registered in your



name, your electronic registration shares are your shares. You are the true owner and enjoy the same shareholder benefits as when you hold certificates, without the risk of certificate theft, loss, or misplacement. Contact EquiServe to request a certificate, transfer shares to another person, or sell shares through the Program.

## **DIVIDEND REINVESTMENT**

### **9** *How do I participate in the dividend reinvestment feature of the Program?*

You can reinvest all or part of your dividends in additional shares of Fannie Mae common stock. Simply notify EquiServe in writing or use the form we supply. You can change your dividend option at any time. All shareholders of record owning fewer than 35 shares of Fannie Mae common stock and Fannie Mae Young Shareowner Account Participants will automatically have their dividends fully reinvested in shares (unless they elect to receive cash dividends).

After each dividend reinvestment, you will receive a detailed statement showing the amount of the latest dividend reinvested, the purchase price per share, the number of shares purchased, and your total number of shares held by the Program in book-entry form. The statement also will show all year-to-date account activity, including purchases, sales, certificate deposits or withdrawals, and dividend reinvestment. This will enable you to review your complete account holdings at a glance.

Shareholders of record who own 35 shares or more and elect to reinvest all or part of their dividends will receive a detailed statement every quarter. All shareholders of record holding fewer than 35 shares and Fannie Mae Young Shareowner Account Participants will automatically have their dividends fully reinvested in shares and will receive a detailed account statement annually.

Regardless of the number of whole shares owned, shareholders can enjoy automatic dividend reinvestment at no cost and can verify their account balance, change their dividend election, or request a statement at any time.

Quarterly and/or annual statements show your current account balance which includes all certificate shares held in your name, book-entry shares held by the Program in your name, and the dividend amount reinvested each quarter. Your account statements will also show year-to-date transaction activity, including any purchases, sales, certificate deposits, or withdrawals. We suggest you keep these records together for easy and complete tracking.

## **CASH DIVIDENDS**

### **10** *If I own 35 shares or more of Fannie Mae common stock and am not participating in the dividend reinvestment feature of the Program, how will I receive my dividends?*

You will receive all your dividends in cash. A check for the full dividend

amount will be mailed to you. In lieu of receiving a dividend check, you may authorize EquiServe to directly deposit your dividends to your checking or savings account on the dividend payment date.

## **TRANSFER OF SHARES**

### **11** *How can I transfer shares of Fannie Mae to someone else?*

You may transfer shares to others directly without requiring the issuance of certificates. After the transfer is complete, the recipient will receive an account statement showing the transfer of those shares. At your request, EquiServe will send you a non-negotiable gift certificate to present to the recipient.

### **12** *How can I participate in the Program if my broker holds my Fannie Mae shares in a brokerage account?*

Fannie Mae is a participant in the Direct Registration System (DRS), so it is easy for you to transfer shares your broker holds for you in "street name" to Direct Registration. Simply instruct your broker to electronically transfer your shares to EquiServe through the Direct Registration System in DRS book-entry form.

To electronically transfer shares from the Program to your brokerage account, you may establish your Broker Account Number on your Program account. To establish your Broker Account Number, you must complete the "Authorization to Provide Broker/Dealer Information" form, available upon request from EquiServe or your broker. Once your Broker Account Number is established, EquiServe will electronically deliver the number of shares you specify within 48 hours of receiving your instructions. If you specify all full shares in your account, EquiServe will sell any fractional share in your account at the current market price of Fannie Mae common stock at the time the transaction is processed and will send you a check for the proceeds (less any applicable brokerage commission and service fee).

## **CUSTODIAL SERVICE**

### **13** *How does the custodial (book-entry shares) service work?*

All shares of Fannie Mae stock purchased through the Program are held by EquiServe in electronic form, and these book-entry shares are added to the shareholder's share balance on the records of EquiServe. Shareholders with common stock certificates may, at any time, deposit certificates for safekeeping with EquiServe, and the shares will be included in each participant's balance in the same manner as noted above. All shareholders can use the custodial service, regardless of whether or not they use any of the

other optional services offered through the Program. There is no cost to shareholders for custodial service.

#### **14** *How do I deposit shares for safekeeping?*

You may deposit certificated shares in your Program account at EquiServe by using a brown, pre-addressed envelope (provided by EquiServe) to enclose your certificate(s). Envelopes may be obtained upon request to EquiServe. Place first class postage on the envelope (required by insurance) and mail it to EquiServe. Your certificate(s) are automatically insured up to a current market value of \$25,000. ***Stock certificates sent to EquiServe for deposit should not be endorsed.*** You will promptly receive a statement confirming each deposit. There is no cost to you for certificate deposit services.

If you do not use a brown pre-addressed envelope provided by EquiServe, certificates (***unendorsed***) should be sent to the address listed under "Shareholder Information and Assistance" via registered mail, return receipt requested, and insured for possible mail loss for 2% of the market value (minimum of \$20.00). This represents the replacement cost to you.

#### **15** *Can I obtain a share certificate through the Program?*

Stock certificates will not be issued for Program shares unless specifically requested. The Program's book-entry custodial service eliminates the risk and cost of certificate loss, theft, or destruction. Certificate withdrawal can be made by calling or writing EquiServe. A certificate for the number of full shares you specify will be mailed promptly. There is no cost for certificate withdrawal services.

### **SALE OF SHARES**

#### **16** *Can I sell shares through the Program?*

You may sell shares held through the Program in most cases by calling EquiServe at 1-800-910-8277. If you prefer, mail your request using one of the transaction forms provided with each statement and transaction advice. Certificated shares can be deposited in your Program account and subsequently sold through the Program.

EquiServe will make every effort to process your order on the day it is received, provided that instructions are received before 1:00 p.m. Eastern time on a business day during which EquiServe and the relevant securities market are open. The proceeds of the sale, less applicable fees and commissions, will be sent to you. (*See Terms and Conditions, paragraph 6.*)

You have full control of your Program shares and can transfer or dispose of

them at any time. You may choose to sell shares held for you by EquiServe through the broker of your choice. If you choose to do so, just call or write EquiServe with instructions. A certificate will be issued and mailed to you, or your broker (if you request), within two business days of EquiServe's receipt of your request.

## **TAX CONSEQUENCES**

### **17 What are the income tax consequences of participation in the Program?**

You are solely responsible for any income taxes payable on your dividends, regardless of whether your dividends are paid in cash or reinvested, or both. The Internal Revenue Service has ruled that any brokerage commissions paid by Fannie Mae for purchases on your behalf are to be treated as dividend income to you. In addition, brokerage commissions and service fees paid by Fannie Mae for the sale of shares on behalf of certain Program participants (*see Terms and Conditions, paragraph 6*) may be reported by EquiServe to such Program participants as dividend income.

## **CUSTOMER SERVICE**

### **18 Who do I contact with questions about the Program or my account?**

A customer service representative at EquiServe will be available to assist you with questions concerning the Program or your account. As a shareholder, you may use the automated voice response system at EquiServe to obtain information regarding your account. The telephone number is 1-800-910-8277. You will receive all annual reports, shareholder information, and other materials that Fannie Mae may periodically distribute.

## **TERMS AND CONDITIONS**

1. First Chicago Trust of New York has been appointed to originate and administer this Program with EquiServe Inc. to act as service agent (collectively "EquiServe") for each Fannie Mae ("Fannie Mae") participating shareholder ("Service User") in the DirectSERVICE Investment Program ("Program"), will in accordance with each Service User's authorization: (a) accept certificates for safekeeping and hold them for the Service User's benefit in EquiServe's nominee name; (b) apply all cash contributions received from an eligible Service User, less any applicable fees and commissions, to the purchase of full and fractional shares (to three decimal places) of Fannie Mae Common Stock for the Service User's account; (c) either: (i) pay the Service User any cash dividends payable on all or part of the shares of Fannie Mae Common Stock now or hereafter registered in the Service User's name and on all or part of the full shares of stock held by EquiServe for the Service User's account, or

Program.

For shareholder convenience and cost-effective dividend processing, all shareholders of record owning fewer than 35 shares will automatically have their dividends reinvested in shares at no cost (unless they elect to receive cash dividends) and will only receive an annual statement. Shareholders of record owning fewer than 35 shares have the opportunity to elect to receive their dividends in cash, by check or electronic transfer, by notifying EquiServe in writing before the record date for the next dividend. Shareholders participating in dividend reinvestment may change their dividend election at any time.

A Fannie Mae Young Shareowner account is designed for children and young adults eligible for Uniform Gifts or Transfers to Minors Act account registrations. The Fannie Mae Young Shareowner Account Participant enjoys special services including a lower initial investment minimum of \$100, an additional investment minimum of \$10 (with no fee for additional cash investments made by check or money order of up to \$100 weekly), full no-cost automatic investment of dividend payments and an annual statement of account.

Young Shareowner Accounts may be established by a parent, grandparent, custodian or other grantor by purchasing or transferring a number of shares having the equivalent of, \$100 or more based upon the current market value of Fannie Mae common stock at the time of purchase or transfer. The custodian or grantor for the Young Shareowner Account Participant must complete the custodial account section of the Initial Investment Form, sign and return it to EquiServe. The \$100 minimum initial investment for the Young Shareowner Account can be waived for first-time investors choosing to make their initial purchase and subsequent ongoing purchases through the automatic investment feature. Using this feature, investors may purchase shares on a regular monthly basis by authorizing automatic withdrawals of \$12 per month or more for at least 12 consecutive months from a designated U.S. bank account.

2. For the purpose of making purchases, EquiServe may combine each Service User's funds (dividends and cash contributions) with those of all other Service Users. EquiServe will deposit such funds promptly following receipt in an account maintained at The First National Bank of Chicago ("First National"). EquiServe will make every effort to invest cash contributions it receives promptly, but in no event later than five business days after the cash contributions are received (except where deferral is necessary under applicable federal or state laws or regulations). Dividends will be reinvested promptly following receipt by EquiServe, but in no event later than 30 days after receipt (except where deferral is necessary under applicable federal or state laws or regulations).

The price per share of stock purchased for each account, whether purchased with cash contributions or dividends, or both, shall be the weighted average price of all shares purchased by EquiServe's broker for each aggregate order placed by EquiServe. EquiServe will hold, in the name of its nominee, all shares of stock purchased for Service Users and will establish and maintain the Program account records that reflect each Service User's separate interest.

3. A Service User may elect dividend reinvestment, sell, or obtain a certificate or certificates, for all or part of the full shares of stock credited to his or her account at any time, upon request. Requests may be made in writing or by telephone. For security reasons, telephone transactions will be recorded. All sale instructions

received by EquiServe will be processed promptly thereafter, and in no event later than five business days after the date on which the order is received (except where deferral is necessary under applicable federal or state laws or regulations).

In every case, the price to each selling Service User shall be the weighted average sale price obtained by EquiServe's broker for each aggregate order placed by EquiServe (see paragraph 6). To maximize cost savings, EquiServe will make every effort to sell shares in round lot transactions. For this purpose it may combine each selling Service User's shares with those of other Service Users.

4. EquiServe will cause its broker to effect purchases and sales on any securities exchange where such shares are traded, in the over-the-counter market, or by negotiated transactions, subject to such terms with respect to price, delivery, etc., as EquiServe may agree.

No interest will be paid on any cash received by EquiServe and held for EquiServe at First National, pending investment. No Service User shall have any authority or power to direct the time or price at which shares may be purchased (or sold), or to select the broker or dealer through or from whom purchases (or sales) are to be made. EquiServe will return any cash contribution on request of the Service User, provided EquiServe receives the Service User's telephone or written cancellation of its purchase instruction not less than 48 hours before the purchase transaction is to take place. The Service User will be charged a fee for bounced checks and failed automatic deductions due to insufficient funds.

For processing certain purchase and sale instructions submitted by a Service User, EquiServe will receive compensation according to the fee schedule quoted in this Shareholder Information Brochure or in subsequent notices of fee changes. Fees are subject to change at any time, in accordance with paragraph 12 of these Terms and Conditions, upon written notification to Service Users.

5. EquiServe provides insurance coverage on certificates mailed by individual investors to EquiServe for safekeeping in Program accounts in certain instances as described below. To be eligible for certificate mailing insurance, certificates must be mailed in brown, pre-addressed return envelopes supplied by EquiServe. Certificates mailed in this manner will be insured for up to \$25,000 current market value provided they are mailed first class. Certificates sent to EquiServe should not be endorsed. EquiServe will promptly send the Service User a statement confirming each deposit of certificates. EquiServe must be notified of any lost certificate claim within thirty (30) calendar days of the date the certificates were mailed. To submit a claim, a shareholder must be a current Service User or the shareholder's loss must be incurred in connection with becoming a Service User. In the latter case, the claimant must enroll in the Program at the time the insurance claim is processed.

The maximum insurance protection provided to the Service User is \$25,000 and coverage is available only when the certificate(s) are sent to EquiServe in accordance with the guidelines described above. For information about mailing certificates to EquiServe having a current market value in excess of \$25,000, contact EquiServe. Insurance covers the replacement of shares of stock, but in no way protects against any loss resulting from fluctuations in the value of such shares from the time the individual mails the certificates until such time as replacement can be effected.

6. Participation in the Program may be discontinued by the Service User at any time by notifying EquiServe. In addition, at any time, EquiServe may, for any reason in its

sole discretion, discontinue a Service User's participation in the Program immediately upon mailing a notice of termination to the Service User at the Service User's address of record on the record books of Fannie Mae as maintained by EquiServe. Upon termination, EquiServe will promptly refund cash contributions held pending investment. At the same time, EquiServe will continue to hold the Service User's shares in book entry form, unless the Service User requests a certificate for any full shares and a check for any fractional share. The Service User may also request the sale of all or part of any such shares upon request to EquiServe. EquiServe will send the Service User a check for the proceeds of the sale of any such shares (less any applicable brokerage commissions and service fees). A Service User owning 5 or fewer shares held by EquiServe under the Program who requests the sale of all such shares will not incur any service fee or brokerage commissions. These costs will be paid by Fannie Mae.

7. At any time, EquiServe may, for any reason in its sole discretion, refuse to execute any Service User's transaction requested via telephone or facsimile and in its place require written confirmation of such a transaction request.
8. If a Service User has requested EquiServe to reinvest dividends, the Service User may instruct EquiServe by telephone or in writing to discontinue reinvestment at any time. To be effective for a given dividend payment, EquiServe must receive notice before the record date for that dividend.

In the event a notice of termination is received or issued pursuant to Paragraph 6 on or after a dividend record date for an account whose dividends are to be reinvested, EquiServe in its sole discretion may either pay such dividend in cash or reinvest it in shares on behalf of the terminating Service User. In the event reinvestment is made, EquiServe may sell the shares purchased and remit the proceeds to the Service User less any fees and any brokerage commissions.

9. Although EquiServe will reinvest dividends upon the Service User's request, the Service User remains responsible for any income taxes payable on such dividends. Dividends paid to EquiServe on behalf of a Service User and the amount of any brokerage commissions and service fees paid on behalf of a Service User by the Company will be reported on Form 1099-DIV to the Internal Revenue Service, a copy of which will be sent to each such Service User.
10. A Service User will have the sole right to vote full shares held by EquiServe through the Program.
11. Any stock dividend or split shares of stock distributed on shares held by both EquiServe for a Service User and a Service User will be credited to the Service User's account, provided that such stock is of the same type, class and series as the stock held under the Program. In the event that rights are made available to subscribe to additional shares, debentures, or other securities, the full shares held for a Service User under the Program may be combined with other shares of the same class of stock registered in the name of the Service User for purposes of calculating the number of rights to be issued to such Service User.
12. EquiServe shall not be liable in connection with its operation of the Program for any act done in good faith or for any good faith omission to act including, without limitation, any claims for liability (1) arising out of failure to terminate a Service User's participation in the Program upon the Service User's death prior to receipt of written notice of death from an appropriate fiduciary, and (2) with respect to the prices or times at which shares are purchased or sold for any Service User's account. EquiServe will have no responsibility for the market value of shares maintained on behalf of a Service User.

EquiServe reserves the right to amend or modify the provisions of this agreement at any time by mailing a copy of such amendment or modification to the Service User.

Such amendments or modifications become effective thirty (30) days after the mailing, unless a different time period is required by law.

13. The Tax Equity and Fiscal Responsibility Act of 1982 imposes certain reporting obligations upon brokers and other middlemen. As a result, EquiServe is required to report to the Internal Revenue Service and the Service User any sale of shares effected on behalf of a Service User.
14. EquiServe may, in its sole discretion, use a broker-dealer affiliated with EquiServe to execute purchase or sale transactions. In that event, the Service User should recognize that brokerage commissions assessed in connection with those transactions will be paid to EquiServe's affiliate.
15. EquiServe provides no advice and makes no recommendations with respect to any security that is eligible for the Program or any purchase or sale transaction initiated by a Service User. Any decision to purchase or sell any security that is eligible for Program participation must be made by the individual Service User, based upon his or her own research and judgment.
16. First Chicago Trust of New York, is a limited purpose trust company chartered under the laws of the State of New York, and is a transfer agent registered with the Board of Governors of the Federal Reserve System pursuant to Section 17A of the Securities Exchange Act of 1934. The Program accounts and securities are not insured by the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation, or similar agency.
17. The Program and the agency agreement between EquiServe and each Service User, including these Terms and Conditions, shall be governed by the laws of the State of New York. The signing and mailing of the Initial Investment Form, the automatic reinvestment of dividends for shareholders of record owning fewer than 35 shares (unless the shareholder elects to receive cash dividends), the election to reinvest dividends by shareholders holding 35 shares or more, or the initiation of a transaction, including a certificate deposit, through the Program shall constitute an offer by an individual shareholder to establish a principal-agency relationship with EquiServe. Acceptance shall occur in the offices of EquiServe upon receipt by EquiServe of such forms or requests.
18. The Program is not designed for use by depositories or broker/dealers. This Program is depository eligible and brokers may participate in the dividend reinvestment feature of the Program on the behalf of beneficial owners, subject to the same terms, conditions, operating procedures and service fees (as applicable) as individual shareholders of record. Brokers choosing to participate on behalf of their customers must supply the customer with a copy of this Information Brochure in its entirety, at the expense of the broker, and must supply the Program Administrator on or before a record date with the name, address, Taxpayer Identification Number or Social Security Number, and number of shares participating for each beneficial owner customer in the dividend reinvestment feature of the Program.

*This communication does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful. This program is not offered or sponsored by Fannie Mae.*



The logo for The Fannie Mae DirectSERVICE™ Investment Program is a dark green square with white text. The text is arranged in five lines: "The", "Fannie Mae", "DirectSERVICE™", "Investment", and "Program".

## The Fannie Mae DirectSERVICE™ Investment Program

### Minimum and Maximum Investments

- The minimum initial investment by new shareholders is \$250 by check, or \$25 using the automatic investment feature with a minimum of 12 consecutive purchases.
- The minimum initial investment for new shareholders participating in a Young Shareowner Account is \$100 by check, or \$12 through the automatic investment feature with a minimum of 12 consecutive purchases.
- The minimum for additional investments by check is \$25, or \$10 for Young Shareowner Accounts. Investments can occur as often as once a week.
- The minimum for additional investments using the automatic investment feature is \$25, or \$12 for Young Shareowner Accounts. Investments can occur as often as twice a month.
- Additional investments, including automatic investments, are subject to a maximum annual amount of \$250,000 per calendar year.

### Investment Options, Fees and Commissions

- \$15 Account Activation Fee for all new first-time investors to enroll in the plan. Current shareholders are automatically enrolled in the plan and do not pay this one-time fee. **Transaction processing fees will be deducted from the amount forwarded for purchase.**

### Standard Investment Option

#### **To open an account -**

- \$250 minimum initial investment; or

- \$25 through automatic deduction from a bank account, with a minimum of 12 consecutive investments; or
- \$250 of shares transferred from a brokerage account.

**To purchase additional shares -**

*by check or money order, as often as once a week ...*

- \$5 per investment  
for investments of \$25 to \$2,500
- \$5 plus commission, per investment  
for investments greater than \$2,500

*by automatic deduction from a bank account, as often as twice per month ...*

- \$2 per investment  
for investments of \$25 to \$2,500
- \$2 plus commission, per investment  
for investments greater than \$2,500

**To reinvest dividends, in full or in part-**

No Charge

## **Young Shareowner Investment Option**

*... for children and young adults*

**To open an account -**

- \$100 minimum initial investment; or
- \$12 through automatic deduction from a bank account, with a minimum of 12 consecutive investments; or
- \$100 of shares transferred from a brokerage account.

**To purchase additional shares-**

*by check or money order, as often as once a week ...*

- No Charge  
for investments of \$10 to \$100
- \$5 per investment  
for investments of \$100 to \$2,500
- \$5 plus commission, per investment

for investments greater than \$2,500

*by automatic deduction from a bank account, as often as twice per month ...*

- \$2 per investment  
for investments of \$10 to \$2,500
- \$2 plus commission, per investment  
for investments greater than \$2,500

**To fully reinvest dividends -**  
Automatic - No Charge

## Individual Retirement Account Options

*... Save for Retirement, or borrow from your Retirement Savings to help purchase your first home or to fund a child's college education*

The Taxpayer Relief Act of 1997 has expanded the options available for retirement saving, and you can establish an Individual Retirement Account (IRA) which invests in Fannie Mae common stock. Consult your financial or tax advisor to fully understand and determine which, if any, of these options is best for you. Call EquiServe for registration materials and specific information on the IRAs described.

### **Regular IRA - \$35 Annual Fee**

Regular IRA contributions are allowed for individuals under age 70 1/2 who have earned income. Tax-deductible contributions are subject to new adjusted gross income (AGI) phase-out levels, while non-deductible contributions are allowed regardless of income level. Maximum individual contribution is \$2,000 annually, with tax-deferred growth of investment. Beginning in 1998, penalty-free withdrawals can be made to help pay for first home purchases or higher education expenses. (Maximum annual contribution between Regular and Roth IRA is \$2000)

### **Roth IRA - \$35 Annual Fee**

Contributions are allowed for individuals of any age with (AGI) below \$160,000 (joint) or \$110,000 (single), but allowed contributions begin to phase out at an AGI of \$150,000 (joint) and \$95,000 (single). Maximum individual contribution is \$2,000 annually. Investments and earnings grow tax-free. Contributions are not tax-deductible but if the investment stays in the Roth IRA for five years or more, qualified withdrawals are distributed tax-free (and free of penalty in most cases). There are no requirements to begin distributions at age 70 1/2. Beginning in 1998, penalty-free withdrawals can be made to help pay for first home purchases.

## **Education IRA - \$35 Annual Fee**

Any individual of any age may contribute, subject to the same income ranges as the Roth IRA, to an Education IRA for a child. Contributions of up to \$500 annually can be made for secondary education expenses for a child beneficiary under age 18. Contributions are not deductible, but investments grow tax-free and are not taxed when withdrawn for higher education expenses, including tuition, room and board, books, and supplies. Withdrawals must be made by age 30 or the investment will be taxed to the child and will be subject to a 10% penalty. Unused account balances may be transferred to another family member's Educational IRA.

## **Sale Options**

**Sale of Program shares, any number, part or all-**  
\$15, plus commission, per sale

**Sale of all Program shares for accounts with 5 shares or less -**  
No Charge

*Brokerage commissions are currently 3 cents per share for purchases and 12 cents per share for sales.*

## **Shareholder Information and Assistance**

**All correspondence and inquires concerning the Program should be directed to:**

The DirectSERVICE Program  
for Shareholders of Fannie Mae  
c/o EquiServe  
P.O. Box 43081  
Providence, RI 02940-3081

Be sure to include a reference to Fannie Mae in your correspondence.

## **Telephone**

**Shareholder Customer Service, including sale of shares - 1-(800)-910-8277**

An automated voice response system is available 24 hours a day, 7 days a week. Customer Service Representatives are available 8:30 am - 7:00 pm (ET) each business day.

**Telecommunications Device for the hearing impaired - TDD - 1-(800)-952-9245**

**Foreign Language Translation Service** for over 140 foreign languages is available to support the needs of Fannie Mae shareholders.

**Non-Shareholders requesting Program material - 1-(888)-BUY-FANNIE** Available 24 hours a day, every day of the year.

**Fannie Mae Shareholder Information - 1-(800)-FNM-2-YOU** From outside of the United States - 1 (202) 752-4636. Provides information by fax, annual reports, and other shareholder materials.

## Internet

**EquiServe -- [www.equiserve.com](http://www.equiserve.com)**

Messages forwarded on the Internet will be responded to within one business day.

**Fannie Mae -- [www.fanniemae.com](http://www.fanniemae.com) --  
[www.homepath.com](http://www.homepath.com)**

Fannie Mae's corporate web site, [www.fanniemae.com](http://www.fanniemae.com), features information about the company. Fannie Mae's consumer web site, [www.homepath.com](http://www.homepath.com), provides helpful consumer information about mortgages and other resources to make buying a home easier.

*This Shareholder Information Brochure is also available through the EquiServe or Fannie Mae web sites.*

## Electronic Mail

**EquiServe -- [fctc.fnm@em.fcnc.com](mailto:fctc.fnm@em.fcnc.com)**

EquiServe can be contacted at this electronic mail address.