

OFFERING CIRCULAR



**Universal Debt Facility**

**Debt Securities with maturities of one day or longer**

Fannie Mae may offer an unlimited amount of Debt Securities with maturities of one day or longer from time to time under our Universal Debt Facility, including:

- Benchmark Bills<sup>®</sup>**
- Benchmark Bonds<sup>®</sup>**
- Benchmark Notes<sup>®</sup>**
- Short-Term Notes**
- Notes**
- Bonds**

The Debt Securities will have various terms, as described in this Offering Circular and any applicable Pricing Supplement. You should read this Offering Circular and any applicable Pricing Supplement carefully before you invest.

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**The Debt Securities, together with interest thereon, 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.**

Neither the U.S. Securities and Exchange Commission (the "SEC") nor any state or other securities commission has approved or disapproved the Debt Securities or determined if this Offering Circular, any Pricing Supplement, or any other supplement or amendment is truthful or complete. Any representation to the contrary is a criminal offense.

An investment in the Debt Securities involves certain risks, and the Debt Securities may not be a suitable investment for all investors. See the "Risk Factors" beginning on page 11 of this Offering Circular for a discussion of certain risks that should be considered in connection with an investment in the Debt Securities.

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We may sell Debt Securities to or through one or more Dealers as principal or otherwise, or directly to institutional investors. We cannot assure you that there will be a secondary market for the Debt Securities or how liquid the market will be if one develops.

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*This Offering Circular replaces and supersedes the Offering Circular, dated December 2, 2015 for issues pricing on or after November 20, 2017.*

**The date of this Offering Circular is November 3, 2017.**

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"Benchmark Bills", "Benchmark Bonds" and "Benchmark Notes" are registered trademarks of Fannie Mae.

## **Stabilization**

In connection with any issue of Debt Securities, a Dealer identified as stabilizing manager in the applicable Pricing Supplement may, subject to applicable laws and regulations, overallocate or effect transactions which stabilize or maintain the market price of the Debt Securities of such issue at a level above that which might otherwise prevail in the open market. Such transactions may be effected on any exchange on which the Debt Securities may be listed, in an over-the-counter market or otherwise. Such stabilization, if commenced, may be discontinued at any time.

## **Selling Restrictions**

We are not required to register the Debt Securities under the U.S. Securities Act of 1933, as amended. Accordingly, we have not filed a registration statement with the SEC with respect to the Debt Securities. The Debt Securities are “exempted securities” within the meaning of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”).

We may not communicate this Offering Circular, any Pricing Supplement, or any other supplement in the United Kingdom to any person unless that person falls within Article 19 or Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or is a person to whom we may otherwise lawfully communicate this Offering Circular, any Pricing Supplement, or any other supplement. We have not registered the Debt Securities under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the “Financial Instruments and Exchange Law”), and we may not make offers and sales, directly or indirectly, of Debt Securities in Japan or to, or for the account or benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to any person for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan. The Debt Securities are not collective investment schemes within the meaning of the Swiss Collective Investment Schemes Act and are not subject to the authorization or supervision by the Swiss Financial Market Supervisory Authority. For a further description of restrictions on offers, sales and deliveries of the Debt Securities and on the distribution of this Offering Circular, any Pricing Supplement, or any other supplement hereto, see “Plan of Distribution—Selling Restrictions” and Appendix E.

The distribution of this Offering Circular, any Pricing Supplement, or any other supplement and the offer, sale, and delivery of Debt Securities in certain jurisdictions may be restricted by law. Persons who come into possession of this Offering Circular, any Pricing Supplement or any other supplement must inform themselves about and observe any applicable restrictions.

This Offering Circular, any Pricing Supplement, or any other supplement is not an offer to sell or a solicitation of an offer to buy any securities other than the Debt Securities or an offer to sell or a solicitation of an offer to buy Debt Securities in any jurisdiction or in any other circumstance in which an offer or solicitation is unlawful or not authorized.

## **Pricing Supplements Relating to Specific Debt Securities**

When we offer Debt Securities other than Benchmark Bills or Short-Term Notes, we will provide you with a “Pricing Supplement” describing the terms of the specific issue of Debt Securities, including the offering price. A Pricing Supplement also may amend or supplement this Offering Circular with respect to a specific issue of Debt Securities. You should read a Pricing Supplement and any other applicable supplement together with this Offering Circular.

## Forward-Looking Statements

This Offering Circular contains or incorporates by reference statements that constitute forward-looking statements within the meaning of Section 21E of the Exchange Act. In addition, our senior management may from time to time make forward-looking statements orally to analysts, investors, the news media and others. Forward-looking statements often include words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” “forecast,” “project,” “would,” “should,” “could,” “likely,” “may,” “will” or similar words.

Forward-looking statements reflect our management’s expectations, forecasts or predictions of future conditions, events or results based on various assumptions and management’s estimates of trends and economic factors in the markets in which we are active, as well as our business plans. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. Our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. There are a number of factors that could cause actual conditions, events or results to differ materially from those described in the forward-looking statements contained or incorporated by reference in this Offering Circular, including, but not limited to, the following: the uncertainty of our future; future legislative and regulatory requirements or changes affecting us, such as the enactment of housing finance reform legislation or corporate income tax reform legislation; actions by the Federal Housing Finance Agency (“FHFA”), the U.S. Department of the Treasury (“Treasury”), the U.S. Department of Housing and Urban Development (“HUD”) or other regulators that affect our business; the timing and level of, as well as regional variation in, home price changes; changes in interest rates, including negative interest rates; changes in unemployment rates and other macroeconomic and housing market variables; our future guaranty fee pricing and the impact of that pricing on our competitive environment and guaranty fee revenues; the size, composition and quality of our guaranty book of business and retained mortgage portfolio; our market share; the life of the loans in our guaranty book of business; challenges we face in retaining and hiring qualified executives and other employees; our future serious delinquency rates; the deteriorated credit performance of many loans in our guaranty book of business; the conservatorship and its effect on our business; the investment by Treasury and its effect on our business; adverse effects from activities we undertake to support the mortgage market and help borrowers; actions we may be required to take by FHFA, in its role as our conservator or as our regulator, such as changes in the type of business we do or implementation of a single security and common securitization platform for Fannie Mae and Freddie Mac; limitations on our business imposed by FHFA, in its role as our conservator or as our regulator; our future objectives and activities in support of those objectives, including actions we may take to reach additional underserved creditworthy borrowers; a decrease in our credit ratings; limitations on our ability to access the debt capital markets; disruptions in the housing and credit markets; significant changes in modification and foreclosure activity; the volume and pace of future nonperforming and reperforming loan sales and their impact on our results and serious delinquency rates; changes in borrower behavior; the effectiveness of our loss mitigation strategies, management of our real estate inventory and pursuit of contractual remedies; defaults by one or more institutional counterparties; resolution or settlement agreements we may enter into with our counterparties; our need to rely on third parties to fully achieve some of our corporate objectives; our reliance on mortgage servicers; changes in U.S. generally accepted accounting principles (“GAAP”); guidance by the Financial Accounting Standards Board (“FASB”); future changes to our accounting policies; changes in the fair value of our assets and liabilities; operational control weaknesses; our reliance on models; future updates to our models, including the assumptions used by these models; the level and volatility of interest rates and credit spreads; changes in the fiscal and monetary policies of the Federal Reserve, including implementation of the Federal Reserve’s balance sheet normalization program; changes in the structure and regulation of the financial services industry; credit availability; global political risks; natural disasters, environmental disasters, terrorist attacks, pandemics or other major disruptive events; cyber attacks or other information security breaches or threats; and those factors described in the “Risk Factors” section of this Offering Circular, our 2016 10-K, our First Quarter 10-Q, our Second Quarter 10-Q, and our Third Quarter 10-Q.

Investors are cautioned to place forward-looking statements contained or incorporated by reference in this Offering Circular or that we make from time to time into proper context by carefully considering the factors discussed or incorporated by reference in the relevant document. Forward-looking statements are representative only as of the date they are made, and we undertake no obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under the federal securities laws.

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## ADDITIONAL INFORMATION

You should read this Offering Circular together with:

- Our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 17, 2017 (the “2016 10-K”);
- our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, filed with the SEC on May 5, 2017 (the “First Quarter 10-Q”);
- our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017, filed with the SEC on August 3, 2017 (the “Second Quarter 10-Q”);
- our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017, filed with the SEC on November 2, 2017 (the “Third Quarter 10-Q”);
- all Current Reports on Form 8-K from December 31, 2016 until (and including) the date of this Offering Circular, excluding any information “furnished” to the SEC on Form 8-K; and
- proxy soliciting materials that we file with the SEC, and all documents and other reports that we file with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act, after the date of this Offering Circular and prior to the termination of the applicable offering of Debt Securities, excluding any information we “furnish” to the SEC on Form 8-K.

This Offering Circular incorporates these documents by reference, which means that we are disclosing information to you by referring to these documents rather than by providing you with separate copies. They are considered part of this Offering Circular and you should read them before you consider an investment in our Debt Securities. You should rely only on the most up-to-date information, including in the documents incorporated by reference or included in the applicable Pricing Supplement or other supplements or amendments.

Our common stock is registered with the SEC under the Exchange Act, and we file quarterly and annual reports with the SEC based upon the end of our fiscal year, which occurs on December 31 of each year. Our SEC filings are available on our website at [www.fanniemae.com](http://www.fanniemae.com) and on the SEC’s website at [www.sec.gov](http://www.sec.gov). We are referring these websites to you for your reference only, and we are not incorporating in this Offering Circular any of the information available on these websites other than as specifically stated herein. You should rely only on the information included or incorporated by reference or deemed to be incorporated by reference in this Offering Circular in deciding whether or not to invest in our Debt Securities. We have not authorized anyone to provide you with any different or additional information.

You can obtain paper copies of this Offering Circular and the documents incorporated by reference herein without charge by contacting our Fixed-Income Securities Marketing Group, Fannie Mae, 3900 Wisconsin Avenue, NW, Washington D.C. 20016, telephone: (202) 752-7115. You may also read and copy any document we file with or furnish to the SEC by visiting the SEC’s Public Reference Room at 100 F Street, NE, Washington D.C. 20549; telephone 1-800-SEC-0330 for further information.

You may obtain copies of this Offering Circular and any supplements or amendments from Dealers where it is lawful to do so. In connection with the initial distribution of an issue of Debt Securities other than Benchmark Bills and Short-Term Notes, you also should obtain the applicable Pricing Supplement from the Dealers for the Issue.

This Offering Circular, Pricing Supplements and current interest rate information on variable rate Debt Securities is also available on our website at [www.fanniemae.com](http://www.fanniemae.com), or by calling Fannie Mae’s securities hotline toll-free at (800) 232-6643, or for international callers, at (202) 752-7115.

## SUMMARY

*This summary highlights information contained elsewhere or incorporated by reference in this Offering Circular, including in the Appendices. It does not contain all of the information you should consider before investing in the Debt Securities. You also should read the more detailed information in this Offering Circular and any applicable supplement, including any Pricing Supplement for a particular issue of Debt Securities. This Offering Circular sets forth the general terms of the Debt Securities; the applicable Pricing Supplement or other supplement will describe the particular terms of any issue of Debt Securities (other than Benchmark Bills and Short-Term Notes), and the extent, if any, that any of the general terms will not apply to particular Debt Securities. You should read Appendix B for more specific information regarding Benchmark Bills and Short-Term Notes. A discussion of certain risks that should be considered in connection with an investment in Debt Securities is set forth in the "Risk Factors" section beginning on page 11 of this Offering Circular.*

### Fannie Mae

Fannie Mae is a government-sponsored enterprise ("GSE") that was chartered by the U.S. Congress ("Congress") in 1938 under the name "Federal National Mortgage Association" to support liquidity, stability and affordability in the secondary mortgage market, where existing mortgage loans are purchased and sold. Fannie Mae has been under conservatorship since September 2008. As conservator, FHFA succeeded to all rights, titles, powers and privileges of Fannie Mae and of any shareholder, officer or director of the company with respect to the company and its assets. The conservatorship has no specified termination date.

Our regulators include FHFA, the SEC, HUD, and Treasury. Although we are a corporation chartered by Congress, and although our conservator is a U.S. government agency, and Treasury owns our Variable Liquidation Preference Senior Preferred Stock, Series 2008-2 (the "Senior Preferred Stock") and a warrant to purchase 79.9% of our common stock (the "Warrant"), and Treasury has made a commitment under a Senior Preferred Stock Purchase Agreement with us (the "Stock Purchase Agreement") to provide us with funds under specified conditions to maintain a positive net worth, the Debt Securities, together with the interest thereon, 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.

Our common stock is traded in the over-the-counter market and quoted on the OTC Bulletin Board and the OTCQB marketplace under the symbol "FNMA."

### Description of the Debt Securities

Issuer.....	Fannie Mae
Benchmark Securities.....	We may issue Benchmark Securities, which are U.S. dollar denominated issues in large principal amounts, in the form of Benchmark Bills, Benchmark Notes, and Benchmark Bonds. Issuances may consist of new issues of Benchmark Securities or the "reopening" of an existing issue.
Other Debt Securities.....	We plan to issue other Debt Securities from time to time denominated in U.S. dollars or other currencies with maturities of one day or longer. We will issue these Debt Securities as Short-Term Notes, Notes or Bonds.

Pricing Supplement.....	We will describe in a Pricing Supplement or other supplement specific terms, pricing information and other information for each issue of Debt Securities other than Benchmark Bills or Short-Term Notes.
Amount.....	We may issue an unlimited amount of Debt Securities.
Specified Currencies.....	Debt Securities may be denominated in, and principal and interest on Debt Securities may be paid in, U.S. dollars and other currencies or currency units that we determine. Government or monetary authorities may require that debt securities denominated in certain currencies or currency units have certain denominations or have minimum or maximum maturities.
Denomination.....	We will issue U.S. dollar denominated Debt Securities in minimum denominations of U.S. \$1,000 and additional increments of U.S. \$1,000, unless otherwise specified in the applicable Pricing Supplement. We will issue non-U.S. dollar denominated Short-Term Notes in the denominations listed in Appendix B (each a “Specified Currency”).
Principal Amount.....	The principal amount payable at maturity may be a fixed amount, which may be par or a specified discount to or premium over par. The principal amount payable at maturity also may be a variable amount determined by reference to one or more indices, such as interest or exchange rate indices, or other formulas. The principal may be amortized through periodic payments during the term of the Debt Securities.
Interest.....	Debt Securities may bear interest at fixed or variable rates (or a combination of fixed and variable rates), or may bear interest that is indexed by reference to an interest or currency exchange rate or in some other manner, or may not bear interest.
Offering Price.....	Debt Securities will be offered at fixed prices equal to par, or a discount to or premium over par, or at varying prices relating to prevailing market prices at the time of resale as determined by the applicable Dealer.
No Acceleration Rights.....	The Debt Securities will not contain any provisions permitting the Holders to accelerate the maturity of the Debt Securities if a default or other event occurs.
Form.....	We will issue Debt Securities in book-entry form either through the U.S. Federal Reserve Banks (“Fed Book-Entry Securities”) or through another depository. Except in the limited circumstances described in this Offering Circular, we will not issue Debt Securities in definitive form.
Eligibility for Stripping.....	The applicable Pricing Supplement will indicate whether Fed Book-Entry Securities will be eligible to be separated (“stripped”) into their separate interest and principal components on the book-entry records of the Federal Reserve Bank of New York.

Status.....	The Debt Securities will be unsecured general obligations of Fannie Mae issued under Section 304(b) of the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 <i>et. seq.</i> (the “Charter Act”). The Debt Securities, together with interest thereon, 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.
Redemption.....	The Pricing Supplement for a particular issue of Debt Securities will specify whether the Debt Securities are subject to mandatory or optional redemption, in whole or in part, prior to maturity and, if redeemable, will describe terms applicable to the redemption. Benchmark Bills and Short-Term Notes will not be redeemable prior to maturity.
Governing Law.....	Fed Book-Entry Securities (including rights and obligations) will be governed by, and construed in accordance with, regulations adopted by FHFA, as they may be amended or supplemented from time to time (the “FHFA Book-Entry Regulations”) or any other U.S. governmental body or agency that are applicable to the Fed Book-Entry Securities, and, to the extent that these regulations do not apply, the laws of the State of New York, U.S.A. Global Book-Entry Securities will be governed by, and construed in accordance with, the laws of the State of New York, U.S.A.
Tax Status.....	The Debt Securities and payments thereon generally are subject to taxation by the United States and generally are not exempt from taxation by other U.S. or non-U.S. taxing jurisdictions. Non-U.S. Persons generally will be subject to U.S. income and withholding tax unless they provide required certifications or statements.
Listing.....	The applicable Pricing Supplement relating to each issue of Debt Securities will indicate the exchange, if any, on which we will list or apply to list the Debt Securities.

**Clearance and Settlement**

Clearance and Settlement.....	<p>Depending on the terms of an issue of Debt Securities and where those Debt Securities are to be offered, Debt Securities may clear and settle through one or more of the following:</p> <ul style="list-style-type: none"> <li>• the U.S. Federal Reserve Banks;</li> <li>• The Depository Trust Company (“DTC”);</li> <li>• Euroclear Bank S.A./N.V. (“Euroclear”);</li> <li>• Clearstream Banking <i>societe anonyme</i> (“Clearstream”);</li> <li style="padding-left: 20px;">or</li> <li>• other designated clearing systems.</li> </ul> <p>We expect most issues of Debt Securities denominated and payable in U.S. dollars, including all Benchmark Securities, to clear and settle through the Fed Book-Entry System. These Debt Securities generally may be held indirectly through other clearing systems, such as the systems operated by Euroclear and Clearstream.</p>
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We expect issues of Debt Securities denominated or payable in a Specified Currency other than U.S. dollars (and Debt Securities denominated and payable in U.S. dollars not cleared and settled through the Fed Book-Entry System) to clear and settle through the systems operated by DTC, and indirectly through Euroclear and Clearstream. We expect issues of Debt Securities distributed solely outside of the United States to clear and settle through the systems operated by Euroclear, Clearstream or other designated clearing systems and, in some cases, DTC, irrespective of the Specified Currency in which the Debt Securities are denominated or payable.

**Fiscal and Global Agents**

Fiscal Agents.....	The Federal Reserve Bank of New York will act as fiscal agent for Benchmark Bills and for Short-Term Notes that are Fed Book-Entry Securities. The U.S. Federal Reserve Banks will act as fiscal agent for other Fed Book-Entry Securities.
Global Agent.....	The Bank of New York Mellon will act as global agent for Global Book-Entry Securities.

**Distribution of Debt Securities**

Method of Distribution/Dealers....	We generally will sell Debt Securities to Dealers acting as principal, whether individually or in a syndicate, for resale to investors either at a fixed price or at varying prices determined by the Dealers. Alternatively, Debt Securities may be sold through Dealers on a non-underwritten basis or may be sold by us directly to institutional investors.
Selling Restrictions.....	Restrictions exist in certain jurisdictions on the Dealers' offer, sale and delivery of Debt Securities and the distribution of offering materials relating to the Debt Securities.
Secondary Market Information....	Dealers have agreed to provide, for Benchmark Securities, indicative pricing information.

## FANNIE MAE

Fannie Mae is a federally chartered corporation organized and existing under the Charter Act. Fannie Mae was chartered to support liquidity, stability and affordability in the secondary mortgage market, where existing mortgage-related assets are purchased and sold. The Charter Act does not permit us to originate loans and lend money directly to consumers in the primary mortgage market. Our most significant activities include providing market liquidity by securitizing mortgage loans originated by lenders in the primary mortgage market into Fannie Mae mortgage-backed securities, which we refer to as “Fannie Mae MBS,” and purchasing mortgage loans and mortgage-related securities in the secondary market for our mortgage portfolio. See “Business” in our 2016 10-K for further information.

Fannie Mae has been operating under the conservatorship of FHFA since September 6, 2008. As conservator, FHFA has succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any shareholder, officer or director of the company with respect to the company and its assets. The conservatorship has no specified termination date, and there can be no assurance as to when or how it will be terminated, whether we will continue to exist following conservatorship, or what changes to our business structure will be made during or following the conservatorship. In addition, our board of directors does not have any fiduciary duties to any person or entity except to the conservator. Accordingly, our board of directors is not obligated to consider the interests of the company, the holders of our equity or debt securities or the holders of Fannie Mae MBS unless specifically directed to do so by the conservator. See “Business—Conservatorship and Treasury Agreements” and “Business—Legislation and Regulation” in our 2016 10-K for further information.

On September 7, 2008 Fannie Mae, through our conservator, entered into two agreements with Treasury—the Stock Purchase Agreement and the Warrant. Pursuant to the Stock Purchase Agreement, Fannie Mae issued Treasury 1,000,000 shares of Senior Preferred Stock with an initial liquidation preference of \$1,000 per share and the Warrant, which allows Treasury to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae.

The Senior Preferred Stock and Warrant were issued to Treasury as an initial commitment fee in consideration of the commitment from Treasury to provide funds to us under the terms and conditions set forth in the Stock Purchase Agreement. The Stock Purchase Agreement provides that, on a quarterly basis, we generally may draw funds up to the amount, if any, by which our total liabilities exceed our total assets, as reflected on our consolidated balance sheet, prepared in accordance with GAAP, for the applicable fiscal quarter. As of the date of this Offering Circular, the amount of available funds we have under Treasury’s funding commitment is \$117.6 billion.

The Stock Purchase Agreement and the Warrant contain covenants that significantly restrict our business activities. These covenants, which are summarized in our 2016 10-K under the heading “Business—Conservatorship and Treasury Agreements,” include a prohibition on the issuance of equity securities (except in limited instances), a prohibition on the payment of dividends or other distributions on our equity securities (other than the Senior Preferred Stock or the Warrant), a prohibition on our issuance of subordinated debt securities, and limitations on the amount of debt securities we may have outstanding and the size of our mortgage assets portfolio.

Our principal office is located at 3900 Wisconsin Avenue, NW, Washington, D.C. 20016 (telephone: (800) 232-6643).

## **RISK FACTORS**

This section describes the principal risks with respect to an investment in the Debt Securities. The risks described in this section are current as of the date of this Offering Circular, and there may be other risks not discussed below or discussed in a supplement to this Offering Circular or a document incorporated by reference in this Offering Circular that you should consider.

You should consult with your own financial and legal advisors about the risks related to an investment in a particular issue of Debt Securities, the appropriate tools and metrics to analyze that investment, and the suitability of that issue of Debt Securities to your particular circumstances. You should only purchase Debt Securities if you have read and understand the information contained or incorporated by reference in this Offering Circular, including the “Risk Factors” section of our 2016 10-K, our First Quarter 10-Q, our Second Quarter 10-Q, our Third Quarter 10-Q, this “Risk Factors” section, the applicable Pricing Supplement, other supplement for the Debt Securities, and the documents incorporated by reference in this Offering Circular.

The realization of any of these risks could materially adversely affect our business, financial condition, results of operations, liquidity and net worth, and could cause our actual results to differ materially from our historical results contained in this Offering Circular. However, these are not the only risks facing Fannie Mae. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, results of operations, liquidity and net worth.

### **Risks Relating to our Business**

#### ***The Future of the Company is Uncertain.***

There continues to be significant uncertainty regarding the future of our company, including how long the company will continue to exist in its current form, the extent of our role in the market, what form we will have, and what ownership interest, if any, our current common and preferred stockholders will hold in us after the conservatorship is terminated and whether we will continue to exist following conservatorship. The conservatorship is indefinite in duration and the timing, conditions and likelihood of our emerging from conservatorship are uncertain. Our conservatorship could terminate through a receivership. Termination of the conservatorship, other than in connection with a receivership, requires Treasury’s consent under the Stock Purchase Agreement.

The previous Administration endorsed the wind down of Fannie Mae and Freddie Mac through a responsible transition and the enactment of comprehensive housing finance reform legislation. The current Administration has not articulated a formal position on housing finance reform or the future of the GSEs; however, the Treasury Secretary has publicly stated that he is focused on housing finance reform and a solution to the current status of Fannie Mae and Freddie Mac.

We expect that Congress will continue to consider legislation that could result in significant changes in our structure and role in the future, including proposals that would result in Fannie Mae’s liquidation or dissolution. Congress, FHFA or other agencies may also consider legislation or regulation aimed at or having the effect of increasing the competition we face, reducing our market share, expanding our obligations to provide funds to Treasury, constraining our business operations, or subjecting us to new obligations, such as the Freedom of Information Act, that could impose substantial burdens or adversely affect our results of operations or financial condition. We cannot predict the prospects for the enactment, timing or final content of housing finance reform legislation or other legislation related to our activities. See “Business—Legislation and Regulation—Housing Finance Reform” in our 2016 Form 10-K and “MD&A—Legislation and Regulation—Housing Finance Reform” in our Third Quarter 10-Q for more information about recent actions and statements relating to housing finance reform from Congress, as well as actions our conservator has been taking to further housing finance reform.

## **Risks Relating to our Debt Securities**

### ***Credit Ratings May Not Reflect All Risks***

One or more independent credit rating agencies may assign credit ratings to the Debt Securities. Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Debt Securities. The ratings may not reflect the potential impact of all risks related to the structure of, or the market for, the Debt Securities, or the additional factors discussed herein and other factors that may affect the value of the Debt Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time and each rating agency's rating should be evaluated independently of any other rating agency's rating. Investors should be aware that legislative, regulatory or other events involving Fannie Mae could negatively impact the credit ratings of the Debt Securities.

### ***A Decrease in the Credit Ratings on our Debt Securities could have a Material Adverse Effect on our Ability to Issue Debt on Reasonable Terms.***

Credit ratings on our Debt Securities, as well as the credit ratings of the U.S. government, are primary factors that could affect our borrowing costs and our access to the debt capital markets. A reduction in our credit ratings may materially adversely affect our liquidity, our ability to conduct our business operations, our financial condition and our results of operations. Credit ratings on our Debt Securities are subject to revision or withdrawal at any time by the rating agencies. Actions by governmental entities impacting the support we receive from Treasury could adversely affect the credit ratings on our Debt Securities.

Because we rely on the U.S. government for capital support, in recent years, when a rating agency has taken an action relating to the U.S. government's credit rating, they have taken a similar action relating to our ratings at approximately the same time. Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("S&P"), Moody's Investors Services, Inc. and Fitch Ratings, Inc., a subsidiary of Hearst Corporation and Fimilac S.A., have all indicated that they would likely lower their ratings on our Debt Securities and certain other government-related entities if they were to lower their ratings on the U.S. government. We currently cannot predict whether one or more of these rating agencies will downgrade the ratings on our Debt Securities in the future, nor can we predict the potential impact. A reduction in our credit ratings could have a material adverse impact on our access to debt funding or on the cost of our debt funding, and would likely do so if it were not based on a similar action on the credit ratings of the U.S. government.

### ***Changing Regulations Applicable to U.S. Banks Could Materially Adversely Affect Demand by Banks for our Debt Securities and Fannie Mae MBS in the Future.***

U.S. banking regulators have issued a number of new regulations in recent years, including regulations relating to capital requirements, liquidity requirements, stress testing and other matters. These new requirements could materially adversely affect demand by U.S. banks for our Debt Securities and Fannie Mae MBS in the future and could limit the ability of banks to create markets for our Debt Securities and Fannie Mae MBS, which could adversely affect the price of those securities and could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth. For example, U.S. banking regulators issued a regulation that became effective January 1, 2015 setting minimum liquidity standards for large U.S. banks generally in accordance with Basel III standards. Under the rule, U.S. banks subject to the standards are required to hold a minimum level of high-quality liquid assets based on projections of their short-term cash needs. The debt and mortgage-related securities of Fannie Mae and Freddie Mac are permitted to count toward only up to 40% of the banks' high-quality liquid asset requirement, and then only after applying a 15% discount to the market value of those securities. U.S. banks currently hold large amounts of our outstanding Debt Securities and Fannie Mae MBS, and prior U.S. banking regulations did not limit the amount of these securities that banks were permitted to count toward their liquidity requirements. Accordingly, this rule could materially adversely affect demand by banks for our Debt Securities and Fannie Mae MBS in the future and could limit the ability of banks to create markets for our Debt Securities and Fannie Mae MBS.

***A Change in the Federal Reserve's Reinvestment Policy Could Materially and Adversely Affect Our Business, Results of Operations, Financial Condition, Liquidity and Net Worth and Reduce Demand for Our Debt Securities.***

In recent years, the Federal Reserve has purchased a significant amount of mortgage-backed securities issued by us, Freddie Mac and Ginnie Mae. The Federal Reserve began to taper these purchases in January 2014 and concluded its asset purchase program in October 2014. Since concluding its asset purchase program, the Federal Reserve has maintained its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities; therefore, it has continued to purchase a significant amount of agency mortgage-backed securities. In a statement following the Federal Open Market Committee ("FOMC") meeting in September 2017, the Federal Reserve indicated that the Federal Reserve Open Market Trading Desk had been directed to initiate, starting in October 2017, a balance sheet normalization program originally announced by the FOMC in June 2017. Under this program, the Federal Reserve's securities holdings, including holdings of agency debt and agency mortgage-backed securities, will be gradually reduced by decreasing reinvestment of principal payments for these securities. We expect that this balance sheet normalization program likely will result in increases in mortgage interest rates and a widening of mortgage spreads, which could adversely affect our business volume and reduce demand for our securities, including Debt Securities. If this occurs, it could materially and adversely affect our business, results of operations, financial condition, liquidity and net worth.

***The Debt Securities May Not Be a Suitable Investment for You.***

As a potential investor in the Debt Securities, you must determine the suitability of that investment in light of your own circumstances.

- You should have sufficient knowledge and experience to make a meaningful evaluation of Fannie Mae, the Debt Securities, the merits and risks of investing in the Debt Securities and the information contained or incorporated by reference in this Offering Circular or any applicable supplement.
- You should have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of your particular financial situation, an investment in the Debt Securities and the impact the Debt Securities will have on your overall investment portfolio.
- You should have sufficient financial resources and liquidity to bear all of the risks of an investment in the Debt Securities, including Debt Securities with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from your currency.
- You should understand thoroughly the terms of the Debt Securities and be familiar with the behavior of relevant indices and financial markets.
- You should be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect your investment and your ability to bear the applicable risks.

***Structured Debt Securities May Be Complex and Involve Greater Risks than Conventional Debt Securities.***

*Debt Securities with Principal or Interest Linked to an Index or Formula May Fluctuate in Value Based on a Variety of Factors*

We may issue Debt Securities with principal or interest determined by reference to one or more interest rate indices, currencies or currency units, or other indices or formulas (each, an "Applicable Index"). You should be aware that:

- the market price of a Debt Security may be very volatile,
- the resulting interest rate paid on a security may be less than the interest rate payable on a conventional fixed-rate security we issued over the same period, and you may receive no

interest at all,

- the Applicable Index may be subject to a maximum (a “cap”) or minimum (a “floor”) that may impact the value of the Debt Security,
- payment of principal may occur at a different time than you expect,
- you may lose all or a substantial portion of your principal,
- an Applicable Index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices,
- two or more indices or formulas that you may expect to move in tandem or in some other relationship to each other may unexpectedly converge, diverge, or otherwise not move as expected,
- if an Applicable Index is applied to Debt Securities in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Applicable Index on principal or interest payable likely will be magnified,
- the timing of changes in an Applicable Index may affect your actual yield, even if the average level is consistent with your expectations. In general, the earlier the change in the Applicable Index, the greater the effect on yield, and
- the past performance of an Applicable Index may not be indicative of its future performance.

An Applicable Index may be subject to allegations of manipulation or fraud, and this risk is heightened if the Applicable Index is calculated based on information and data submitted by third party market participants. For example, there have been allegations of manipulation and fraud surrounding the calculation of LIBOR and EURIBOR, which are calculated based on submissions from market participants.

Actual or alleged manipulation of an Applicable Index could materially and adversely affect the value of Debt Securities in a number of ways, including:

- the rate generated from the Applicable Index may be artificially lower or higher than it otherwise would have been if the information used to calculate the Applicable Index had been accurately submitted,
- actual or alleged manipulation or fraud may lead to reforms or modifications to the means by which the Applicable Index is calculated, which could impact the value of Debt Securities linked to the Applicable Index, and
- actual or alleged manipulation or fraud could lead to uncertainty as to the future popularity or use of an Applicable Index, which could impact the value of Debt Securities linked to the Applicable Index.

Further, in certain circumstances such as an Applicable Index being discontinued or no longer published in the market, the Calculation Agent may substitute the Applicable Index for an issue of Debt Securities with an alternative index rate. If the Calculation Agent makes a determination to change the Applicable Index for a Debt Security, there can be no assurance that the alternative index will yield the same or similar economic results as the original Applicable Index.

#### ***Various Factors Could Adversely Affect the Trading Value and Yield of Debt Securities.***

##### *The Secondary Market Generally*

Debt Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. In addition, the liquidity of the Debt Securities may decline as we further reduce the amount of our Debt Securities to comply with the requirements of the Stock Purchase Agreement. Therefore, you may not be able to sell your Debt Securities at prices that will provide

you with a yield comparable to similar investments that have a developed secondary market, if at all. This is particularly the case for Debt Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Debt Securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market value of Debt Securities.

Other factors, such as the actual or perceived credit strength of Fannie Mae or any successor; the outstanding amount of an issue of Debt Securities in the market; the availability in the market of comparable debt securities, including Treasury securities; the level of participation of dealers of our Debt Securities in the secondary market; fluctuations in the spread of our Debt Securities relative to comparable Treasury securities; and the overall stability of the United States financial markets, may also impact the trading value, yield, and liquidity of our Debt Securities.

#### *Variable Rate Securities with a Multiplier or Other Leverage Factor*

Variable Rate Securities can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features, their market values may be even more volatile than comparable securities that do not include those features.

#### *Inverse Variable Rate Securities*

Inverse Variable Rate Securities have an interest rate equal to a fixed rate minus a rate based upon an Applicable Index. The market values of Inverse Variable Rate Securities typically are more volatile than market values of our conventional variable rate debt securities based on the same Applicable Index (and with otherwise comparable terms). Inverse Variable Rate Securities are more volatile because an increase in the Applicable Index not only decreases the interest rate of the Debt Security, but also reflects an increase in prevailing interest rates, which further adversely affects the market value of these Debt Securities.

#### *Fixed/Variable Rate Securities*

Fixed/Variable Rate Securities may bear interest at a rate that may convert or we may elect to convert from a fixed rate to a variable rate, or from a variable rate to a fixed rate. The ability to convert an interest rate will affect the secondary market and the market value of the Debt Securities since the converted rate may produce a lower overall cost of borrowing. If converted from a fixed rate to a variable rate, the Spread on the fixed/variable rate securities may be less favorable than then prevailing spreads on our comparable variable rate debt securities tied to the same Applicable Index. In addition, the new variable rate at any time may be lower than the rates on other Debt Securities. If converted from a variable rate to a fixed rate, the fixed rate may be lower than then prevailing rates on our Debt Securities.

#### *Debt Securities Subject to Optional Redemption by Fannie Mae May Fluctuate in Value Based on Prevailing Interest Rates*

An optional redemption feature of Debt Securities is likely to limit their market value. During any period when we may elect to redeem Debt Securities, the Debt Securities' market value generally will not rise substantially above the price at which we can redeem the Debt Securities. This also may be true prior to any redemption period.

We may be expected to redeem Debt Securities when our cost of borrowing is lower than the interest rate on the Debt Securities. Our decision to redeem or not redeem an issue of Debt Securities may also be impacted by any related hedge or derivative positions that we hold. If we decide to redeem an issue of Debt Securities, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Debt Securities being redeemed. The reinvestment may be at a significantly lower rate. You should consider reinvestment risk in light of other investments available at that time.

If we partially redeem an issue of Debt Securities, the trading market for the remaining outstanding Debt Securities may become less liquid, which may have an adverse effect on the market price for such securities and an investor's ability to sell such securities.

### *Debt Securities Eligible for Stripping*

Some issues of Fixed Rate Securities and Step Rate Securities will be eligible to be separated (“stripped”) into Interest Components and Principal Components. The secondary market, if any, for the Components may be more limited and be less liquid than the secondary market for Debt Securities of the same issue that have not been stripped. The liquidity of an issue of Debt Securities also may be reduced if a significant portion of the Debt Securities are stripped. See “Description of the Debt Securities—Eligibility for Stripping of Fed Book-Entry Securities” for more information on stripping.

### *Debt Securities Issued at a Substantial Discount or Premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities. The market values of Benchmark Bills, most Short-Term Notes, Zero-Coupon Securities, Interest Components and some Principal Components would be expected to behave this way.

### *Step Rate Securities*

Step Rate securities are Debt Securities where the specified interest rate increases or decreases on specified dates or intervals. We typically have the option to redeem Step Rate securities at the beginning of one or more of these periods. Therefore, you should anticipate the likelihood that the securities may be redeemed if the resulting interest rates exceed the prevailing interest rates for comparable issuances of Debt Securities. Also, you should be aware that a future increase (or decrease) of the applicable interest rates in these securities may result in the specified interest rate on such securities being below the prevailing interest rates for comparable issuances of Debt Securities.

### ***Legal Investment Considerations May Restrict Certain Investors.***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. You should consult your legal advisors to determine whether and to what extent (1) Debt Securities are legal investments for you, (2) Debt Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to your purchase or pledge of any Debt Security. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Debt Securities under any applicable risk-based capital or similar rules.

If you are subject to the jurisdiction of agencies of a governmental agency of the United States or any jurisdiction outside the United States with similar authority (for example, central banks), you should review and consider that regulator’s rules, guidelines, regulations and policy statements prior to purchasing or pledging Debt Securities.

### ***An Investment in the Debt Securities is Subject to Foreign Currency Risks.***

We may issue Debt Securities denominated in or whose principal and interest is payable in a currency other than U.S. dollars. We refer to these securities as “Non-U.S. Dollar-Denominated Securities.” If you intend to invest in any Non-U.S. Dollar-Denominated Securities, you should consult your own financial and legal advisors as to the currency risks related to your investment. The Non-U.S. Dollar-Denominated Securities are not an appropriate investment for you if you are not knowledgeable about the significant terms and conditions of the Non-U.S. Dollar-Denominated Securities or financial matters in general. The information in this Offering Circular is directed primarily to investors who are U.S. residents. Investors who are not U.S. residents should consult their own financial and legal advisors about currency-related risks arising from their investment.

Non-U.S. Dollar-Denominated Securities have significant risks that are not associated with a similar investment in Debt Securities that are payable solely in U.S. dollars. These risks include possible significant changes in rates of exchange between the U.S. dollar and the specified currency and the imposition or modification of foreign exchange controls or other conditions by either the United States or non-U.S. governments. These risks



generally are influenced by factors over which we have no control, such as economic and political events and the supply of and demand for the relevant currencies in the global markets.

#### *Currency Exchange Rates*

Exchange rates between the U.S. dollar and other currencies have been highly volatile. This volatility may continue and could spread to other currencies in the future. Fluctuations in any particular currency exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that occur during the term of the Debt Securities you hold. Fluctuations in currency exchange rates could materially and adversely affect an investment in the Non-U.S. Dollar-Denominated Securities. Depreciation of the specified currency against the U.S. dollar could result in a decrease in the U.S. dollar equivalent value of payments on the Non-U.S. Dollar-Denominated Securities. That in turn could cause the market value of the Non-U.S. Dollar-Denominated Securities to fall.

#### *Changes in Foreign Currency Exchange Rates*

Except as described in this Offering Circular or in a Pricing Supplement, we will not make any adjustment in or change to the terms of the Non-U.S. Dollar-Denominated Securities for changes in the foreign currency exchange rate for the specified currency, including any devaluation, revaluation, or imposition of exchange or other regulatory controls or taxes, or for other developments affecting the specified currency, the U.S. dollar, or any other currency. Consequently, you will bear the risk that your investment may be affected adversely by these types of events.

#### *Government Policy*

Foreign currency exchange rates either can float or be fixed by sovereign governments. Governments or governmental bodies, including the European Central Bank, may intervene in their economies to alter the exchange rate or exchange characteristics of their currencies. For example, a central bank may intervene to devalue or revalue a currency or to replace an existing currency. In addition, a government may impose regulatory controls or taxes to affect the exchange rate of its currency. As a result, the yield or payout of a Non-U.S. Dollar-Denominated Security could be affected significantly and unpredictably by governmental actions. Changes in exchange rates could affect the value of the Non-U.S. Dollar-Denominated Securities as participants in the global currency markets move to buy or sell the specified currency or U.S. dollars in reaction to these developments. If a governmental authority imposes exchange controls or other conditions, such as taxes on the transfer of the specified currency, there may be limited availability of the specified currency for payment on the Non-U.S. Dollar-Denominated Securities at their maturity or on any other payment date. In addition, the ability of a holder to move currency freely out of the country in which payment in the currency is received or to convert the currency at a freely determined market rate could be limited by governmental actions.

#### *Payments in U.S. Dollars*

The terms of any Non-U.S. Dollar-Denominated Securities may provide that we may have the right to make a payment in U.S. dollars instead of the specified currency, if at or about the time when the payment on the Non-U.S. Dollar-Denominated Securities comes due, the specified currency is subject to convertibility, transferability, market disruption, or other conditions affecting its availability because of circumstances beyond our control. These circumstances could include the imposition of exchange controls or our inability to obtain the specified currency because of a disruption in the currency markets for the specified currency. The exchange rate used to make payment in U.S. dollars may be based on limited information and would involve significant discretion on the part of our exchange rate agent. As a result, the value of the payment in U.S. dollars may be less than the value of the payment you would have received in the specified currency if the specified currency had been available. The exchange rate agent will generally not have any liability for its determinations.

### *Court Judgments*

Any Non-U.S. Dollar-Denominated Securities typically will be governed by New York law. Under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on the Non-U.S. Dollar-Denominated Debt Securities would be required to render the judgment in the specified currency. In turn, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on the Non-U.S. Dollar-Denominated Securities, you would bear currency exchange risk until judgment is entered, which could be a long time. In courts outside of New York, you may not be able to obtain judgment in a specified currency other than U.S. dollars. For example, a judgment for money in an action based on Non-U.S. Dollar-Denominated Securities in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of the specified currency into U.S. dollars will depend on various factors, including which court renders the judgment.

### *Information About Foreign Currency Exchange Rates*

If we issue a Non-U.S. Dollar-Denominated Security, we may include in the applicable Pricing Supplement information about historical exchange rates for the relevant non-U.S. dollar currency or currencies. Any information about exchange rates that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future.

### ***The United Kingdom's Impending Departure from the European Union Could Materially and Adversely Impact the Value of the Debt Securities.***

Following a national referendum in June 2016, the United Kingdom formally notified the European Council on March 29, 2017 of its intention to withdraw from the European Union ("Brexit"). In June 2017, negotiations commenced between the United Kingdom and the European Union to determine the future terms of the United Kingdom's relationship with the European Union, including, among other things, the terms of trade between the United Kingdom and the European Union, and such negotiations may last a number of years. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. Brexit could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects of Brexit (or any other country's departure from the European Union), and others we cannot anticipate, could materially and adversely impact the value of the Debt Securities.

### ***Uncertainty Relating to LIBOR may Adversely Affect the Value of the Floating Rate Notes.***

In July 2017, the U.K. Financial Conduct Authority (the "FCA") announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. Uncertainty as to the nature of potential changes to LIBOR, alternative reference rates that may replace LIBOR, or other reforms, may adversely affect the trading market for LIBOR-based Debt Securities. In addition, any changes announced by the FCA, the ICE Benchmark Administration Limited (the current LIBOR administrator), or any other successor governance or oversight body, or future changes adopted by such bodies in the method pursuant to which LIBOR rates are determined may result in a sudden or prolonged increase or decrease in reported LIBOR rates. Furthermore, in the United States, efforts to identify a set of alternative reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom, the United States, or elsewhere. Reform of, or the replacement or disappearance of, LIBOR and proposed regulation of LIBOR and other "benchmarks" may adversely affect the value and return of LIBOR-based Debt Securities.

## DESCRIPTION OF THE DEBT SECURITIES

*The description set forth below contains general provisions that apply to all Debt Securities, except as otherwise specified in this Offering Circular or a supplement to it. You should read Appendix B for a detailed description of Benchmark Bills and Short-Term Notes in particular for those provisions that, as noted below, differ from the following provisions. We will not prepare a Pricing Supplement for Benchmark Bills and other Short-Term Notes.*

**The Debt Securities, together with interest thereon, 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.**

### General

We may issue an unlimited amount of Debt Securities from time to time under the Universal Debt Facility. The Debt Securities may be issued as:

- Benchmark Securities, which are U.S. dollar denominated issues in large principal amounts. See Appendix A for a general description of our Benchmark Securities program. Our current Benchmark Securities are:
  - Benchmark Bills—non-callable Debt Securities with maturities of 360 days or less and sold at a discount or premium from their principal amount payable at maturity;
  - Benchmark Notes—non-callable Debt Securities with maturities of one to ten years; and
  - Benchmark Bonds—non-callable Debt Securities with maturities of more than ten years.

We may issue other Debt Securities, denominated in U.S. dollars or other currencies, with maturities of one day or longer. These Debt Securities will have various terms, as described in this Offering Circular and any applicable Pricing Supplement, and will be:

- Short-Term Notes—non-callable Debt Securities with maturities of 360 days or less which may be sold at a discount or premium from their principal amount payable at maturity or may be interest-bearing;
- Notes—callable or non-callable Debt Securities with maturities of one to ten years; and
- Bonds—callable or non-callable Debt Securities with maturities of more than ten years.

We will sell the Debt Securities in one or more issues having (as applicable) the same interest rate or formula, Interest Payment Dates, Maturity Date, redemption provisions, amortization provisions, denominations and other variable terms referred to below.

We will issue Debt Securities in book-entry form:

- on the book-entry system of the U.S. Federal Reserve Banks (“Fed Book-Entry Securities”); or
- in registered global form (“Global Book-Entry Securities”).

Except under the limited circumstances described under “Description of the Debt Securities—Exchange of Global Book-Entry Securities for Definitive Debt Securities,” Debt Securities will not be available in definitive form. We will establish terms of issues of Fed Book-Entry Securities pursuant to a “Statement of Terms.”

Fed Book-Entry Securities will be issued under the Fiscal Agency Agreement dated as of July 10, 2006, as it may further be amended or supplemented, between us and the U.S. Federal Reserve Banks, collectively acting as the Fiscal Agent. Global Book-Entry Securities will be issued under the Global Agency Agreement, dated as of December 21, 1999, as amended, as it may be further amended or supplemented, between us and The Bank of New York Mellon, as global agent and successor global agent to JP Morgan Chase Bank, N.A. Statements under this heading and in Pricing Supplements are subject to the detailed provisions of (1) any applicable Statement of Terms or other document establishing the terms of an issue of Fed Book-Entry Securities and the Fiscal Agency Agreement or (2) the Global Book-Entry Securities and the Global Agency Agreement.

You can review copies of any applicable Statement of Terms or other document establishing the terms of an issue of Fed Book-Entry Securities and the Fiscal Agency Agreement at our principal office in Washington, D.C. You also can review a copy of the Fiscal Agency Agreement at the Federal Reserve Bank of New York, 33 Liberty Street, New York, New York 10045. You can review a copy of the Global Agency Agreement at our principal office in Washington, D.C., and the principal U.S. corporate trust office of the Global Agent at 101 Barclay Street, New York, New York 10286. You can review a copy of the terms of any Global Book-Entry Securities at the same corporate trust office of the Global Agent.

### **Specified Currencies and Specified Payment Currencies**

Fed Book-Entry Securities will be denominated and payable only in U.S. dollars. Appendix B contains provisions relating to Short-Term Notes denominated and payable in a Specified Currency. We will set forth in the applicable Pricing Supplement any provisions relating to any non-U.S. dollar currency or currency unit (each a “Specified Currency”) in which any other Debt Security may be denominated or in which payments on such Debt Security may be made.

Except as described below, we will make interest payments in the Specified Currency designated for interest payments and principal payments in the Specified Currency designated for principal payments. (We refer to the specified interest currency and specified principal currency collectively in this Offering Circular as the “Specified Payment Currency.”) However, for Global Book-Entry Securities issued through DTC that are denominated and payable in a Specified Payment Currency other than U.S. dollars, we will make arrangements for the conversion of any payment in a non-U.S. dollar currency into U.S. dollars unless a Holder elects to receive payments in the Specified Payment Currency. We understand that Euroclear and Clearstream, unless specifically requested not to do so 15 days before the applicable Interest Payment Date or Principal Payment Date, will receive all payments of principal and interest for such Global Book-Entry Securities held through them in the applicable Specified Payment Currency if it is other than U.S. dollars. See “—Currency Conversions—Payment for Debt Securities.”

It is possible that the Specified Payment Currency for a particular Debt Security may no longer be used by the government issuing the Specified Payment Currency or used for settlement of transactions by public institutions of or within the international banking community, or that the Specified Payment Currency may not be available for any other reason, when payments on the Debt Security are due. If the government that previously issued the Specified Payment Currency has issued a new legal currency, we will make payments in that new legal currency. If there is no new legal currency or the Specified Payment Currency is unavailable due to circumstances beyond our control, such as exchange controls, we will make payments in U.S. dollars. In addition, in the circumstances and on the terms described in Appendix F, Debt Securities originally denominated in currencies that are replaced by the Euro may be redenominated to Euro.

### **Denomination**

We will issue U.S. dollar denominated Debt Securities in minimum denominations of U.S. \$1,000 and additional increments of U.S. \$1,000, unless otherwise specified in the applicable Pricing Supplement. We will issue non-U.S. dollar denominated Short-Term Notes in the denominations listed in Appendix B. We will express denominations of Zero-Coupon Securities in terms of the principal amount payable on the Maturity Date. Debt Securities originally denominated in a currency that is issued by a member state of the European Union that adopts the Euro as its single currency may be redenominated to the Euro. Provisions relating to redenomination are set forth in Appendix F.

Any Debt Securities in respect of which the issue proceeds are received by us in the United Kingdom and which have a maturity of less than one year from the date of issue must (a)(i) have a minimum redemption value of £100,000 (or an amount of equivalent value denominated wholly or partly in another currency) and no part of any such Debt Security may be transferred unless the redemption value of that part is not less than £100,000 (or such equivalent amount) and (ii) be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 (the general prohibition) of the Financial Services and Markets Act 2000.

## Reopenings

We may issue additional Debt Securities with the same terms as previously issued Debt Securities (other than the date of issuance, interest commencement date and offering price, which may vary) that will form a single issue with the previously issued Debt Securities. This type of offering often is referred to as a “reopening”. We may issue additional Debt Securities in this manner from time to time and without notice to or the consent of any Holder of a Debt Security.

## Maturity

Each Debt Security will mature on a date (the “Maturity Date”) one day or longer from its issue date, unless redeemed prior to that date. The Maturity Date for any Benchmark Bill or Short-Term Note will be 360 days or less from the date of its issuance. We will specify the Maturity Date for other Debt Securities in the applicable Pricing Supplement.

The principal amount payable on the Maturity Date of a Debt Security will be either:

- a fixed principal repayment amount equal to 100% of the outstanding principal amount, or a specified amount above or below the principal amount; or
- a variable principal repayment amount determined by reference to one or more interest rate or exchange rate indices, or otherwise.

## Interest

Benchmark Bills and most Short-Term Notes will not bear interest but will be issued at a discount or premium to their principal amount payable at maturity. Other Debt Securities may bear interest at one or more fixed rates or variable rates or may not bear interest. We will specify in the applicable Pricing Supplement whether these other Debt Securities are Fixed Rate Securities, Step Rate Securities, Variable Rate Securities, Fixed/Variable Rate Securities, Zero-Coupon Securities or Range Accrual Debt Securities.

- “Fixed Rate Securities” are Debt Securities that bear interest at a fixed rate.
- “Step Rate Securities” are Debt Securities that bear interest at specified fixed rates for specified periods.
- “Variable Rate Securities” are Debt Securities that bear interest at a variable rate determined by reference to one or more interest rate indices, or otherwise. A detailed discussion of how rates are calculated is set forth below under “—Variable Interest Rates.”
- “Fixed/Variable Rate Securities” are Debt Securities that bear interest at a fixed rate for one or more periods and at a variable rate for one or more other periods or Debt Securities that bear interest at a rate that we may elect to convert from a fixed rate to a variable rate or from a variable rate to a fixed rate.
- “Zero-Coupon Securities” are Debt Securities that do not bear interest and are issued at a discount or premium to their principal amount payable at maturity.
- “Range Accrual Debt Securities” are Variable Rate Securities that provide that no interest will accrue during periods when an applicable index is outside a specified range.

You can obtain the current interest rate on Variable Rate Securities and Fixed/Variable Rate Securities from Fannie Mae by accessing our website at [www.fanniemae.com](http://www.fanniemae.com) or calling the Fannie Mae fixed-income securities hotline at (800) 232-6643 (for international callers, (202) 752-7115). We may discontinue providing this information at any time without notice.

Descriptions of interest rate indices that may be used with respect to Variable Rate Securities, Fixed/Variable Rate Securities, or Range Accrual Debt Securities are contained in Appendix D to this Offering Circular.

We will specify in the applicable Pricing Supplement when interest will be paid on the related Debt Securities. We will pay interest in arrears on the Interest Payment Dates specified for the Debt Securities (each an “Interest Payment Date”) and on the Principal Payment Date.

Each issue of interest-bearing Debt Securities will bear interest from and including the most recent Interest Payment Date or, if no interest has been paid or made available for payment on that issue of Debt Securities, from and including the issue date of the Debt Securities (or any other date we may specify for the Debt Securities) to but excluding the next applicable Interest Payment Date or the applicable Principal Payment Date. In this Offering Circular, we refer to each of these periods as an “Interest Period.”

In this Offering Circular, we refer to the Maturity Date or any earlier date of redemption or principal repayment of an issue of Debt Securities as the “Principal Payment Date” with respect to the principal repayable on that date. No interest on the principal repaid will accrue on or after the Principal Payment Date.

Interest on any Debt Security accrues on the then outstanding principal amount. Payments on Debt Securities will be rounded, in the case of U.S. dollars, to the nearest cent or, in the case of a Specified Payment Currency other than U.S. dollars, to the nearest smallest transferable unit (with one-half cent or unit rounded upwards). We may issue securities where interest does not accrue under certain circumstances.

If any jurisdiction imposes a withholding or other tax on a payment on any Debt Security, we will not be obligated to pay additional interest or other amounts, or to redeem the Debt Securities prior to maturity.

Interest rates or yields with respect to Debt Securities may differ depending upon, among other things, the principal amount of Debt Securities the applicable Dealer expects to sell to an investor in a single transaction and the price at which the Dealer purchases the Debt Securities from us (or, in connection with sales on a non-underwritten basis, the Dealer’s commission).

### ***Variable Interest Rates***

Debt Securities that have a variable interest rate component may bear interest at a variable rate determined by reference to one or more interest rate indices, or otherwise, (1) plus or minus a Spread, if any, or (2) multiplied by a Multiplier, if any. We will specify the applicable interest rate index and any Spread or Multiplier in the Pricing Supplement for an issue of Debt Securities with a variable interest rate component. Debt Securities also may bear interest in any other manner described in the applicable Pricing Supplement.

“Spread” means a constant or variable amount to be added to or subtracted from the relevant index. “Multiplier” means a constant or variable number (which may be greater or less than 1) by which the relevant index will be multiplied. “Index Maturity” means the period to maturity of the instrument or obligation as to which the relevant index will be calculated.

Debt Securities with a variable interest rate component also may have either or both of the following:

- a maximum interest rate limitation, or “cap,” on the rate at which interest may accrue during any Interest Reset Period; and
- a minimum interest rate limitation, or “floor,” on the rate at which interest may accrue during any Interest Reset Period. Debt Securities that have a variable interest rate component will not accrue interest at a negative rate; accordingly, all such Debt Securities have a minimum interest rate limitation of 0%.

We may issue securities where the applicable interest rate may change, and/or no interest may accrue, based on the performance of one or more interest rate or exchange rate indices or otherwise.

We will specify in the applicable Pricing Supplement how frequently the rate of interest will reset, which may be daily, weekly, monthly, quarterly, semiannually, annually or any other frequency. We also will specify in the applicable Pricing Supplement the effective dates for new rates of interest, subject to the following sentence (each a “Reset Date”). If the interest rate will reset within an Interest Period, then:

- the interest rate in effect on the sixth Business Day preceding an Interest Payment Date or the Principal Payment Date will be the interest rate for the remainder of that Interest Period; and
- the first day of each Interest Period also will be a “Reset Date.” (Debt Securities may bear interest prior to the initial Reset Date at an initial interest rate specified in the applicable Pricing Supplement. If so, then the first day of the initial Interest Period will not be a Reset Date.)

Each period beginning on the applicable Reset Date and ending on the day preceding the next Reset Date is an “Interest Reset Period.” During each Interest Reset Period:

- If the Federal Funds Rate (Weekly Average) is an applicable interest rate index for a Debt Security, the rate of interest for each day in an Interest Reset Period will be determined as of a date indicated in Appendix D under “Federal Funds Rates—Federal Funds Rate (Weekly Average).”
- If the Treasury Bill Rate is an applicable interest rate index for a Debt Security, the rate of interest for each day in an Interest Reset Period will be determined as of a date indicated in Appendix D under “Treasury Bill Rate.”
- For all other interest rate indices, the rate of interest for each day in an Interest Reset Period will be determined as of the applicable Determination Date. The “Determination Date” will be:
  - for LIBOR, the LIBOR Determination Date;
  - for EURIBOR, the EURIBOR Determination Date;
  - for the Federal Funds Rate (Daily), the Federal Funds Rate (Daily) Determination Date (Following Reset), the Federal Funds Rate (Daily) Determination Date (Prior Reset), or the Federal Funds Rate (Daily) Determination Date (Same Day Reset);
  - for the Federal Funds (Open) Rate, the Federal Funds (Open) Rate Determination Date;
  - for the Prime Rate, the Prime Rate Determination Date;
  - for the CMS Rate, the CMS Determination Date; and
  - for the CMT Rate, the CMT Determination Date.

If the rate of interest will reset within an Interest Period, accrued interest will be calculated by multiplying the principal amount of the Debt Security by an accrued interest factor. This accrued interest factor will be computed by totaling the interest factors calculated for all days in the Interest Period. The interest factor for each day will be computed by dividing the interest rate for that day by the number of days in the year referred to in the applicable accrual method.

*Example.* An interest rate of 3.12345% would be expressed in decimal format as .0312345. Assuming a year of 360 days, the applicable interest rate would be calculated by dividing .0312345 by 360 resulting in an interest factor of .0000868 for one day.

In calculating the interest rate, all numbers will be expressed as a decimal and rounded to the seventh digit after the decimal point. (If the eighth digit to the right of the decimal point is five or greater, the seventh digit will be rounded up by one.)

*Example.* 3.123445% would be expressed as 0.03123445, which would be rounded to 0.0312345 (which is equivalent to 3.12345%).

Numbers subject to this rounding convention include all value inputs into indexing formulas, intermediate calculations, numbers resulting from any calculation, interest rates, interest factors and accrued interest factors.

If the format of a page, screen, display, press release or other source related to an index to be used in determining the rate of interest on a Debt Security changes but, in the discretion of the Calculation Agent, the source continues to disclose the information necessary to determine the rate substantially as described in this section or in the applicable Pricing Supplement, then the procedure for obtaining information from the source shall be deemed to be amended as determined by the Calculation Agent.

We will specify the applicable interest rate index in the Pricing Supplement for an issue of Debt Securities. Only the provisions contained in Appendix D under the heading of the specified interest rate index will apply to the related Debt Securities.

The Calculation Agent's determination of the interest rate will be final and binding on all parties, absent manifest error. The "Calculation Agent" will be Fannie Mae or a bank or broker-dealer that we designate. We will be the initial Calculation Agent unless we specify otherwise in the applicable Pricing Supplement.

### **Amortizing Securities**

We may issue Debt Securities on which there are periodic payments of principal during the term of the Debt Securities ("Amortizing Securities"). Amortizing Securities may bear interest at fixed or floating rates. We will describe in the Pricing Supplement for an Amortizing Note how interest will be calculated and how principal will be paid.

### **Indexed Securities**

We may issue Debt Securities on which the amount of principal or interest (or both) payable will be determined by reference to the price or prices of specified commodities or stocks, to the exchange rate of one or more currencies or currency units (including swap indices between currencies or currency units) relative to one or more other currencies or currency units, to other prices or exchange rates, or in any other manner described in the Pricing Supplement ("Indexed Securities"). The Pricing Supplement will describe the method for determining the amount of principal and interest, if any, payable on Indexed Securities.

### **Accrual Methods**

Each interest-bearing Debt Security will have an accrual method (*i.e.*, day count convention) for calculating interest or any other relevant accrual factor on the related Debt Securities, which may incorporate one or more of the following methods. The numbers in the denominators of each term refer to the number of days in a year or an assumed year, as applicable.

- "30/360" means a calculation on the basis of a 360-day year consisting of twelve 30-day months using the International Swaps and Derivatives Association ("ISDA") day count convention.
- "Actual/360" means a calculation on the basis of the actual number of days elapsed divided by 360.
- "Actual/365 (Fixed)" means a calculation on the basis of the actual number of days elapsed divided by 365, regardless of whether accrual or payment occurs during a leap year.



- “Actual/Actual (Accrual Basis)” means a calculation on the basis of the actual number of days elapsed divided by 365, or 366 if the day for which interest is being calculated falls in a leap year.
- “Actual/Actual (Payment Basis)” means a calculation on the basis of the actual number of days elapsed divided by 365, or 366 if the applicable Interest Payment Date falls in a leap year.

The accrual method for Fixed-Rate Securities, Step Rate Securities and the fixed-rate component of Fixed/Variable Rate Securities will be “30/360” unless we specify otherwise in the applicable Pricing Supplement. We will specify the accrual method for other Debt Securities in the applicable Pricing Supplement.

### **Business Day Convention**

If an Interest Payment Date or Principal Payment Date is not a Business Day, we will pay the interest or principal on the next Business Day. In that case, you will receive no interest on the delayed interest or principal payment for the period from and after the scheduled Interest Payment Date or Principal Payment Date to the actual date of payment.

For Fed Book-Entry Securities, “Business Day” means any day other than:

- a Saturday,
- a Sunday,
- a day on which the Federal Reserve Bank of New York is closed, or
- with respect to any required payment, a day on which the U.S. Federal Reserve Bank maintaining the book-entry account relating to the Fed Book-Entry Security is closed.

For Global Book-Entry Securities, “Business Day” means any day other than:

- a Saturday,
- a Sunday,
- a day on which banking institutions are closed in New York, New York,
- a day on which banking institutions are closed in the Principal Financial Center of the country issuing the Specified Payment Currency (in the case where the Specified Payment Currency is other than U.S. dollars or Euro), or
- a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (“TARGET2”) System is not operating (in the case where the Specified Currency is Euro, whether or not pursuant to redenomination).

“Principal Financial Center” means the capital city of the country issuing the Specified Payment Currency, except that with respect to U.S. dollars, Australian dollars, British pounds sterling, Canadian dollars, Hong Kong dollars and Swiss francs, the “Principal Financial Center” will be The City of New York, Sydney, London, Toronto, Hong Kong and Zurich, respectively.

### **No Rights of Acceleration**

The Debt Securities will not contain any provisions permitting Holders to accelerate maturity of the Debt Securities upon the occurrence of any default or other event.

## **Limitation of Damages**

Fannie Mae will not be liable for incidental, indirect, special, consequential, or punitive damages of a Holder upon the occurrence of any default or other event.

## **Book-Entry Systems**

We will issue and maintain Debt Securities as either Fed Book-Entry Securities, which will be held only on the book-entry system of the U.S. Federal Reserve Banks (the “Fed Book-Entry System”), or Global Book-Entry Securities, which will be held through the facilities of one or more other depositories.

### ***Fed Book-Entry System***

The U.S. Federal Reserve Banks, as fiscal agents for Fannie Mae, will issue Fed Book-Entry Securities in book-entry form, maintain book-entry accounts with respect to the Fed Book-Entry Securities and make payments, on our behalf, of principal and interest on the Fed Book-Entry Securities in U.S. dollars on the applicable payment dates by crediting Holders’ accounts at the U.S. Federal Reserve Banks.

The FHFA Book-Entry Regulations govern the use of the Fed Book-Entry System for our securities issued in book-entry form and the pledging and transfer of interests in the securities and are contained in 12 CFR Part 1249. The FHFA Book-Entry Regulations may be modified, amended, supplemented, superseded, eliminated or otherwise altered without the consent of any Holder of Fed Book-Entry Securities. The accounts of Holders of Fed Book-Entry Securities also are governed by applicable operating circulars and letters of the U.S. Federal Reserve Banks.

### ***Other Book-Entry Systems***

We will issue Global Book-Entry Securities that are either registered in the name of a nominee of The Depository Trust Company (“DTC”) in New York, New York, or registered in the name of the common depository (or a nominee of the common depository) for one of the following:

- Euroclear Bank S.A./N.V. (“Euroclear Bank”), as operator of the Euroclear System (“Euroclear”);
- Clearstream Banking, société anonyme (“Clearstream”); or
- another clearing system specified in the applicable Pricing Supplement.

The Bank of New York Mellon will act as the custodian for Global Book-Entry Securities held by DTC and as the “Common Depository” for Global Book-Entry Securities held by Euroclear and Clearstream. We will exchange Global Book-Entry Securities for definitive Debt Securities only under the limited circumstances described under “Description of the Debt Securities—Exchange of Global Book-Entry Securities for Definitive Debt Securities.”

## **Eligibility for Stripping of Fed Book-Entry Securities**

We may designate specific issues of Fed Book-Entry Securities that are Fixed Rate Securities or Step Rate Securities (the “Eligible Securities”) as eligible to be separated (“stripped”) into their separate Interest Components and Principal Components on the Fed Book-Entry System. We may designate Fed Book-Entry Securities as Eligible Securities either at the time of original issuance or at any other time during the period in which the securities may be stripped. We have no obligation, however, to designate any issue of Fed Book-Entry Securities as eligible to be stripped into Components.

The “Components” of an Eligible Security are:

- each future interest payment due on or prior to the Maturity Date or, if the Eligible Security is subject to redemption or principal repayment prior to the Maturity Date, the first date on which the Eligible Security is subject to redemption or repayment (in either case, the “Cut-off Date”) (each an “Interest Component”); and
- the principal payment plus any interest payments due after the Cut-off Date (the “Principal Component”).

After the last redemption date of an issue subject to redemption on one or more specified dates, if we do not redeem the issue, the Principal Component may be further stripped into Interest Components of each future interest payment due on or prior to the Maturity Date and a Principal Component of the principal payment due on the Maturity Date. The initial or final interest payment on a Fed Book-Entry Security will not be an Interest Component if the applicable Interest Period is shorter or longer than other Interest Periods, based on a 360-day year consisting of twelve 30-day months. In that case, the initial or final interest payment will remain with the Principal Component. Each Component will receive a CUSIP number.

To be stripped into Components, the principal amount of the Eligible Security must be in an amount that, based on the stated interest rate of the Eligible Security, will produce an interest payment of \$1,000 or an integral multiple thereof on each Interest Payment Date for the Fed Book-Entry Security. You currently may find out the minimum principal amount required to strip an Eligible Security by calling the Fannie Mae fixed-income securities hotline at (800) 232-6643 (for international callers (202) 752-7115. If a Fed Book-Entry Security is eligible to be stripped upon original issuance, we generally will disclose in the applicable Pricing Supplement the minimum principal amount required to strip the Fed Book-Entry Securities.

In some cases, Interest Components of two or more issues of Fed Book-Entry Securities may be due on the same day. These Interest Components may have the same or different CUSIP numbers. We currently expect that most Interest Components due on the same day (regardless of Fed Book-Entry Security issue) will have the same CUSIP number. However, we may designate them to receive different CUSIP numbers. We also may designate at any time that Interest Components of issues of Fed Book-Entry Securities originally issued on or after a specified time receive CUSIP numbers different than Interest Components of issues of Fed Book-Entry Securities originally issued prior to that time.

A Holder of an Eligible Security currently may request that the Fed Book-Entry Security be separated into its Components at any time from the date it becomes eligible to be stripped. The Holder must make a request for separation to the FRBNY and comply with any requirements and procedures, including payment of applicable fees, if any, of the FRBNY then in effect. It can take ten Business Days or longer from the date a Holder of an Eligible Security makes a request for a security to be separated for new CUSIP numbers to be assigned and the new Components to appear on the Fed Book-Entry System.

The Components may be maintained and transferred on the Fed Book-Entry System in integral multiples of \$1,000. Payments on Components will be made in U.S. dollars on the applicable payment dates (or the following Business Day if payment on the related Fed Book-Entry Security is or would be made on the following Business Day as described above in “—Business Day Convention” and below in “—Payments”) by credit to the account at a U.S. Federal Reserve Bank of the Holding Institutions whose names appear on the book-entry records of the U.S. Federal Reserve Banks as the entities to whose account the Components have been deposited (“Component Holders”).

If any modification, amendment or supplement of the terms of an issue of Fed Book-Entry Securities requires any consent of Holders, the consent for Fed Book-Entry Securities that have been stripped will be provided by the Component Holders of Principal Components. Component Holders of Interest Components will have no right to give or withhold consent. See “—Modification and Amendment.”

Currently, at the request of a Component Holder holding a Principal Component and all applicable unmatured Interest Components, the FRBNY will restore (“reconstitute”) the Principal Components of a stripped Fed Book-Entry Security and the applicable unmatured Interest Components (all in appropriate amounts) to the Fed Book-Entry Security in fully constituted form. The FRBNY charges a fee to reconstitute Fed Book-Entry

Securities. Generally, for purposes of reconstituting a Debt Security, the Principal Component of an issue of Fed Book-Entry Securities may be combined with either Interest Components of that issue or Interest Components, if any, with the same CUSIP numbers from other issues of Fed Book-Entry Securities. Component Holders wishing to reconstitute Components into a Fed Book-Entry Security also must comply with all applicable requirements and procedures of the FRBNY relating to the stripping and reconstitution of securities.

The preceding discussion is based on our understanding of the way the FRBNY currently strips and reconstitutes securities on the Fed Book-Entry System. The FRBNY may cease stripping or reconstituting Eligible Securities or may change the way this is done or the applicable requirements, procedures or charges at any time without notice.

### **Status**

The Debt Securities will be unsecured general obligations of Fannie Mae issued under Section 304(b) of the Charter Act. All Short-Term Notes and other Debt Securities will be issued under Section 304(b) of the Charter Act unless we specify otherwise in the applicable Pricing Supplement. The Debt Securities will not limit other indebtedness or securities that we may incur or issue. The Debt Securities will not contain any financial or similar restrictions on us or any restrictions on our ability to secure other indebtedness.

**The Debt Securities, together with interest thereon, 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.**

Debt Securities will not be issued under an indenture. There will be no trustee with respect to the Debt Securities.

### **Redemption**

We may not redeem Debt Securities prior to maturity, unless we specify otherwise in the applicable Pricing Supplement. We will not redeem Benchmark Bills or Short-Term Notes prior to maturity.

The most common form of redemption is redemption at our option. If we specify redemption at our option in the applicable Pricing Supplement, we may redeem all the Debt Securities or a portion of the Debt Securities from time to time. We may have the option to redeem the Debt Securities on one or more specified dates, at any time on or after a specified date, or during one or more specified periods of time. The applicable Pricing Supplement will contain the redemption price, or describe the method of determining the redemption price. Holders will receive accrued and unpaid interest on the principal amount redeemed to the date fixed for redemption.

If we elect to redeem an issue of Debt Securities, we will give notice to Holders of the Debt Securities not less than 10 days prior to the date of redemption in the manner described under “—Notices.”

We may specify in the applicable Pricing Supplement that an issue of Debt Securities will be subject to mandatory redemption by us, in whole or in part, from time to time upon terms and at prices described in the Pricing Supplement. We will give no notice to Holders of a mandatory redemption.

If we redeem a portion of an issue of Fed Book-Entry Securities, we will redeem a pro rata portion of the then outstanding principal amount of each Fed Book-Entry Security of the issue. If we redeem a portion of an issue of Global Book-Entry Securities, the Global Agent will reduce the principal amount of one or more Global Book-Entry Securities by an aggregate amount equal to the amount of the redemption, ensuring that the principal amount of each Global Book-Entry Security of the issue remains in an authorized denomination. The actual impact of our redeeming a portion of an issue of Global Book-Entry Securities on the beneficial owners will depend on the procedures of the applicable clearing system. If the beneficial owner is not a participant with that clearing system, the effect also will depend on the procedures of the participant through which the beneficial owner owns its interest in the Global Book-Entry Security.

We also may issue Debt Securities that are redeemable at the option of the Holders upon terms and procedures described in the applicable Pricing Supplement.

## **Corrections**

All value inputs into indexing formulas, intermediate calculations, numbers resulting from any calculation, interest rates, interest factors, accrued interest factors, principal amounts or components used to determine principal or interest payable on an issue of Debt Securities are subject to correction within 30 days from the applicable Interest Payment Date or Principal Payment Date. The source of a corrected value input must be the same page, screen, display, press release or other source from which the previously-used value input was to be obtained. A correction might result in an adjustment to an amount paid to a Holder.

*Example.* Assume that the applicable Pricing Supplement for a Variable Rate Security specifies LIBOR as the applicable interest rate index for determining the rate of interest payable on the Debt Security. If LIBOR for a Reset Date is obtained from the Reuters Page LIBOR01 in accordance with Appendix D, the rate may be superseded only by a corrected rate for that Reset Date obtained from the Reuters Page LIBOR01. The corrected rate would be used to determine the rate of interest payable in respect of the Variable Rate Security as of the applicable Interest Payment Date.

## **Repurchases**

We may purchase Debt Securities at any price or prices, in the open market or otherwise, at any time. We may hold, sell or cancel any Debt Securities that we repurchase.

## **Ownership of Debt Securities**

### ***Fed Book-Entry Securities***

The Fed Book-Entry Securities may be held of record only by entities eligible to maintain book-entry accounts with a U.S. Federal Reserve Bank (the “Holding Institutions”). The entities whose names appear on the book-entry records of a U.S. Federal Reserve Bank as the entities to whose accounts Fed Book-Entry Securities have been deposited are referred to as “Holders” of the Fed Book-Entry Securities. A Holder is not necessarily the beneficial owner of the Fed Book-Entry Security. Beneficial owners ordinarily hold Fed Book-Entry Securities through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner, and each other financial intermediary holding one or more Fed Book-Entry Securities directly or indirectly on behalf of the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers.

Beneficial owners of Fed Book-Entry Securities may exercise their rights with respect to Fannie Mae and the U.S. Federal Reserve Banks only through the Holders of the Fed Book-Entry Securities. Fannie Mae and the U.S. Federal Reserve Banks will have no obligation to a beneficial owner of a Fed Book-Entry Security (unless the beneficial owner is also the Holder). The U.S. Federal Reserve Banks will act only upon the instructions of Holders in recording transfers of interests in Fed Book-Entry Securities and will effect transfers of interests in Fed Book-Entry Securities only to Holding Institutions. Fannie Mae and the U.S. Federal Reserve Banks may treat the Holders as the absolute owners of Fed Book-Entry Securities for the purpose of making payments on the Fed Book-Entry Securities and for all other purposes, whether or not the Fed Book-Entry Securities are overdue and notwithstanding any notice to the contrary.

### ***Global Book-Entry Securities***

The person in whose name a Global Security is registered in the “Register” maintained by the Global Agent as registrar (in this capacity, the “Registrar”) will be the “Holder” of the Global Security. We will register Global Book-Entry Securities to be held by DTC in the name of Cede & Co. and Global Book-Entry Securities to be held by the Common Depositary in the name of The Bank of New York Depository (Nominees) Limited, or other nominee of DTC or the Common Depositary, as the case may be. Accordingly, Cede & Co. and The Bank of New York Depository (Nominees) Limited will be the Holders of the related Global Book-Entry Securities. Beneficial interests in a Global Book-Entry Security will be represented, and transfers thereof will be effected, only through book-entry accounts of financial institutions acting on behalf of the beneficial owners of that Global Book-Entry Security, as a direct or indirect participant in the applicable clearing system for that Global Book-Entry Security.

We and the Global Agent may treat the Holders as the absolute owners of Global Book-Entry Securities for the purpose of making payments and for all other purposes. Owners of beneficial interests in a Global Book-Entry Security are not the owners or Holders of that Global Book-Entry Security and, except under limited circumstances described under “Description of the Debt Securities—Exchange of Global Book-Entry Securities for Definitive Debt Securities,” are not entitled to have Debt Securities registered in their names or to receive definitive Debt Securities. Accordingly, any beneficial owner must rely on the procedures of the applicable clearing system or on the procedures of the participant through which the beneficial owner owns its interest, to exercise any rights of a Holder of the Global Security.

We understand that, if we request any action of Holders or if beneficial owners desire to take any action that a Holder is entitled to take, DTC, Euroclear or Clearstream, or their respective nominees, as the Holder of the related Global Book-Entry Security, would authorize the participants through which the relevant beneficial interests are held to take the action. The participants in turn would authorize beneficial owners owning through the participants to take the relevant action, in each case in accordance with the rules and procedures of the applicable system.

DTC, Euroclear and Clearstream can act only on behalf of their respective participants, who in turn act on behalf of indirect participants. Therefore, the ability of a beneficial owner to pledge its interest in the Global Book-Entry Securities to persons or entities that do not participate in the applicable system, or otherwise take actions in respect of that interest, may be limited by the lack of a definitive certificate. If the laws of a jurisdiction require that certain purchasers of securities take physical delivery of their securities in definitive form, this also may impair your ability to transfer beneficial interests in a Global Book-Entry Security.

## **Payments**

### ***Fed Book-Entry Securities***

We will make payments of principal and interest on Fed Book-Entry Securities in U.S. dollars on the applicable payment dates to Holders as of the end of the Business Day preceding the payment dates. See also “—Business Day Convention.” Payments on Fed Book-Entry Securities will be made by credit of the payment amount to the Holders’ accounts at the U.S. Federal Reserve Banks. All payments to or upon the order of a Holder will be valid and effective to discharge the liability of Fannie Mae and the Fiscal Agent. The Holders and each other financial intermediary holding Fed Book-Entry Securities directly or indirectly on behalf of beneficial owners will have the responsibility of remitting payments for the accounts of their customers. All payments on the Fed Book-Entry Securities are subject to any applicable law or regulation.

### ***Global Book-Entry Securities***

We will make payments on the Global Book-Entry Securities to DTC, Euroclear, Clearstream, and any other applicable clearing system (or their nominees) as the Holders thereof. We will make payments in the Specified Payment Currency (except as described under “—Specified Currencies and Specified Payment Currencies” or as otherwise described in Appendix F). For certain currency conversion facilities with respect to Global Securities held by DTC see “—Currency Conversions—Payment on Debt Securities”. All payments to or upon the order of the Holder of a Global Book-Entry Security will be valid and effective to discharge our liability in respect of that Global Book-Entry Security. Normal conventions observed by the system will determine ownership positions within each system. Neither we nor the Global Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Book-Entry Security or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

DTC has advised us that, when DTC receives any payment of principal of or interest on a Global Book-Entry Security held by it, it will credit its participants’ accounts with payments proportionate to their respective beneficial interests in the principal amount of that Global Book-Entry Security. Payments by participants to owners of beneficial interests in that Global Book-Entry Security held through those participants are the responsibility of the participants, as is now the case with securities held for the accounts of customers registered in “street name.” Euroclear and Clearstream also have advised us that payments on Global Book-

Entry Securities held through them will be credited to Euroclear participants or Clearstream participants in accordance with the applicable system's rules and procedures.

We will pay interest on Global Book-Entry Securities on the applicable Interest Payment Date. We will make interest payments to the Holder of each Global Book-Entry Security at the close of business on the fifteenth day (whether or not a Business Day) (each, a "Record Date") preceding the Interest Payment Date. (Owners of beneficial interests in a Global Book-Entry Security should be aware that the applicable clearing system may apply a different record date for the payment of interest to its participants on an Interest Payment Date.) We will make the first payment of interest on any Global Book-Entry Security originally issued between a Record Date and the related Interest Payment Date on the Interest Payment Date following the next Record Date to the Holder on the next Record Date. We will owe the principal of each Global Book-Entry Security, together with accrued and unpaid interest thereon, on the Principal Payment Date for the Global Book-Entry Security (subject to the Holder's right on the related Record Date to receive interest due on an Interest Payment Date that is on or prior to the Principal Payment Date) and will pay the Holder when the Holder presents and surrenders the Global Book-Entry Security. See also "—Business Day Convention."

All payments on Global Book-Entry Securities are subject to any applicable law or regulation. If a payment outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions, we will make payments on the related Global Book-Entry Securities at the office of any paying agent in the United States.

All money paid by us to the Global Agent or to any paying agent for principal and interest payments on any Global Book-Entry Security that remains unclaimed or undistributed at the end of one year after the principal or interest is due and payable will be subject to applicable escheat laws.

Additional provisions related to payments on non-U.S. dollar denominated Debt Securities appear under "—Currency Conversions."

## **Modification and Amendment**

### ***Fed Book-Entry Securities***

We may modify, amend or supplement the Statement of Terms which would modify, amend or supplement the terms of Fed Book-Entry Securities without the consent of Holders of any Fed Book-Entry Securities, in any manner that we determine will not adversely affect in any material way the interests of the Holders of Fed Book-Entry Securities, including:

- to cure, correct or supplement any ambiguous or defective provision in the Statement of Terms or to make any other provision with respect to the issue of Fed Book-Entry Securities that is not inconsistent with the provisions of the Statement of Terms,
- to conform the Statement of Terms to, or to cure any ambiguity or discrepancy due to changes in, the FHFA Book-Entry Regulations or the Fiscal Agency Agreement or any regulation or document that the FHFA Book-Entry Regulations or the Fiscal Agency Agreement make applicable to our book-entry securities, or
- to increase the amount of the issue of Fed Book-Entry Securities.

In addition, with either the written consent, or the affirmative vote at a meeting, of the Holders of at least a majority of the aggregate then outstanding principal amount of an issue of Fed Book-Entry Securities, we may modify, amend or supplement the Statement of Terms of such issue to add any provisions or change in any manner or eliminate any provisions of those Fed Book-Entry Securities or modify in any manner the rights of the Holders. However, without the written consent or affirmative vote of the Holder of the principal amount of that Fed Book-Entry Security, no modification, amendment or supplement may:

- change the Maturity Date of, or the due date of any installment of interest on, the Fed Book-Entry Security,
- materially modify any redemption provisions relating to the redemption price of, or any redemption date or period for, the Fed Book-Entry Security,

- reduce the principal amount of, or materially modify the rate of interest or the calculation of the rate of interest on, the Fed Book-Entry Security, or
- reduce the percentage of the then outstanding principal amount of the Fed Book-Entry Securities of which the Fed Book-Entry Security forms a part, the consent or affirmative vote of the Holders of which is necessary to modify, amend or supplement the related Statement of Terms.

Holders entitled to vote a majority of the then outstanding aggregate principal amount of an issue of Fed Book-Entry Securities will constitute a quorum at any meeting of Holders. Fed Book-Entry Securities that we own may not be counted toward establishing a quorum, or consenting to or voting for any matter presented to Holders.

Any instrument given by or on behalf of any Holder of a Fed Book-Entry Security in connection with any consent to a modification, amendment or supplement will be irrevocable once given and will be conclusive and binding on all subsequent Holders of that Fed Book-Entry Security. Except as set forth above, any modification, amendment or supplement of the terms of Fed Book-Entry Securities will be conclusive and binding on all Holders of Fed Book-Entry Securities, whether or not they have given consent or were present at any meeting.

### ***Global Book-Entry Securities***

We and the Global Agent may modify, amend or supplement the Global Agency Agreement and the terms of one or more issues of Global Book-Entry Securities without the consent of Holders of any Global Book-Entry Securities, in any manner that we and the Global Agent determine will not adversely affect in any material way the interests of the Holders, including:

- to cure, correct or supplement any ambiguous or defective provision in the Global Agency Agreement or to make any other provision with respect to the issue of Global Book-Entry Securities consistent with the provisions of the Global Book-Entry Securities,
- to increase the amount of the issue of Global Book-Entry Securities, or
- to redenominate the currency unit from the Original Specified Payment Currency to the Euro and to take all of the actions described in and contemplated by Appendix F, “Redenomination to the Euro.”

In addition, with the written consent, or the affirmative vote at a meeting, of the Holders of at least a majority of the aggregate then outstanding principal amount of Global Book-Entry Securities or an issue of Global Book-Entry Securities, we may modify, amend or supplement the Global Agency Agreement or the terms of an issue of Global Book-Entry Securities, respectively, to add any provisions or change in any manner or eliminate any provisions of Global Book-Entry Securities or modify in any manner the rights of the Holders. However, without the written consent or affirmative vote of the Holder of a Global Book-Entry Security, no modification, amendment or supplement may:

- change the Maturity Date of, or the due date of any installment of interest on, the Global Book-Entry Security,
- materially modify any redemption provisions relating to the redemption price of, or any redemption date or period for, the Global Book-Entry Security,
- reduce the principal amount of, or materially modify the rate of interest or the calculation of the rate of interest on, the Global Book-Entry Security,
- change the Specified Payment Currency of the Global Book-Entry Security (except as described in Appendix F), or



- reduce the percentage of the then outstanding principal amount of the Global Book-Entry Securities of which the Global Book-Entry Security forms a part, the consent or affirmative vote of the Holders of which is necessary to modify, amend or supplement the Global Agency Agreement or the terms of the related Global Book-Entry Securities.

Holders entitled to vote a majority of the aggregate principal amount of the Global Book-Entry Securities or applicable issue of Global Book-Entry Securities at the time outstanding will constitute a quorum at any meeting of Holders, except that at any reconvened meeting adjourned for lack of a quorum, 25% in aggregate principal amount of the Global Book-Entry Securities or applicable issue of Global Book-Entry Securities entitled to vote shall constitute a quorum. Global Book-Entry Securities that we own may not be counted toward establishing a quorum, or consenting to or voting for any matter presented to any Holder.

Special rules for determining the “principal amount” of Global Book-Entry Securities in specific circumstances are described below.

The “principal amount,” for purposes of this section, for a Global Book-Entry Security that is a Zero-Coupon Security or was issued at an “issue price” of 80% or less of its principal amount will be calculated as provided in the Global Agency Agreement by adding the “issue price” of the Global Book-Entry Security, plus the “original issue discount” that has accrued since the issue date of the Global Book-Entry Security, minus any part of the “stated redemption price at maturity” of the Global Book-Entry Security that has been paid since the issue date of the Global Book-Entry Security. See “United States Taxation—U.S. Persons—Debt Securities Issued at a Discount” for an explanation of terms used in this paragraph.

The “principal amount,” for purposes of this section, of a Global Book-Entry Security whose Specified Principal Currency is other than U.S. dollars will be the U.S. dollar equivalent, determined on the issue date, of the principal amount of the Global Book-Entry Security.

The “principal amount” of a Global Book-Entry Security with principal determined by reference to an index, exchange rate or formula will be described in the applicable Pricing Supplement.

As provided in the Global Agency Agreement, we may establish a record date for the determination of Holders entitled to vote at any meeting of Holders of Global Book-Entry Securities, to grant any consent in respect of Global Book-Entry Securities and to receive notice with respect to any meeting or consent of Holders.

Any instrument given by or on behalf of any Holder of a Global Book-Entry Security in connection with any consent to a modification, amendment or supplement will be irrevocable once given and will be conclusive and binding on all subsequent Holders of the Global Book-Entry Security. Except as set forth above, any modification, amendment or supplement of the terms of Global Book-Entry Securities will be conclusive and binding on all Holders of Global Book-Entry Securities, whether or not they have given consent or were present at any meeting.

## **Notices**

We will give notices to Holders of Fed Book-Entry Securities by broadcast through the communication system of the U.S. Federal Reserve Banks. Notice by broadcast will be considered given on the date of broadcast or, if broadcasted more than once, on the date of first broadcast. Instead of notice by broadcast, we may give notices to Holders in any reasonable manner that we determine. Notice by another manner will be considered given on the date of dissemination or, if disseminated more than once, on the date of first dissemination.

We, or the Global Agent, will give notices to Holders of Global Book-Entry Securities by mail to the addresses of the Holders as they appear in the Register. Notices by mail will be considered given on the date of mailing.

Failure to give notice or a defect in a notice to one Holder will not affect the validity of notice to other Holders.

## Exchange of Global Book-Entry Securities for Definitive Debt Securities

If we issue definitive Debt Securities in exchange for Global Book-Entry Securities as described below, the definitive Debt Securities will have the same terms as the Global Book-Entry Securities for which they were exchanged, except as described below.

*Issuance of Definitive Debt Securities.* A Holder can exchange beneficial interests in a Global Book-Entry Security for definitive Debt Securities only under the following circumstances: (1) the exchange is permitted by applicable law; and

- (2)
  - in the case of a Global Book-Entry Security held through DTC, DTC notifies us that it is no longer willing or able to act as a depository or ceases to be a “clearing agency” registered under the Exchange Act, and we cannot find a successor within 90 days after we receive notice;
  - in the case of Global Book-Entry Securities held through another depository, if all of the clearing systems for those Global Book-Entry Securities are closed for business for 14 consecutive days, or are permanently closed and we cannot find a successor within 90 days;
  - a Holder has initiated a judicial proceeding to enforce the Holder’s rights under the Global Security in court, and counsel has advised the Holder that it is necessary to have a definitive Debt Security; or
  - except in the case of 183 Day Notes (as defined in Appendix B), we, either at a Holder’s request and expense or otherwise, in our own discretion, decide to issue definitive securities. Notwithstanding the foregoing, we have agreed that our right (in our discretion) to elect to issue definitive securities in exchange for a Global Book-Entry Security will be suspended for so long as such election is inconsistent with DTC’s rules and procedures.

In any of the above circumstances, we will execute and deliver definitive Debt Securities to the Global Agent for their delivery to the Holders as soon as practicable.

*Title.* The person in whose name a definitive Debt Security is registered in the Register will be the “Holder” of the definitive Debt Security. We and the Global Agent may treat the Holders as the absolute owners of definitive Debt Securities for the purpose of making payments and for all other purposes whether or not any payments on the definitive Debt Securities are overdue.

*Payments.* We will pay interest on a definitive Debt Security on each applicable Interest Payment Date. We will pay by check mailed to the Holder at the close of business on the Record Date preceding the Interest Payment Date at the Holder’s address appearing in the Register. We will pay the principal of each definitive Debt Security, together with accrued and unpaid interest, on the Principal Payment Date against presentation and surrender of the definitive Debt Security by check at the appropriate office of the Global Agent or other paying agent or mailed by the Global Agent to the Holder of the definitive Debt Security. We will use a United States bank for checks in U.S. dollars and a bank office located outside the United States for checks in other Specified Payment Currencies. See “—Notices” for a description of how we will notify the Holders of definitive Debt Securities of the appointment and location of the paying agent.

The Holder of an aggregate principal amount of at least \$10,000,000 (or the equivalent in the Specified Currency) of an issue of Debt Securities of which definitive Debt Securities form a part may elect to receive payments by wire transfer of immediately available funds in the Specified Payment Currency to an account with a bank designated by the Holder that is acceptable to us. In order for the Holder to receive the payments, the Global Agent or other paying agent, if applicable, must receive the following by mail, hand or telex at its principal U.S. corporate trust office or its specified office, respectively:

- for interest payments, a written request by the close of business on the related Record Date
- for payments on the Principal Payment Date, a written request by the close of business 15 days prior to the Principal Payment Date and the definitive Debt Security two Business Days prior to the Principal Payment Date

All payments on definitive Debt Securities are subject to any applicable law or regulation. If a payment outside the United States is illegal or effectively precluded by exchange controls or similar restrictions, payments in respect of the related definitive Debt Securities may be made at the office of any paying agent in the United States.

*Partial Redemption.* If we redeem a portion of an issue of definitive Debt Securities, the Global Agent will select by lot, or in any other manner that the Global Agent deems fair and appropriate, those definitive Debt Securities to be redeemed, ensuring that the principal amount of each outstanding definitive Debt Security after the redemption is in an authorized denomination.

*Transfer and Exchange.* Holders may present definitive Debt Securities for transfer or exchange at the office of the Registrar or any other transfer agent, with transfer documentation completed and payment of any taxes and other governmental charges.

Holders may transfer or exchange definitive Debt Securities in whole or in part only in the authorized denominations of the Global Book-Entry Securities for which they were exchanged. See “—Denomination.” In the case of a transfer of a definitive Debt Security in part, the Registrar will issue a new definitive Debt Security for the balance not transferred.

## **Currency Conversions**

### ***Payment for Debt Securities***

Purchasers of Debt Securities must pay for the Debt Securities in the applicable Specified Currency. Dealers to whom or through whom Debt Securities are sold may arrange for the conversion of the investor’s currency into the Specified Currency to enable purchasers to pay for the Debt Securities if purchasers so request no later than the day determined by that Dealer. We will not be involved in any manner in, and will have no responsibility for, that conversion. Each Dealer will make the conversion on terms and subject to any conditions, limitations and charges that the Dealer may establish. The purchasers of the Debt Securities will bear all costs of conversion.

### ***Payment on Debt Securities***

Except as described above, we must make payments of principal of and any interest on all Debt Securities in the Specified Payment Currency. At the present time, there are limited facilities in the United States for the conversion of foreign currencies or currency units into U.S. dollars, and commercial banks generally do not offer non-U.S. dollar checking or savings account facilities. Accordingly, in the case of Global Book-Entry Securities whose Specified Payment Currency is other than U.S. dollars, the currency exchange bank specified in the applicable Pricing Supplement (the “Currency Exchange Bank”), for the Holders of the Global Book-Entry Securities, will convert any amounts paid by us in the Specified Payment Currency into U.S. dollars, unless the Holders elect to receive payments in the Specified Payment Currency as hereinafter described. We will not be involved in any manner in, and will have no responsibility for, the conversion of the Specified Payment Currency for the Global Book-Entry Securities into U.S. dollars.

The U.S. dollar amount to be received by a Holder of a Global Book-Entry Security in respect of which payments are to be converted from the Specified Payment Currency into U.S. dollars will be determined by the Currency Exchange Bank in the morning of the day that would be considered the date for “spot” settlement of the Specified Payment Currency on the applicable payment date in accordance with market convention (generally two New York business days prior to the payment date) at the market rate determined by the Currency Exchange Bank to accomplish the conversion on the payment date of the aggregate amount of the Specified Payment Currency payable in respect of Global Book-Entry Securities scheduled to receive payments converted into U.S. dollars. All currency exchange costs will be borne by the Holders of the Global Book-Entry Securities (and, accordingly, by the related beneficial owners) by deductions from the payments. Holders of Global Book-Entry Securities are subject to the risk of market disruption and the risk that all or any portion of the Specified Payment Currency will not be convertible into U.S. dollars. In those cases, Holders of the Global Book-Entry Securities will receive payment in the Specified Payment Currency.

The Holder of a Global Book-Entry Security held through DTC to be paid in a Specified Payment Currency other than U.S. dollars will have the option to receive payments of the principal of and any interest on the Global Book-Entry Security in the Specified Payment Currency by notifying DTC no later than the third New York business day after the related Record Date, in the case of payments on an Interest Payment Date, or the date 12 days prior to the Principal Payment Date, in the case of payments on the Principal Payment Date. We understand that Euroclear and Clearstream, unless specifically requested not to do so by a participant prior to the 15th day preceding the applicable Interest Payment Date or Principal Payment Date, will elect to receive all payments of principal and interest in respect of Global Book-Entry Securities held through them in the applicable Specified Payment Currency if it is other than U.S. dollars.

## **Governing Law and Judgments**

### ***Fed Book-Entry Securities***

The Fed Book-Entry Securities (including our rights and obligations with respect to the Fed Book-Entry Securities) will be governed by, and construed in accordance with, (1) regulations adopted by FHFA or any other U.S. governmental body or agency, as from time to time in effect, that apply to our Fed Book-Entry Securities, currently the FHFA Book-Entry Regulations, and (2) to the extent the regulations identified in clause (1) do not apply, the laws of the State of New York, U.S.A.

### ***Global Book-Entry Securities***

The Global Book-Entry Securities will be governed by, and construed in accordance with, the laws of the State of New York, U.S.A. Courts in the United States customarily have not rendered judgments for money damages denominated in any currency other than U.S. dollars. New York law currently provides, however, that a judgment or decree based upon an obligation denominated in a currency other than U.S. dollars will be rendered in the foreign currency of the underlying obligation and converted into U.S. dollars at a rate of exchange prevailing on the date of the entry of the judgment or decree. As a result, the Holder of a Global Book-Entry Security would be subject to exchange rate fluctuations between the date of entry of the judgment or decree and the time the foreign currency judgment or decree is paid to the Holder in U.S. dollars (whether or not the Holder then converts any amounts paid into the Specified Payment Currency).

## **Fiscal Agent and Global Agent**

### ***Other Fed Book-Entry Securities***

The U.S. Federal Reserve Banks will be the fiscal agents for Fed Book-Entry Securities. The U.S. Federal Reserve Banks currently act as Fiscal Agent under the Fiscal Agency Agreement with Fannie Mae, dated as of July 20, 2006, as it may further be amended and supplemented. Fannie Mae and the U.S. Federal Reserve Banks may amend, modify or supplement in any respect, or may terminate, substitute or replace, the Fiscal Agency Agreement without the consent of any Holder of Fed Book-Entry Securities. Where we refer in this Offering Circular to the “Fiscal Agency Agreement,” we mean the agreement in effect from time to time under which the U.S. Federal Reserve Banks act as the Fiscal Agent for the Fed Book-Entry Securities. We have engaged in, and in the future may engage in, other business relationships with them.

In acting under the Fiscal Agency Agreement, the Fiscal Agent acts solely as our fiscal agent and does not assume any obligation or relationship of agency or trust for or with any Holder.

### ***Global Book-Entry Securities***

We have appointed The Bank of New York Mellon (as successor global agent to JP Morgan Chase Bank, N.A.) as the global agent for the Global Book-Entry Securities. The Bank of New York Mellon acts as Global Agent under an agreement with Fannie Mae, dated as of December 21, 1999, as amended, as it may be further amended and supplemented. The Bank of New York Mellon, which has its principal U.S. corporate trust office at 101 Barclay Street, New York, NY 10286, is the fiscal agent under some of our debt securities and has other business relationships with us.

In acting under the Global Agency Agreement, the Global Agent acts solely as our fiscal agent and does not assume any obligation or relationship of agency or trust for or with any Holder of a Global Book-Entry Security, except that any moneys held by the Global Agent for payment on a Global Book-Entry Security will be held in trust for the Holder (as provided in the Global Agency Agreement).

We have appointed the Global Agent as Registrar, Transfer Agent and Paying Agent for the Global Book-Entry Securities. We may vary or terminate the appointment of the Global Agent as the Registrar, Transfer Agent or Paying Agent or appoint additional or other transfer agents or paying agents or approve any change in the office through which the Registrar or any transfer agent or paying agent acts.

## CLEARANCE AND SETTLEMENT

### General

Debt Securities may be held through organizations participating in one or more international and domestic clearing systems, principally the systems operated by the U.S. Federal Reserve Banks and DTC, in the United States, and Euroclear and Clearstream, in Europe. Electronic securities and payment transfer, processing, depository and custodial arrangements among these systems and others, either directly or indirectly through custodians and depositories, may enable Debt Securities to be issued, held and transferred among the systems as described below. Special procedures among these systems allow clearance and settlement of certain Debt Securities traded across borders in the secondary market. Cross-market transfers of Debt Securities denominated in some Specified Currencies may be cleared and settled using these procedures. However, there can be no assurance that cross-market transfers of any Debt Securities will be possible at any particular point in the future.

Each relevant system has its own separate operating procedures and arrangements with participants or accountholders that govern the relationship between them and the system and in respect of which we are not and will not be a party. The clearing systems may impose fees for the maintenance and operation of the accounts in which beneficial interests in the Debt Securities are maintained.

We expect that:

(1) most Debt Securities denominated and payable in U.S. dollars will clear and settle through the Fed Book-Entry System and indirectly through other clearing systems, such as Euroclear or Clearstream,

(2) Debt Securities denominated or payable in a Specified Currency other than U.S. dollars (and Debt Securities denominated and payable in U.S. dollars that are not cleared and settled in accordance with clause (1) above) will clear and settle through the system operated by DTC and indirectly through other clearing systems, such as Euroclear or Clearstream, and

(3) Debt Securities, irrespective of the Specified Currency in which they are denominated or payable, distributed solely outside of the United States will clear and settle through the systems operated by Euroclear, Clearstream or other clearing system indicated in the applicable Pricing Supplement and, in certain cases, DTC.

### The Clearing Systems

*Fed Book-Entry System.* The U.S. Federal Reserve Banks operate a book-entry system, which provides book-entry holding and settlement for U.S. dollar denominated securities issued by the U.S. government, some of its agencies and instrumentalities and international organizations of which the United States is a member. The system enables Holding Institutions to hold, make payments and transfer securities and funds through the U.S. Federal Reserve Banks' Fedwire system.

*DTC.* DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of transactions between DTC participants through electronic book-entry changes in accounts of DTC participants.

*Euroclear and Clearstream.* Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment. Euroclear is operated by Euroclear Bank S.A./N.V., as operator of the Euroclear System, and all Euroclear securities clearance and cash accounts are with Euroclear Bank, S.A./N.V. They are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law. Euroclear Bank, S.A./N.V. acts only on behalf of Euroclear participants

and has no record of, or relationship with, persons holding through Euroclear participants. Clearstream is incorporated under the laws of Luxembourg as a limited company. A participant's overall contractual relations with Clearstream are governed by the General Terms and Conditions, related operating rules and procedures and applicable Luxembourg law. Clearstream acts only on behalf of its participants and has no record of, or relationship with, persons holding through its participants.

Clearstream and Euroclear each hold securities for their participants and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer in their participant accounts. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

*Other.* We will describe in the applicable Pricing Supplement or other supplement any other clearing system that is available for a particular issue of Debt Securities.

### **Clearance and Settlement Procedures—Primary Distribution**

Upon original issuance, Debt Securities will be credited through one or more of the systems described above or any other system specified in the applicable Pricing Supplement. Payment from the applicable Dealer for Fed Book-Entry Securities will be on a delivery versus payment basis and for Global Book-Entry Securities will be on a delivery versus payment or free delivery basis, as agreed to by us. Clearance and settlement procedures may vary according to the Specified Currency in which the Debt Securities are denominated or payable. The customary clearance and settlement procedures of certain systems are described below.

*U.S. Federal Reserve Banks.* Fed Book-Entry Securities will be issued and settled through the Fed Book-Entry System in same-day funds and will be held by designated Holding Institutions. After initial issue, all Fed Book-Entry Securities will continue to be held by those Holding Institutions in the Fed Book-Entry System unless arrangements are made for the transfer thereof to another Holding Institution.

*DTC.* DTC participants acting on behalf of investors holding Global Book-Entry Securities through DTC will follow the delivery practices applicable to securities eligible for DTC's Same-Day Funds Settlement System. Global Book-Entry Securities held through DTC will be credited to DTC participants' securities accounts following confirmation of receipt of payment to us on the relevant issue date.

*Euroclear and Clearstream.* Investors holding Global Book-Entry Securities through Euroclear and Clearstream will follow the settlement procedures applicable to conventional eurobonds. These Global Book-Entry Securities will be credited to Euroclear and Clearstream participants' securities clearance accounts either on the relevant issue date or on the settlement day following the relevant issue date against payment in same-day funds, for value on the relevant issue date.

### **Clearance and Settlement Procedures—Secondary Market Transfers**

*Fed Book-Entry Securities.* Transfers of Fed Book-Entry Securities can take place only in book-entry form on the Fed Book-Entry System. These transfers will occur between Holding Institutions in accordance with the rules of the Fed Book-Entry System.

*Global Book-Entry Securities.* Transfers of beneficial interests in Global Book-Entry Securities within the various systems that may be clearing and settling interests therein will be made in accordance with the usual rules and operating procedures of the relevant system applicable to the Specified Currency in which the Global Book-Entry Securities are denominated or payable and the nature of the transfer.

*General.* For issues of Debt Securities that are cleared and settled through more than one system, time zone differences may result in the securities account of an investor in one system being credited during the settlement processing day immediately following the settlement date of the other system and the cash account being credited for value on the settlement date but only being available as of the day following the settlement date.

Although the U.S. Federal Reserve Banks, DTC, Euroclear, Clearstream and other clearing systems have procedures to facilitate transfers of beneficial interests in Debt Securities among their respective Holding Institutions, participants and accountholders, they are under no obligation to perform or continue to perform those procedures, and those procedures may be modified or discontinued at any time. None of us, the Fiscal Agent, the Global Agent or any other agent will have any responsibility for the performance by any system (other than the Fiscal Agent with respect to the Fed Book-Entry System) or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.



## UNITED STATES TAXATION

The Debt Securities and payments thereon generally are subject to taxation. Therefore, you should consider the tax consequences of owning a Debt Security, Interest Component or Principal Component before acquiring one.

We have engaged Katten Muchin Rosenman LLP as special tax counsel to review the following discussion. They have given us their opinion that the discussion correctly describes the principal U.S. federal income tax consequences to beneficial owners of Debt Securities.

The following discussion is general and may not apply to your particular circumstances for any of the following (or other) reasons:

- This summary is based on federal tax laws in effect as of the date of this Offering Circular. Changes to any of these laws after this date may affect the tax consequences described below.
- This summary discusses only Debt Securities acquired by beneficial owners at original issuance and held as capital assets (within the meaning of federal tax law). It does not discuss all of the tax consequences that may be relevant to beneficial owners subject to special rules, such as banks, thrift institutions, real estate investment trusts, regulated investment companies, tax-exempt organizations, brokers and dealers in securities or currencies, certain securities traders and certain other financial institutions. This discussion also does not discuss tax consequences that may be relevant to a beneficial owner in light of the beneficial owner's particular circumstances, such as a beneficial owner holding a Debt Security as a position in a straddle, hedging, conversion or other integrated investment, a beneficial owner whose functional currency is not the U.S. dollar, or a beneficial owner who is a recalcitrant account holder (within the meaning of section 1471 of the federal income tax code).
- The tax consequences of owning any Debt Securities with special characteristics may be set forth in a Pricing Supplement.
- The Debt Securities also are subject to taxes imposed by states and possessions of the United States and by local taxing authorities. If you reside in a state of the United States that imposes intangible property or income taxes, you should consult your own tax advisors as to the consequences of such laws.

**Because the following discussion may not apply to you, we advise you to consult your own tax advisors regarding the tax consequences of purchasing, owning and disposing of Debt Securities (or Interest Components or Principal Components), including the advisability of making any of the elections described below.**

### U.S. Persons

We sell many different types of Debt Securities. The federal income tax rules that will apply to a Debt Security will depend on the terms of that Debt Security and whether the beneficial owner is a U.S. Person. For purposes of the following discussion, a "U.S. Person" means:

- a citizen or individual resident of the United States,
- a corporation created or organized in or under the laws of the United States or any state thereof or the District of Columbia,
- an estate the income of which is includible in its gross income for U.S. federal income tax purposes without regard to its source,
- a trust if a court within the United States is able to exercise primary supervision over its administration and at least one U.S. Person has the authority to control all substantial decisions of the trust, or

- certain trusts in existence on August 20, 1996, and treated as United States persons (within the meaning of section 7701(a)(30) of the federal income tax code) prior to such date, that elect to continue to be treated as United States persons, as provided in Treasury Regulations.

If a partnership holds the Debt Securities, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Debt Securities should consult its tax advisor regarding the consequences to the U.S. federal income tax treatment of an investment in the Debt Securities. The first part of the following discussion is addressed to beneficial owners who are U.S. Persons, the second part is addressed to beneficial owners who are not U.S. Persons (“non-U.S. Persons”) and the last part addresses rules concerning information reporting to the U.S. Internal Revenue Service (the “IRS”) and backup withholding.

If you are a U.S. Person and own a Debt Security, income from that Debt Security is subject to U.S. federal income taxation, and if you own the Debt Security when you die, the Debt Security will be included in your estate subject to any applicable U.S. federal estate tax.

### ***Tax Status of Debt Securities for Building and Loans, Savings Banks and REITs***

The IRS has ruled that Fannie Mae is an instrumentality of the United States for purposes of section 7701(a)(19) of the federal income tax code. Therefore, domestic building and loan associations and savings banks may treat investments in our securities as part of the percentage of total assets they must invest in specified assets, which includes “stock or obligations of a corporation which is an instrumentality of the United States.” Further, the IRS permits real estate investment trusts (“REITs”) to treat holdings of Fannie Mae securities as “government securities” for purposes of the requirement that 75% of the value of their total assets consists of real estate assets, cash and cash items (including receivables), and government securities.

### ***Reopenings of Debt Securities***

Final tax regulations address whether additional debt instruments issued in a reopening will be considered part of the same issue as the original debt instruments for tax purposes. Unless otherwise specified in the applicable Pricing Supplement, a reopening of Debt Securities will comply with those regulations.

### ***Payments of Interest***

Interest paid on a Debt Security generally is taxable as ordinary interest income. You must report this income when it accrues or you receive it, depending on your method of accounting for U.S. federal income tax purposes. You may have to follow special reporting rules, however, if your Debt Security has “original issue discount” (“OID”), as described in the following paragraphs.

Certain non-corporate beneficial owners will be subject to an increased rate of tax on some or all of their “net investment income,” which generally will include interest, OID and market discount realized on a Debt Security and any net gain recognized upon a disposition of a Debt Security. You should consult your tax advisor regarding the applicability of this tax in respect of your Debt Security.

### ***Debt Securities Issued at a Discount***

If you purchase a Debt Security at original issuance at a price below its principal amount, the federal income tax laws generally treat the difference between the amount you paid and the Debt Security’s principal amount as OID. Zero Coupon Debt Securities will, and other Debt Securities may, be issued with OID. In addition, if you purchase at original issuance a Debt Security that matures one year or less from its issuance date, that Debt Security has OID as described below under “United States Taxation—U.S. Persons—Debt Securities with a Term of One Year or Less.” Rules in the federal tax laws (the “OID Regulations”) define OID as the excess of the “stated redemption price at maturity” (defined below) of each such Debt Security over its “issue price” (defined below) if such excess equals or exceeds a *de minimis* threshold amount. The *de minimis* threshold amount is defined as one-quarter of one percent of such Debt Security’s stated redemption price

at maturity multiplied by the number of complete years to its maturity. The “stated redemption price at maturity” of a Debt Security is the sum of all payments on the Debt Security other than interest based on a fixed rate (or, generally, a variable rate, unless an applicable Pricing Supplement states otherwise) and payable unconditionally at least annually. The “issue price” of a Debt Security is the first price at which a substantial amount of that issue of Debt Securities is sold to the public for cash (ignoring sales to bond houses, underwriters, placement agents and other wholesalers).

If you own a Debt Security with OID less than the *de minimis* threshold amount, you must include that OID in income, as capital gain, on a *pro rata* basis as principal payments are made on the Debt Security.

If your Debt Security has OID equal to or greater than the *de minimis* threshold amount, you must include the OID in income as it accrues, which may be before you receive cash attributable to such income. You must include OID in income using the yield to maturity of the Debt Security (as defined in the OID Regulations), which is computed based on a constant annual rate of interest and compounding at the end of each accrual period. The OID Regulations permit you to use accrual periods of any length from one day to one year to compute accruals of OID, provided each scheduled payment of principal or interest occurs either on the first or the last day of an accrual period. Under these rules, you must include in income increasingly greater amounts of OID in successive accrual periods, unless payments that are part of the stated redemption price at maturity of a Debt Security are made before its final maturity.

#### ***Debt Securities Issued with Fixed/Variable Interest***

If you purchase a Debt Security that bears interest at a rate that may be converted from a fixed rate to a variable rate, or from a variable rate to a fixed rate, the OID Regulations generally treat such Debt Securities as “variable rate debt instruments” (“VRDIs”). The rules applicable to VRDIs generally require that, for OID purposes, a VRDI be treated as an equivalent fixed rate debt instrument. For this purpose, the rules assume a fixed rate substitute for each variable rate equal to the value of the variable rate index as of the issue date of the VRDI. Based on our assumption of the value of the applicable variable rate index for the Debt Securities as of the issue date of the Debt Securities and taking into account the actual fixed rate payable on the Debt Securities, the Debt Securities for OID purposes ordinarily would be treated as paying one fixed rate of interest for one or more periods and as paying a higher fixed rate of interest for subsequent periods. The date the higher fixed rate becomes effective coincides with the date that we may redeem (“call”) the Debt Securities. The OID Regulations contain additional rules that apply to Debt Securities that we may redeem before their final maturity. See “United States Taxation— U.S. Persons—Debt Securities That We May Redeem Before Maturity” below. Under these rules, we will be presumed, solely for OID purposes, to exercise the call right with respect to the Debt Securities, because doing so would lower the yield to maturity of the Debt Securities. If we do not exercise the call right, the Debt Securities will be deemed to be retired and reissued at the call price for purposes of determining subsequent accruals of interest and OID. As a result of these rules, the Debt Securities will not have OID solely as a result of the structure of their interest rates, because the Debt Securities will not be treated as bearing interest at more than one fixed rate.

#### ***Range Accrual Debt Securities***

If you purchase a Debt Security that provides that no interest will accrue during periods when an applicable index is outside a specified range, we intend to generally treat such Debt Securities as VRDIs under the OID Regulations and the interest payable on the Debt Security as qualified stated interest under the VRDI rules. Accordingly, you will include interest with respect to the Debt Security as ordinary income in accordance with your method of accounting for U.S. federal income tax purposes. If you are a cash method taxpayer, you will include interest in income in the year in which you receive an interest payment. If you are an accrual method taxpayer, you will include interest in income during the year in which it is earned or accrued, without regard to when an actual interest payment is received. Upon disposition of the Debt Security by sale, exchange, redemption, or repayment of principal at maturity, you will generally recognize taxable gain or loss.

Although unlikely, it is possible that the Debt Security will be taxed in some other manner. You should consult your tax advisor regarding alternative treatments of the Debt Security, including the possible application of the contingent payment debt regulations.

### ***Subordinated Debt Securities***

Under the OID Regulations, a debt instrument will generally be treated as issued with OID if the stated interest on the debt instrument does not constitute “qualified stated interest.” Qualified stated interest is generally any one of a series of stated interest payments on a debt instrument that are unconditionally payable at least annually at a single fixed rate. In determining whether stated interest on a debt instrument is unconditionally payable and thus constitutes qualified stated interest, remote contingencies as to the timely payment of stated interest are ignored.

In the case of a Subordinated Debt Security, we may be required to defer the payment of interest. Thus, interest on a Subordinated Debt Security would not be unconditionally payable at least annually for purposes of the OID Regulations. If any payment of interest on a Subordinated Debt Security was actually deferred, the Subordinated Debt Security would be treated as issued with OID at the time of such deferral, and all stated interest would thereafter be treated as OID as long as the Subordinated Debt Security remained outstanding. In that event, all of a beneficial owner’s taxable interest income in respect of the Subordinated Debt Security would constitute OID that generally would have to be included in income as described under “Debt Securities Issued at a Discount” above.

### ***Debt Securities That We May Redeem Before Maturity***

The OID Regulations contain additional rules that apply to Debt Securities that we may call prior to their final maturity date. Under these rules, we will be presumed to exercise a call right if doing so would lower the yield to maturity of the callable Debt Security. If this presumption applies, but we do not exercise the call right, the Debt Security will be deemed reissued at its adjusted issue price for purposes of determining subsequent accruals of interest and OID. The “adjusted issue price” of a Debt Security is defined as the sum of the issue price of the Debt Security and the aggregate amount of previously accrued OID, if any, less any prior payments of amounts included in its stated redemption price at maturity.

The rules concerning callable Debt Securities are especially important for determining the OID treatment of “Step-Up Debt Securities.” Step-Up Debt Securities are Debt Securities that have an initial fixed interest rate that increases to a higher fixed rate on a specified date, and are redeemable at par on the date the rate changes (including Debt Securities that also may be redeemable prior to that date or that may increase to a higher fixed rate at a later date).

Step-Up Debt Securities that are issued at par will be treated as maturing on the first permissible call date because the yield to maturity would be lower if they were called prior to an increase in the stated interest rate. If an issue of Step-Up Debt Securities is not in fact called on that date, or is called only in part, the Step-Up Debt Securities (to the extent of their remaining outstanding principal amount) will be deemed to be called and reissued at par. The above rules also apply to any deemed reissued Debt Securities that would be a Step-Up Debt Security if issued on the deemed reissue date. As a result of these special rules, Step-Up Debt Securities do not have any OID solely as a result of the structure of their interest rates. Thus, if you own Step-Up Debt Securities you should take stated interest into account under your regular method of accounting.

If the Step-Up Debt Securities are issued at a discount and the yield to maturity will be lowered if they are called on the date the rate changes, they will be treated for federal income tax purposes as maturing on that date. As a result of the deemed maturity date, the Step-Up Debt Securities may have OID that is equal to or greater than the *de minimis* threshold amount and, in that case, will be treated as issued with OID.

If a principal purpose in structuring a Debt Security is to achieve a result that is unreasonable in light of the purpose of the rules relating to OID, then the OID Regulations provide that the IRS can apply or depart from the OID Regulations, including the rules relating to the exercise of call rights described above, as necessary or appropriate to achieve a reasonable result. We intend to report income on any Step-Up Debt Security with the features described above assuming this anti-abuse rule does not apply.

### ***Debt Securities with a Term of One Year or Less***

All stated interest payments on a Debt Security that matures one year or less from the date it is issued (a “Short-Term Obligation”) are included in the stated redemption price at maturity of the Debt Security and, therefore, are treated as OID.

Unless you either are required or elect (as described below) to include OID on a Short-Term Obligation in income currently, if you use the cash method of accounting, which most individual taxpayers do, you must with respect to OID on a Short-Term Obligation:

- include OID in income when received;
- include in ordinary income any gain realized upon the sale, exchange or retirement of a Short-Term Obligation to the extent of accrued OID (determined on a straight-line basis, unless you make an irrevocable election to determine such accrued OID on the basis of the Debt Security's yield to maturity and daily compounding); and
- defer deductions for interest expense on any indebtedness you incurred or continued to purchase or carry the Short-Term Obligation, in an amount not exceeding the deferred interest income, until you recognize the deferred interest income.

A beneficial owner of a Short-Term Obligation who uses the cash method and who is not otherwise required to account for interest or OID on a Short-Term Obligation as it accrues may elect to include in income OID as it accrues (as if the beneficial owner used the accrual method of accounting, under the rules described in the following paragraph). This election will apply to all debt obligations having a maturity of one year or less that the beneficial owner holds in the taxable year of the election and in all subsequent years. A beneficial owner may revoke the election described in this paragraph only with the consent of the IRS.

If you use the accrual method of accounting, or regardless of your method of accounting, if you are a bank, regulated investment company, or are described in section 1281(b) of the federal income tax code, you are required to include OID on a Short-Term Obligation in income as it accrues on a straight-line basis. Alternatively, you may make an irrevocable election to accrue such OID on the basis of the Debt Security's yield to maturity and daily compounding.

In addition, any beneficial owner may make the election described below under "United States Taxation—U.S. Persons—Accrual Method Election" for a Short-Term Obligation. That election is independent of the elections described in the preceding paragraphs.

In certain cases, Step-Up Debt Securities may provide for a fixed interest rate that increases to a higher fixed interest rate exactly one year (or less) after the date of issuance. In such cases, the Step-Up Debt Securities would not be characterized as Short-Term Obligations under the OID Regulations, even though it is presumed for purposes of computing accruals of interest and OID that we will call the Step-Up Debt Securities one year or less after they are issued.

The federal income tax laws are unclear concerning how to determine the amount of interest or OID income accruing on a variable rate Debt Security with a term of one year or less. One method would be to treat the stated interest on such a Debt Security as interest that is taxable as ordinary interest income. Alternatively, the stated interest on a variable rate Debt Security that is also a Short-Term Obligation could be treated as OID under the rules described above for Short-Term Obligations. Generally, the two methods will not produce materially different results.

If you purchase a Short-Term Obligation at a purchase price that exceeds its stated redemption price at maturity (at a "premium"), there will be no OID to include in income with respect to such Short-Term Obligation. The rules for the treatment of premium in a situation where a Debt Security has a negative yield are unclear. As discussed below under "Debt Securities Purchased as a Premium," the general rule is that premium is treated as an offset to OID rather than as a separate deduction. Section 171(e) of the federal internal revenue code states that Treasury Regulations may provide an exception to this general rule in the case of debt instruments with no stated interest. Recently issued Treasury Regulations provide that a holder that has elected to amortize bond premium may deduct all or a portion of the premium when the Debt Security is sold or retired. You should consult an independent tax advisor regarding treatment of premium on Short-Term Obligations, including treating the premium as amortizable or treating any loss on the Short-Term Obligation as an ordinary expense.

### ***Debt Securities Purchased at a Premium***

If you purchase a Debt Security for an amount (net of accrued interest) in excess of its principal amount (or, in the case of a Debt Security with OID, its stated redemption price at maturity) you will have premium with respect to such Debt Security in the amount of such excess. A beneficial owner who purchases a Debt Security at a premium may elect to treat such premium as “amortizable bond premium.” If you make this election, the amount of interest that you must include in income for each accrual period (where such Debt Security is not optionally redeemable prior to its Maturity Date) is reduced by the portion of the premium allocable to such period based on the Debt Security’s yield to maturity. If the amortizable bond premium allocable to an accrual period exceeds the interest allocable to the accrual period, you treat the excess as a bond premium deduction for the accrual period. However, the amount treated as a bond premium deduction is limited to the amount by which your total interest income on the Debt Security in prior accrual periods exceeds the total amount treated by you as a bond premium deduction on the Debt Security in prior accrual periods. If a Debt Security may be called prior to maturity, but after you acquired it, you generally may not assume that the call will be exercised and must amortize premium to the Maturity Date. If the Debt Security is in fact called, you may deduct any unamortized premium in the year of the call. If you make the election described above, the election will apply to all debt instruments the interest on which is not excludible from gross income (“Fully Taxable Bonds”) that you hold at the beginning of the first taxable year to which the election applies and to all Fully Taxable Bonds you later acquire. You may revoke this election only with the consent of the IRS.

If you do not make this election, you must include the full amount of each interest payment in income in accordance with your regular method of accounting and you will receive a tax benefit from the premium only in computing your gain or loss upon the sale or other disposition or retirement of the Debt Security. In the case of a Short-Term Obligation, the election is available only to those cash-method beneficial owners that neither are required nor have elected to account for interest or OID on the Short-Term Obligation as it accrues.

If you purchase a Debt Security with OID at a purchase price that exceeds the stated redemption price at maturity of a Debt Security, you are not required to include in income any OID with respect to such Debt Security.

### ***OID Debt Securities Purchased at an Acquisition Premium***

If you purchase a Debt Security with OID for an amount in excess of its adjusted issue price (as defined below) but less than its stated redemption price at maturity, you will have acquisition premium with respect to such Debt Security in the amount of such excess. If you purchase a Debt Security with OID at an acquisition premium, the amount of OID you will include in income in each taxable year will be reduced by that portion of the acquisition premium properly allocable to such year. Unless you make the accrual method election described below in “United States Taxation—U.S. Persons—Accrual Method Election,” acquisition premium is allocated on a *pro rata* basis to each accrual of OID, so that you are allowed to reduce each accrual of OID by a constant fraction.

### ***Debt Securities Purchased at a Market Discount***

If you purchase a Debt Security (other than a Short-Term Obligation) at a price less than its stated redemption price at maturity (or, in the case of a Debt Security with OID, its adjusted issue price) you will have market discount with respect to such Debt Security in the amount of the shortfall. If you purchase a Debt Security with market discount you are required (unless such market discount is less than a *de minimis* amount) to treat any principal payments on, or any gain realized upon the disposition or retirement of such Debt Security, as interest income to the extent of the market discount that accrued while you held such Debt Security, unless you elect to include such market discount in income on a current basis. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the beginning of the first taxable year to which the election applies. You may revoke the election only with the consent of the IRS. Market discount is considered to be *de minimis* if it is less than one-quarter of one percent of a Debt Security’s stated redemption price at maturity multiplied by the number of complete years to maturity after the beneficial owner acquired such Debt Security. If you dispose of a Debt Security with more than a *de minimis* amount of market discount in a nontaxable transaction (other than a nonrecognition transaction described in section 1276(d) of the federal income tax code), accrued market discount is includible as ordinary income as if you had sold the Debt

Security at its then fair market value.

If you acquire a Debt Security at a market discount and you do not elect to include market discount in income on a current basis, you may be required to defer the deduction of a portion of the interest expense on any indebtedness you incurred or continued to purchase or carry the Debt Security until the deferred income is realized.

### ***Accrual Method Election***

You may elect to include in gross income your entire return on a Debt Security (*i.e.*, the excess of all remaining payments to be received on the Debt Security over the amount you paid for the Debt Security) based on the compounding of interest at a constant rate. Such an election for a Debt Security with amortizable bond premium will result in a deemed election for all your debt instruments with amortizable bond premium to amortize the premium. Such an election for a debt security with market discount will result in a deemed election for all your debt instruments with market discount that you acquire on or after the beginning of the taxable year in which you make the election. You may revoke the accrual method election only with the permission of the IRS.

### ***Disposition or Retirement of Debt Securities***

When you sell, exchange or otherwise dispose of a Debt Security, or when we retire a Debt Security (including by redemption), you will recognize gain or loss equal to the difference, if any, between the amount you realize upon the disposition or retirement and your tax basis in the Debt Security. Your tax basis for determining gain or loss on the disposition or retirement of a Debt Security generally is your U.S. dollar cost of such Debt Security, increased by the amount of OID and any market discount includible in your gross income with respect to such Debt Security, and decreased by the amount of any payments under the Debt Security that are part of its stated redemption price at maturity and by the portion of any premium previously taken into account.

Gain or loss you realize on a disposition or retirement of a Debt Security is capital gain or loss (except to the extent the gain represents accrued interest, OID or market discount on the Debt Security not previously included in gross income, to which extent such gain or loss would be treated as ordinary income). Any capital gain or loss is long-term capital gain or loss if at the time of disposition or retirement you held the Debt Security for more than one year. The deductibility of capital losses is subject to limitations. Tax rates on capital gain for individuals vary depending on the individual's income and the holding period for the Debt Security. Beneficial owners who are individuals should contact their own tax advisors for information regarding the capital gains tax applicable to an investment in a Debt Security.

If you own redeemable Debt Securities, such as Step-Up Debt Securities, and if a call right that is presumed exercised is not in fact exercised, the deemed reissuance of the Debt Securities for purposes of computing subsequent accruals of interest and OID will not result in a deemed disposition or retirement of the Step-Up Debt Securities.

### ***Debt Securities with Payments Based on a Non-U.S. Currency***

Special rules govern the taxation of Debt Securities whose interest and principal payments are made in a currency other than U.S. dollars (a "Non-U.S. Currency") or are determined by reference to a Non-U.S. Currency. This discussion addresses only Debt Securities whose interest or principal payments are made in or determined by reference to a single Non-U.S. Currency. Generally, a beneficial owner first will compute its interest or OID income on such a security in the Non-U.S. Currency and then will translate that income into U.S. dollars. The method and timing of the translation will depend on the beneficial owner's usual method of accounting and whether the Debt Security has OID.

### ***Debt Securities without OID***

If you are a cash method taxpayer and your interest payment is made in or determined by reference to a Non-U.S. Currency, the amount of income you recognize will be the U.S. dollar value of the interest payment you receive, based on the spot exchange rate on the date you receive it, regardless of whether the payment is in fact converted to U.S. dollars.

If you are an accrual method taxpayer, you may determine the amount of income recognized on your interest payment using either of two methods, in either case regardless of whether the payments are in fact converted into U.S. dollars. Under the first method, the amount of income you recognize will be based on the average exchange rate during the interest accrual period. When an accrual period includes parts of two taxable years, the exchange rate you will use to determine your income for that portion of the accrual period in each of the years will be the average exchange rate for the portion of the accrual period in that year.

Under the second method, an accrual method taxpayer may elect to use the exchange rate in effect on the last day of the accrual period to translate interest income into U.S. dollars. When an accrual period includes parts of two taxable years, you will determine your income for that portion of the accrual period in the first taxable year based on the exchange rate in effect at the end of the year, and you will use the exchange rate in effect at the end of the accrual period to determine your income for that portion of the accrual period in the second year. If the payment of interest is made or received within five business days of the last day of the accrual period or taxable year, that taxpayer instead may use the exchange rate in effect on the day the payment is received to translate such accrued interest into U.S. dollars. If you make this election, it will apply to all debt instruments you hold at the beginning of the first taxable year to which the election applies or thereafter acquired. You may revoke the election only with the consent of the IRS.

When you receive an interest payment denominated in or determined by reference to a Non-U.S. Currency (including a payment attributable to accrued but unpaid interest you receive when you sell a Debt Security or we retire it), you will recognize ordinary income or loss due to changes in exchange rates, which will be measured by the difference between the amount of interest income accrued and the value of the interest payment received. If all payments on a Debt Security are payable in or determined by reference to a single Non-U.S. Currency, amortizable premium will, if you so elect, reduce the amount of foreign currency interest income on such Debt Security. You will be required to recognize ordinary exchange gain or loss attributable to movements in exchange rates between the time premium is paid to acquire the Debt Security and the time it offsets interest income by treating the amount of premium as a return of principal.

#### *Debt Securities with OID*

If a Debt Security whose payments are denominated in or determined by reference to a Non-U.S. Currency is issued with OID, a beneficial owner will compute the accruals of OID in that Non-U.S. Currency. The accruals then will be translated into U.S. dollars under the rules described above for accrual method beneficial owners. The rules in this paragraph apply to both cash method beneficial owners and accrual method beneficial owners.

#### *Disposition or Retirement of Debt Securities*

When you sell, exchange or otherwise dispose of a Debt Security, or when we retire a Debt Security (including by redemption), you will recognize gain or loss equal to the difference, if any, between the amount you realize upon the disposition or retirement and your tax basis in the Debt Security. The amount you realize on a disposition or retirement when you are paid an amount in a Non-U.S. Currency will be the U.S. dollar value of that amount either on the date of disposition or retirement or on the settlement date, the latter applying only in the case of a Debt Security traded on an established securities market and sold by a cash method taxpayer or an electing accrual method taxpayer. If you are paid in U.S. dollars upon the disposition or retirement of a Debt Security payable by its terms in a Non-U.S. Currency, that amount may not be the same as the amount you realize for tax purposes, which is described in the preceding sentence.

Your tax basis for determining gain or loss on the disposition or retirement of a Debt Security will be your U.S. dollar cost of such Debt Security, increased by the amount of OID and market discount includible in your gross income from the Debt Security, and decreased by the amount of any payments under the Debt Security that are part of its stated redemption price at maturity and by the portion of any premium previously taken into account. The U.S. dollar cost of Debt Securities purchased with Non-U.S. Currency generally will be the U.S. dollar value of the purchase price either on the date of purchase or on the settlement date for the purchase, the latter applying only in the case of Debt Securities traded on an established securities market and purchased by a cash method taxpayer or an electing accrual method taxpayer. If you purchase a Debt Security



by converting U.S. dollars into the Non-U.S. Currency in which that Debt Security is payable, the U.S. dollar amount so converted may not be the same as the U.S. dollar value of the purchase price on the date of purchase or settlement, which, as described in the preceding sentence, is used to calculate your tax basis.

Gain or loss you realize on a disposition or retirement of a Debt Security will be capital gain or loss, with two exceptions: (1) to the extent the gain represents accrued interest, OID or market discount on the Debt Security not previously included in gross income or (2) to the extent the gain or loss is attributable to changes in exchange rates. To the extent gain or loss falls into these exceptions, such gain or loss would be ordinary income. More information about the treatment of capital gains and losses is described above under “United States Taxation—U.S. Persons—Disposition or Retirement of Debt Securities.”

#### *Exchanges of Non-U.S. Currency*

Non-U.S. Currency you receive as interest on a Debt Security or on the disposition or retirement of a Debt Security will have a tax basis equal to its U.S. dollar value at the time you receive the interest or at the time of the disposition or retirement. Non-U.S. Currency you purchase generally will have a tax basis equal to the U.S. dollar value of such Non-U.S. Currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a Non-U.S. Currency (for example, if you use it to purchase Debt Securities or exchange it for U.S. dollars) will be ordinary income or loss.

#### *Conversion to the Euro*

A conversion of an amount payable on a Debt Security from a national currency of a participating member state of the European Union (“legacy currencies”) to the Euro will not be treated as an event giving rise to the recognition of gain or loss for federal income tax purposes. Similarly, the conversion of an amount paid on a Debt Security from a legacy currency into Euro will not be a recognition event.

### ***Interest and Principal Components of Eligible Securities***

#### *Beneficial Owners of Interest and Principal Components*

For federal income tax purposes, the separation of ownership of the right to receive some or all of the interest payments on an Eligible Debt security from ownership of the right to receive some or all of the principal payments results in the creation of “stripped bonds” with respect to the principal payments and “stripped coupons” with respect to the interest payments. Consequently, a purchaser of a Principal Component or an Interest Component will be considered to own stripped bonds or stripped coupons, respectively.

The purchase of an Interest or Principal Component of an Eligible Debt Security will be treated as if the Component had been issued to the new beneficial owner on the date of purchase for an issue price equal to the purchase price paid for that Component. Accordingly, the tax consequences to a beneficial owner of an Interest or Principal Component are determined as if the Component were a Debt Security issued on the date of purchase or, in the case of a Component maturing one year or less from the date of purchase, a Short-Term Obligation issued on that date. The stated redemption price at maturity of an Interest or Principal Component is the amount payable on that Component (or the sum of all amounts payable, in the case of certain Principal Components calling for more than one payment).

Special rules apply to Principal Components of Eligible Debt Securities, such as Step-Up Debt Securities, that we may redeem before they mature (“Callable Principal Components”). As described above in “United States Taxation—U.S. Persons—Debt Securities That We May Redeem Before Maturity,” if a debt instrument may be called prior to its maturity, a presumption is made that the call will be exercised if the yield to the call date is less than the yield to maturity. In applying this rule to a Callable Principal Component, it is not clear whether this determination is to be made separately for the Callable Principal Component or with respect to the underlying Eligible Debt Securities. If the call is presumed to be exercised, but is not exercised in fact, the Callable Principal Component is treated, solely for purposes of accruing OID, as if the call had been exercised and a new Eligible Debt Security issued on the presumed exercise date for an amount equal to the call price. In such event, the interest payments on the new Debt Security should be treated as interest in accordance with the beneficial owner’s normal method of accounting. If, conversely, the call is presumed not exercised and in fact is

exercised, then the Callable Principal Component is considered to have been redeemed prior to maturity.

#### *Tax Consequences of Stripping an Eligible Debt Security*

A beneficial owner of an Eligible Debt Security is taxed on income from the Debt Security as if the ability to “strip” the Debt Security did not exist, unless and until both the Eligible Debt Security is stripped and the beneficial owner disposes of some or all of the resulting Components. The mere exchange of an Eligible Debt Security for Interest and Principal Components, without the disposition of any of those Components, should not be treated as a taxable event. If you exchange an Eligible Debt Security for Interest and Principal Components and dispose of all of those Components, you effectively will be treated as if you had disposed of the Eligible Debt Security. See “United States Taxation—U.S. Persons—Disposition or Retirement of Debt Securities.” If you dispose of less than all the Components resulting from the stripping transaction, you will be required to take the following steps:

- include as income all interest and market discount accrued on the Eligible Debt Security not previously included as income,
- increase your basis in the Debt Security by the same amount,
- allocate your adjusted basis in the Debt Security among the Components in proportion to the respective fair market values of those Components, and
- recognize gain or loss with respect to each disposition of a Component equal to the difference between the amount realized and the basis allocated to that Component.

Generally, any gain or loss on the disposition of an Interest or Principal Component is capital gain or loss.

You will be taxed on each retained Component as if you had purchased the retained Component for an amount equal to the basis allocated to that Component.

#### *Ownership of Pro Rata Share of Outstanding Interest and Principal Components*

If you purchase the same *pro rata* share of Principal Components and the related unmatured Interest Components, while the matter is not free from doubt, it appears that you should treat each Component separately, rather than as a combined Eligible Debt Security. You may purchase the same *pro rata* share of Principal Components and the related Interest Components and request the FRBNY to reconstitute such Components as an Eligible Debt Security. While the matter again is not free from doubt, it appears that you should not treat the reconstitution as a taxable exchange and you should continue to treat each Component separately. The IRS could assert, however, that combined treatment as an Eligible Debt Security should apply to an investor owning a *pro rata* share of all outstanding Components or that combined treatment applies once there has been a reconstitution.

#### **Non-U.S. Persons**

The following discussion applies to you if you are a non-U.S. Person.

#### ***Interest and OID***

If you own a Debt Security and are a non-U.S. Person, each payment of interest (including OID, if any) on the Debt Security generally will be subject to a 30% U.S. withholding tax, unless

- you meet the exemption for certain Short-Term Notes described below,
- you meet the general exemption for non-U.S. Persons described below,
- you meet the requirements for a reduced rate of withholding under a treaty, or

- the interest is “effectively connected” to a business you conduct in the United States, in each case as further described below.

In certain circumstances, you may be able to claim amounts that are withheld as a refund or as a credit against your U.S. federal income tax. If the 30% U.S. withholding tax on payments of interest (including OID, if any) does not apply, as described herein, such payments may nevertheless be subject to FATCA withholding tax, as defined below in “United States Taxation – United States FATCA Withholding Tax.”

*General Exemption for Non-U.S. Persons.* Payments of interest on a Debt Security to any non-U.S. Person generally are exempt from U.S. withholding taxes if you satisfy the following conditions:

(1) the appropriate payor in the chain of payment (the “Withholding Agent”) has received prior to payment in the year in which such payment occurs, or in either of the two preceding years, a statement signed by you under penalties of perjury that certifies that you are not a U.S. Person and provides your name, address and taxpayer identification number, if any;

(2) the Withholding Agent and all intermediaries between you and the Withholding Agent do not know or have reason to know that your non-U.S. beneficial ownership statement is false; and

(3) you are not (a) a bank that receives payments on the Debt Securities that are described in section 881(c)(3)(A) of the federal income tax code, (b) a 10% shareholder of Fannie Mae within the meaning of section 871(h)(3)(B) of the federal income tax code, or (c) a “controlled foreign corporation” related to Fannie Mae within the meaning of section 881(c)(3)(C) of the federal income tax code; and

(4) the interest is not determined by reference to any receipts, sales or other cash flow of Fannie Mae or a related person, the income or profits of Fannie Mae or a related person, or change in value of any property of Fannie Mae or a related person, or any other item specified in section 871(h)(4)(A) of the federal income tax code.

You may make the non-U.S. beneficial ownership statement on an IRS Form W-8BEN, Form W-8BEN-E, or a substantially similar substitute form. You must inform the Withholding Agent (or the last intermediary in the chain between you and the Withholding Agent) of any change in the information on the statement within 30 days of the change. If you hold a Debt Security through a securities clearing organization or certain other financial institutions, the organization or institution may provide a signed statement to the Withholding Agent on your behalf. In such case, however, the signed statement must be accompanied by a copy of a Form W-8BEN, Form W-8BEN-E, or substitute form provided by you to the organization or institution. The U.S. Treasury Department is empowered to publish a determination that a beneficial ownership statement from any person or class of persons will not be sufficient to preclude the imposition of U.S. federal withholding tax with respect to payments of interest made at least one month after the publication of such determination.

*Exemption or Reduced Withholding Rate for Non-U.S. Persons Entitled to the Benefits of a Treaty.* If you are entitled to the benefit of an income tax treaty to which the United States is a party you can obtain an exemption from or reduction of income and withholding tax (depending on the terms of the treaty) by providing to the Withholding Agent a properly completed IRS Form W-8BEN, Form W-8BEN-E, or any successor form, before interest is paid. However, neither exemption nor reduced withholding will be available if the Withholding Agent has actual knowledge or reason to know that the form is false.

*Exemption for Non-U.S. Persons with Effectively Connected Income.* If the interest you earn on a Debt Security is “effectively connected” to a business you conduct in the United States, you can obtain an exemption from withholding tax by providing to the Withholding Agent a properly completed IRS Form W-8ECI, or any successor form, prior to the payment of interest, unless the Withholding Agent has actual knowledge or reason to know that the form is false. Payments of interest on a Debt Security exempt from the withholding tax as effectively-connected income nevertheless may be subject to graduated U.S. federal income tax as if such amounts were earned by a U.S. Person. A non-U.S. Person that is a foreign corporation treated as engaged in the conduct of a trade or business in the United States through an unincorporated U.S. branch may be subject to branch profits tax in respect of interest on a Debt Security.

*Short-Term Notes.* Interest on a Short-Term Obligation owned by a non-U.S. Person that is not effectively connected with the conduct of a U.S. trade or business (or if a tax treaty applies, such interest is not attributable to a U.S. permanent establishment) will be exempt from U.S. income and withholding taxes if the Short-Term Obligation is payable in full within 183 days after the date of original issue. Special rules may apply to certain Short-Term Notes payable in full within 183 days after the date of original issue which are sold under arrangements reasonably designed to ensure that they will be sold only to persons who are not U.S. Persons. See Appendix B, “Benchmark Bills and Short-Term Notes—United States Taxation.”

*Partnerships and Other Pass-through Entities.* A payment to a foreign partnership is treated, with some exceptions, as a payment directly to the partners, so that the partners are required to provide any required certifications. If you hold a Debt Security through a partnership or other pass-through entity, you should consult your own tax advisors regarding the application of these rules to your situation.

### ***Disposition or Retirement of Debt Securities***

Except as provided below in “United States Taxation—United States FATCA Withholding Tax” and “United States Taxation—Information Reporting and Backup Withholding,” a non-U.S. Person (other than certain nonresident alien individuals present in the United States for a total of 183 days or more during his or her taxable year) will not be subject to U.S. federal income tax, and no withholding of such tax will be required, with respect to any gain that is realized on the disposition or retirement of a Debt Security, provided that the gain is not effectively connected with the conduct by the non-U.S. Person of a U.S. trade or business. A non-U.S. Person that is a foreign corporation treated as engaged in the conduct of a trade or business in the United States through an unincorporated U.S. branch may be subject to branch profits tax on any gain from the disposition or retirement of a Debt Security.

### ***Federal Estate Tax***

If you are a non-U.S. Person and are not domiciled in the United States, the Debt Securities will not be includible in your estate for purposes of any applicable U.S. federal estate tax if interest paid (including OID, if any) on the Debt Securities to you at the time of your death would have been exempt from U.S. federal income and withholding tax as described above under “United States Taxation—Non-U.S. Persons—Interest and OID—General Exemption for Non-U.S. Persons” (without regard to the requirement that a non-U.S. beneficial ownership statement be received).

### ***United States FATCA Withholding Tax***

Under the Foreign Account Tax Compliance Act (“FATCA”) and Treasury Regulations, a 30% withholding tax (“FATCA withholding tax”) generally will apply to payments of interest on, and (after December 31, 2018) gross proceeds from the disposition or redemption of, a Debt Security issued or significantly modified after June 30, 2014, that are made to foreign financial institutions and certain other non-financial foreign entities. The FATCA withholding tax generally will not apply where such payments are made to (i) a foreign financial institution that enters into an agreement with the IRS or otherwise complies with an applicable intergovernmental agreement to, among other requirements, undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, report annually information about such accounts and withhold tax as may be required by such agreement, or (ii) a non-financial foreign entity that certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. Application of the FATCA withholding tax does not depend on whether the payment otherwise would be exempt from U.S. withholding tax under an exemption described under “United States Taxation—Non-U.S. Persons—Interest and OID” or as capital gain.

In the event that the FATCA withholding tax shall be imposed on any payment of interest on, or gross proceeds from the disposition or redemption of, a Debt Security, Fannie Mae has no obligation to pay additional interest or other amounts as a consequence thereof or to redeem the Debt Securities before their stated maturity.

## **Information Reporting and Backup Withholding**

Payments of principal of and interest (including OID, if any) on Debt Securities held by U.S. Persons other than corporations and other exempt holders are required to be reported to the IRS.

Backup withholding of U.S. federal income tax may apply to payments made in respect of the Debt Securities, as well as payments of proceeds from the sale of Debt Securities. Backup withholding will apply on such payments to holders or beneficial owners that are not “exempt recipients” and that fail to provide certain identifying information (such as their taxpayer identification numbers) in the manner required. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

If a Debt Security is sold before its Maturity Date to (or through) a broker, the broker may be required to withhold a portion of the sale price. The broker will not withhold if either the broker determines that the seller is a corporation or other exempt recipient or the seller provides, in the required manner, certain identifying information and, in the case of a non-U.S. Person, certifies that such seller is a non-U.S. Person (and certain other conditions are met). The broker must report such a sale to the IRS unless the broker determines that the seller is an exempt recipient or the seller certifies its non-U.S. status (and certain other conditions are met). Certification of the beneficial owner’s non-U.S. status normally would be made on IRS Form W-8BEN or W-8BEN-E under penalties of perjury, although in certain cases it may be possible to submit certain other signed forms. For these purposes, the term “broker” includes all persons who, in the ordinary course of business, stand ready to effect sales made by others. This information reporting requirement generally will apply to a U.S. office of a broker and to a foreign office of a U.S. broker, as well as to a foreign office of a foreign broker (i) that is a “controlled foreign corporation” within the meaning of section 957(a) of the federal income tax code, (ii) 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment (or for such part of the period that the foreign broker has been in existence) was effectively connected with the conduct of a trade or business within the United States, or (iii) that is a foreign partnership with certain connections to the United States, unless such foreign office has both documentary evidence that the seller is a non-U.S. Person and no actual knowledge, or reason to know, that such evidence is false.

A payment to a foreign partnership is treated, with some exceptions, for backup withholding purposes as a payment directly to the partners, so that the partners are required to provide any required certifications. If you hold a Debt Security through a partnership or other pass-through entity, you should consult your own tax advisors regarding the application of these rules to your situation.

A beneficial owner may claim any amounts withheld under the backup withholding rules as a refund or a credit against the beneficial owner’s U.S. federal income tax, provided that the required information is furnished to the IRS. Furthermore, the IRS may impose certain penalties on a holder or beneficial owner who is required to supply information but who does not do so in the proper manner.

Payments of interest (including payments of OID, if any) on a Debt Security that is beneficially owned by a non-U.S. Person will be reported annually on IRS Form 1042-S, which the Withholding Agent must file with the IRS and furnish to the beneficial owner.

In the event that any withholding or backup withholding tax shall be imposed, Fannie Mae has no obligation to pay additional interest or other amounts as a consequence thereof or to redeem the Debt Securities before their stated maturity.

## **Reportable Transactions**

Treasury Regulations require U.S. taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a “Reportable Transaction”). Under these regulations, if the Debt Securities are denominated in a Non-U.S. Currency, a U.S. holder (or a U.S. alien holder that holds the Debt Securities in connection with a U.S. trade or business) that recognizes a loss with respect to the Debt Securities that is characterized as an ordinary loss due to changes in currency exchange rates would be required to report the loss on IRS Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss is \$50,000 in any single taxable year. For other types of

taxpayers and other types of losses, the thresholds are higher. A penalty is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a Reportable Transaction. You should consult your own tax advisor regarding any tax filing and reporting obligations that may apply in connection with your purchase, ownership and disposition of the Debt Securities.

### **General Information**

**The U.S. federal tax discussion set forth above is included for your general information only and may not apply in your particular situation. You should consult your own tax advisors with respect to the tax consequences of your purchase, ownership and disposition of the Debt Securities, including the tax consequences under the tax laws of the United States, states, localities, countries other than the United States and any other taxing jurisdictions and the possible effects of changes in such tax laws.**

## PLAN OF DISTRIBUTION

We will offer the Debt Securities to or through the Dealers under the terms and conditions set forth in a Dealer Agreement, dated as of December 21, 1999, as amended, and as it may be further amended or supplemented (the “Dealer Agreement”), among us and the Dealers party to the Dealer Agreement. Under the terms of the Dealer Agreement, we may add other securities dealers or banks in connection with the distribution of the Debt Securities or any particular issue of Debt Securities. Those securities dealers or banks, together with the Dealers party to the Dealer Agreement, are referred to in this Offering Circular collectively as the “Dealers.” Any applicable Pricing Supplement will identify any applicable Dealer or Dealers for an issue of Debt Securities. Barclays Capital Inc. is acting as the Designated Facility Dealer for the Universal Debt Facility.

### **Benchmark Bills and Short-Term Notes**

We will offer and sell Benchmark Bills and Short-Term Notes through the Dealers as described under “Distribution of Benchmark Bills and Short-Term Notes” in Appendix B.

### **Other Benchmark Securities and Debt Securities**

#### *Sales to Dealers as Principal*

We will sell Debt Securities primarily to Dealers as principal, either individually or as part of a syndicate. We may sell Debt Securities to Dealers by auction or other methods. Dealers will resell Debt Securities to investors at a fixed offering price or at variable offering prices related to market prices prevailing at the time of resale. Except in certain circumstances, Dealers may sell the Debt Securities to other securities dealers at a concession, in the form of a discount, to be received by the other Dealers. The concession may be all or a portion of the underwriting compensation. Dealers will advise us whether an offering is on a fixed price or variable price basis and of any concessions or reallowances that will be provided to other dealers. We will include that information, as provided by the Dealers, in the applicable Pricing Supplement. After an initial offering of Debt Securities, the offering price (in the case of a fixed price offering), the concession and the reallowance may change. When Debt Securities are sold to a syndicate of Dealers, the participating Dealers in the syndicate will agree amongst themselves on the allocation or division of the aggregate underwriting discount.

#### *Sales Through Dealers to Customers*

We may authorize Dealers to solicit customer offers to purchase Debt Securities on a non-underwritten basis on terms we determine. Dealers have agreed to use their best efforts when soliciting non-underwritten sales. Dealers also may approach us on behalf of investors and other purchasers with offers to purchase Debt Securities on a non-underwritten basis. We will sell Debt Securities on a non-underwritten basis at 100% of the principal amount, unless we specify otherwise in the applicable Pricing Supplement. We will pay the Dealers through whom a Debt Security is sold a commission in an amount specified in the applicable Pricing Supplement. The commission will be expressed as a percentage of the principal amount of the Debt Securities (or the initial offering price for Zero-Coupon Debt Securities and certain other Debt Securities sold at a premium or discount). We will have the sole right to accept offers to purchase Debt Securities and may reject all or a portion of any offer. Each Dealer will have the right, using reasonable discretion, to reject all or a portion of any offer to purchase Debt Securities solicited on a non-underwritten basis.

#### *Sales Directly to Investors*

We also may sell Debt Securities directly to institutional investors on our own behalf. We will not pay a commission to any Dealer on direct sales.

### **Trading Markets and Secondary Market Information**

There may be no established trading market for Debt Securities when issued. Dealers have agreed to use their best efforts to facilitate secondary market transactions in each issue of Debt Securities for which they were a participating Dealer, but a secondary market may not develop. If a secondary market develops, it may not be very liquid.

Dealers have agreed to provide certain indicative pricing information to Bloomberg L.P. or another information service designated by us for Benchmark Securities. Dealers will be solely responsible for the indicative information so provided, which is indicative of, but may not reflect actual, secondary market prices.

Dealers that are members of the Financial Industry Regulatory Authority (“FINRA”) in the United States may have an obligation to report transactions in the Debt Securities on the Trade Reporting and Compliance Engine (“TRACE”) system operated by FINRA.

### **Market Transactions**

When Dealers purchase Debt Securities as principal for resale on a fixed price basis they may engage in certain transactions that stabilize the price of the Debt Securities. Such transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Debt Securities. Such transactions with respect to the Debt Securities may also include over-allotment transactions and purchases to cover short positions created by the Dealers in connection with an offering.

If the Dealers create a short position in the Debt Securities in connection with an offering, *i.e.*, if they sell a greater aggregate principal amount of the Debt Securities than is set forth in the applicable Pricing Supplement, the Dealers must reduce that short position by purchasing Debt Securities in the open market. A short position is more likely to be created if the Dealers are concerned that there may be downward pressure in the price of the Debt Securities in the open market after pricing that could adversely affect investors who purchase Debt Securities in an offering. In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

In connection with any particular issue of Debt Securities, we may enter into swaps, other hedging transactions or reverse repurchase transactions with, or arranged by, the applicable Dealer or an affiliate of the Dealer. The Dealer or other parties may receive compensation, trading gain, temporary funding or other benefits from these transactions. We also may from time to time engage in other hedging activities or reverse repurchase transactions involving Debt Securities, in the open market or otherwise. We are not required to engage in any of these transactions. If we commence these transactions, we may discontinue them at any time. Counterparties to these hedging activities also may engage in market transactions involving Debt Securities.

Neither we nor the Dealers make any representation or prediction as to the direction or magnitude of any effect that the transactions described in the three preceding paragraphs may have on the price of Debt Securities.

### **Additional Information**

Neither we nor the Dealers have authorized anyone to give you any information or to make any representation not contained in this Offering Circular or an applicable Pricing Supplement, or other applicable supplement. Fannie Mae is responsible for the information in this Offering Circular, and after making all reasonable inquiries, Fannie Mae confirms that to the best of its knowledge, as of the date of this Offering Circular, it knows of no facts that would lead it to believe that the information set forth in this Offering Circular, together with any information incorporated by reference herein, contains any untrue statement of a material fact or omits to state any material fact necessary to make the information herein, taken as a whole, not misleading. Neither delivery of this Offering Circular, any Pricing Supplement, or any other supplement, nor any sale of Debt Securities, shall imply that there has been no change in our affairs since the dates of those documents. Information in those documents may not be correct as of any time subsequent to the date of the information.

The purchase price of Debt Securities must be paid to us in immediately available funds. Your payment will be effective only upon our receipt of the funds. In a non-underwritten sale, the Dealer will act on behalf of the purchaser of Debt Securities in transmitting the purchaser’s funds to us.

We and the Dealers have agreed to indemnify each other against, and contribute toward, certain liabilities.

Purchasers of Debt Securities may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase. We do not, and any Dealer does not, represent that the Debt Securities may be sold lawfully at any time in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an available exemption, nor do we or any Dealer assume any responsibility for facilitating those sales.

From time to time, Fannie Mae may request, and the Dealers may disclose to Fannie Mae, the identity of



the purchasers of Debt Securities and volume and pricing information for secondary market transactions, including repurchase transactions. Fannie Mae will use the information for internal purposes only, and make no further disclosure of it. The Dealers and their affiliates engage in transactions with us and perform services for us in the ordinary course of business.

### **Selling Restrictions**

The Debt Securities may be offered or sold only where it is legal to do so. The Dealers have represented and agreed that they will comply with all applicable laws and regulations in each jurisdiction in which they may purchase, offer, sell or deliver Debt Securities or distribute this Offering Circular, any Pricing Supplement, or any other offering material. The Dealers also have agreed to comply with certain selling restrictions relating to certain countries. A description of some of those restrictions, as in effect as of the date of this Offering Circular, is set forth in Appendix E. We and the Dealers may modify selling restrictions at any time.

### **Extended Settlement**

Debt Securities may be issued against payment more than three business days following the date on which such Debt Securities are priced, which we refer to as extended settlement. We will specify the settlement date for each issuance in the applicable Pricing Supplement. Trades in the secondary market generally settle three business days after the date the securities are priced, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Debt Securities that are subject to extended settlement on the day of pricing or any succeeding business day prior to the third business day preceding delivery of such Debt Securities will be required, by virtue of the fact that such Debt Securities will settle on an extended basis, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Such purchasers should consult their own advisors in this regard.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements of Fannie Mae and consolidated entities (In conservatorship) (the “Company”) as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, which are included in the Company’s Annual Report on Form 10-K and incorporated by reference in this Offering Circular, and the effectiveness of the Company’s internal control over financial reporting as of December 31, 2016, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports which are incorporated by reference herein, and which reports (1) express an unqualified opinion on the consolidated financial statements and includes an explanatory paragraph referring to the Company’s dependence upon the continued support of the United States Government, various United States Government agencies, and the Company’s conservator and regulator, the Federal Housing Finance Agency, and (2) express an adverse opinion on the effectiveness of the Company’s internal control over financial reporting because of a material weakness.

## **VALIDITY OF THE DEBT SECURITIES**

Morrison & Foerster LLP, Washington, D.C., will pass upon the validity of the Debt Securities for Fannie Mae. In connection with particular offerings of the Debt Securities in the future, and if stated in the applicable Pricing Supplement, the validity of the Debt Securities may be passed upon for the Dealers by Sullivan & Cromwell LLP, Washington, D.C. Katten Muchin Rosenman LLP, Washington, D.C., will pass upon U.S. federal income tax matters for Fannie Mae.

## **USE OF PROCEEDS**

We will use the net proceeds from the sale of the Debt Securities to retire our outstanding debt securities or add the proceeds to our working capital and use them for general corporate purposes. We anticipate the need for additional financing from time to time, including financing through various types of debt securities. The amount and nature of the financing will depend upon a number of factors, including the volume of our maturing debt obligations, the volume of mortgage loan prepayments, the volume and type of mortgage loans we purchase, and general market conditions.

## **APPENDIX A**

### **BENCHMARK SECURITIES**

Set forth below, only for informational purposes, is a general description of our Benchmark Securities program. We may change the details of the program from time to time, and any changes may not be reflected in an amendment or supplement to the Offering Circular. The specific terms of Benchmark Securities are contained in the Offering Circular of which this Appendix forms a part, and any applicable Pricing Supplements or other supplements to the Offering Circular.

We currently issue Benchmark Securities in the following forms:

- Benchmark Bills—non-callable Debt Securities with maturities of 360 days or less and sold at a premium or discount from their principal amount payable at maturity;
- Benchmark Notes—non-callable Debt Securities with maturities of one to ten years; and
- Benchmark Bonds—non-callable Debt Securities with maturities of more than ten years.

All Benchmark Securities are U.S. dollar denominated. Issuances may be new issues or reopenings of existing issues. The schedule of anticipated Benchmark Securities issuances, as well as more recently announced updates of our financing plans, are available on our website, [www.fanniemae.com](http://www.fanniemae.com).

Settlement of Benchmark Securities issues is made through the Fed Book-Entry System, on the same basis as for other Fed Book-Entry Securities. See “Clearance and Settlement” in the Offering Circular.

Benchmark Notes, Callable Benchmark Notes and Benchmark Bonds may be strip-eligible. See “Description of the Debt Securities—Eligibility for Stripping of Fed Book-Entry Securities” in the Offering Circular.

**APPENDIX B**

**BENCHMARK BILLS AND SHORT-TERM NOTES**

Set forth below is information about our Benchmark Bills and Short-Term Notes. (See also Appendix A for a more general description of our Benchmark Securities program). Except as set forth in this Appendix, the general description of Debt Securities set forth in the Offering Circular applies to Benchmark Bills and Short-Term Notes. Unless otherwise specified, cross-references are to sections in the Offering Circular of which this Appendix forms a part and capitalized terms are used as defined in the Offering Circular. This Appendix is hereby incorporated in and made a part of the Offering Circular. Pricing Supplements will not be prepared for Benchmark Bills or Short-Term Notes.

**Summary Description of Benchmark Bills and Short-Term Notes**

Specified Currencies.....	Benchmark Bills will be denominated only in U.S. dollars. Short-Term Notes may be denominated in U.S. dollars or non-U.S. dollar currencies.
Denomination.....	Benchmark Bills and Short-Term Notes other than 183 Day Notes (as defined under “United States Taxation” in this Appendix B) denominated in U.S. dollars generally will have minimum denominations of \$1,000 and additional increments of \$1,000.  We will establish denominations for Short-Term Notes denominated in British pounds sterling, Swiss francs, Canadian dollars, Euros, yen or other non-U.S. dollar currencies at the time we issue those Short-Term Notes.  183 Day Notes will have minimum denominations of \$500,000 or, in the case of non-U.S. dollar denominated 183 Day Notes, the foreign currency equivalent (determined using the spot rate on the date of issuance). Maturity 360 days or less
Principal Amount.....	The amount payable at maturity of Benchmark Bills and Short-Term Notes will be their face amount. See also “Description of the Debt Securities—Payments.”
Interest.....	Benchmark Bills and most Short-Term Notes will not bear interest but will be sold at a premium or discount from their principal amount at maturity. We also may issue interest-bearing Short-Term Notes, the terms of which we will establish at the time of issuance.
Business Day Convention....	For Fed Book-Entry Securities, “Business Day” means any day other than a Saturday, a Sunday, a day on which the Federal Reserve Bank of New York is closed, or, with respect to any required payment, a day on which the U.S. Federal Reserve Bank maintaining the book-entry account relating to the Fed Book-Entry Security is closed.  For Global Book-Entry Securities, “Business Day” means any day other than a Saturday, a Sunday, a day on which banking institutions are closed in New York, New York, a day on which banking institutions are closed in

the Principal Financial Center of the country issuing the Specified Payment Currency (in the case where the Specified Payment Currency is other than U.S. dollars or Euro), or a day on which banking institutions are required or permitted by law to close in the place of payment to the Holder (in the case where the Specified Payment Currency is Euro, whether or not pursuant to redenomination).

If an Interest Payment Date or Principal Payment Date is not a Business Day, we will pay the interest or principal on the next Business Day. In that case, you will receive no interest on the delayed interest or principal payment for the period from and after the scheduled Interest Payment Date or Principal Payment Date to the actual date of payment.

Form.....

We will issue Benchmark Bills and most U.S. dollar-denominated Short-Term Notes as Fed Book-Entry Securities. We will issue other Short-Term Notes as Global Book-Entry Securities through DTC, Euroclear, Clearstream or other book-entry systems. See “Description of the Debt Securities—Book-Entry Systems” and “—Ownership of Debt Securities.”

We will issue 183 Day Notes as Global Book-Entry Securities.

Redemption.....

Benchmark Bills and Short-Term Notes will not be redeemable prior to maturity.

Tax Matters.....

Benchmark Bills and Short-Term Notes and payments thereon generally are subject to taxation by the United States and generally are not exempt from taxation by other U.S. or non-U.S. taxing jurisdictions. Non-U.S. Persons generally will be subject to U.S. income and withholding tax unless they provide required certifications or statements. See “United States Taxation” below and in the Offering Circular for additional information.

Listing.....

We do not intend to list Benchmark Bills and Short-Term Notes on any exchange.

Offering Price.....

Benchmark Bills and non-interest bearing Short-Term Notes will be offered at a premium or discount to par. See “Distribution of Benchmark Bills and Short-Term Notes” below for additional information.

Clearance and Settlement..

Depending on the terms of an issue of Benchmark Bills or Short-Term Notes and where they are to be offered, Benchmark Bills or Short-Term Notes may clear and settle through one or more of the following:

- the U.S. Federal Reserve Banks
- DTC
- Euroclear
- Clearstream
- other designated clearing systems

We expect issues of Benchmark Bills and most Short-Term Notes denominated and payable in U.S. dollars, to clear and settle through the Fed Book-Entry System. These Debt Securities

generally may be held indirectly through other clearing systems, such as the systems operated by Euroclear and Clearstream.

We expect issues of Short-Term Notes denominated and payable in U.S. dollars not cleared and settled through the Fed Book-Entry System to clear and settle through the systems operated by DTC, and indirectly through Euroclear and Clearstream. We expect issues of Short-Term Notes denominated or payable in a specified currency other than U.S. dollars to clear and settle through the systems operated by Euroclear, Clearstream or other designated clearing systems.

Governing Law.....

Benchmark Bills and Short-Term Notes issued as Fed Book-Entry Securities (including rights and obligations) will be governed by, and construed in accordance with, regulations adopted by the FHFA or any other U.S. governmental body or agency that are applicable to the Fed Book-Entry Securities, and, to the extent that these regulations do not apply, the laws of the State of New York, U.S.A. Benchmark Bills and Short-Term Notes issued as Global Book-Entry Securities will be governed by, and construed in accordance with, the laws of the State of New York, U.S.A.

Fiscal and Global Agents...

The Federal Reserve Bank of New York will act as fiscal agent for Benchmark Bills and Short-Term Notes issued as Fed Book-Entry Securities, under a Fiscal Agency Agreement effective as of July 20, 2006, between Fannie Mae and the Federal Reserve Bank of New York. The Bank of New York Mellon will act as global agent for Global Book-Entry Securities. See “Description of the Debt Securities—Fiscal Agent and Global Agent.”

Selling Restrictions.....

Restrictions exist in certain jurisdictions on the Dealers’ offer, sale and delivery of Benchmark Bills and Short-Term Notes and the distribution of offering materials relating to Benchmark Bills and Short-Term Notes. See “Distribution of Benchmark Bills and Short-Term Notes—183 Day Notes Selling Restriction” below and Appendix E to the Offering Circular for a description of these restrictions.

## **United States Taxation**

The principal aspects of U.S. federal income tax treatment of Benchmark Bills and Short-Term Notes are set forth in the Offering Circular. However, some Short-Term Notes having a maturity of 183 days or less will be sold under arrangements reasonably designed to ensure that they will be sold (or resold in connection with their original issuance) only to persons who are not U.S. Persons (“183 Day Notes”). This section provides a discussion of the U.S. federal income tax treatment of 183 Day Notes held by non-U.S. Persons.

Payments of principal of, and interest (including original issue discount) on, a 183 Day Note to any person who is not a U.S. Person will not be subject to United States federal withholding or income tax, but payments of interest on, and gross proceeds from the disposition or redemption of, a 183 Day Note may be subject to FATCA withholding tax in the same manner as a Debt Security as described under “United States Taxation—United States FATCA Withholding Tax” in this Offering Circular.

Backup withholding and information reporting will not apply to payments on 183 Day Notes provided, in each case, that we, our paying agent and certain intermediaries in the chain of payment do not have actual knowledge or reason to know that the payee is a U.S. Person and certain other requirements are met. Accordingly, payments on 183 Day Notes will be made only outside the United States or its possessions. In addition, 183 Day Notes will be registered in the name of an exempt recipient, generally Euroclear or Clearstream, and 183 Day Notes will bear the following legend: “By accepting this obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in section 6049(b)(4) of the Internal Revenue Code and the regulations thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in section 6049(b)(4) of the Internal Revenue Code and the regulations thereunder).”

## **Distribution of Benchmark Bills and Short-Term Notes**

### **General**

Benchmark Bills and Short-Term Notes typically will be offered initially at fixed prices representing a discount from the principal amount payable at maturity, with the amount of the discount based, in part, on the maturity of the Benchmark Bills or Short-Term Notes. We may sell Debt Securities to Dealers acting as principal or through Dealers on a non-underwritten basis. We also may sell Debt Securities directly to institutional investors. Benchmark Bills and Short-Term Notes sold to Dealers as principal may be resold to investors at a fixed offering price or at varying prices related to market prices prevailing at the time of resale or otherwise as determined by the applicable Dealer. Offering prices may be established through the posting of rates, negotiations with dealers, auctions (which may include standard electronic auctions, Dutch auctions and other formats) or otherwise.

We will post rates for Short-Term Notes, and the range of maturities offered, on market information screens. We generally will offer Short-Term Notes each business day through the Dealers, and there may be more than one sale on a given day.

In order to facilitate overnight confirmation of sales to investors abroad, Short-Term Notes also generally are sold before and after our business hours (except holidays and weekends) to one or more of the Dealers as principal. The Dealers may resell the Short-Term Notes to investors or to other dealers we may authorize from time to time.

Dealers will receive compensation (in the form of a discount or commission) on the Short-Term Notes confirmed and delivered to them. With respect to Benchmark Bills, Dealers will purchase the securities at the initial offering price.

In transactions where they are acting as principal, the Dealers will purchase the Short-Term Notes from us at a premium or discount from the principal amount due at maturity. In these transactions, their compensation will be equal to the difference between the price at which they sell the Short-Term Notes and their purchase price. With respect to non-underwritten sales, the Dealers’ compensation will take the form of a commission.

## **Trading Markets and Secondary Market Information**

There may be no established trading market for Benchmark Bills and Short-Term Notes when issued. Dealers have agreed to use their best efforts to facilitate secondary market transactions in each issue of Benchmark Bills and Short-Term Notes for which they were an applicable Dealer, but a secondary market may not develop. If a secondary market develops, it may not be very liquid.

Dealers may provide indicative pricing information to Bloomberg L.P. or another information service designated by us for Benchmark Bills and Short-Term Notes. Dealers will be solely responsible for the indicative information so provided, which may not reflect actual secondary market prices.

## **Market Transactions**

When Dealers purchase Benchmark Bills and Short-Term Notes as principal for resale on a fixed price basis they may engage in certain transactions that stabilize the price of the Benchmark Bills and Short-Term Notes. Such transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Benchmark Bills and Short-Term Notes. Such transactions with respect to the Benchmark Bills and Short-Term Notes may also include over-allotment transactions and purchases to cover short positions created by the Dealers in connection with an offering.

If the Dealers create a short position in the Benchmark Bills and Short-Term Notes in connection with an offering, the Dealers must reduce that short position by purchasing Debt Securities in the open market. A short position is more likely to be created if the Dealers are concerned that there may be downward pressure in the price of the Benchmark Bills and Short-Term Notes in the open market after pricing that could adversely affect investors who purchase Benchmark Bills and Short-Term Notes in an offering. In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

In connection with any particular issue of Benchmark Bills and Short-Term Notes, we may enter into swaps, other hedging transactions or reverse repurchase transactions with, or arranged by, the applicable Dealer or an affiliate. The Dealer or other parties may receive compensation, trading gain, temporary funding or other benefits from these transactions. We also may from time to time engage in other hedging activities or reverse repurchase transactions that involve Benchmark Bills and Short-Term Notes, in the open market or otherwise. We are not required to engage in any of these transactions. If we commence these transactions, we may discontinue them at any time. Counterparties to these hedging activities may also engage in market transactions involving Benchmark Bills and Short-Term Notes.

## **183 Day Notes Selling Restriction**

Each Dealer who will sell 183 Day Notes has represented and agreed that, except to the extent permitted by relevant United States tax law, it has not offered or sold, and will not offer or sell, the 183 Day Notes to a person who is within the United States or its possessions or to a U.S. Person during the "restricted period," as defined in U.S. tax regulations, and it has not delivered and will not deliver 183 Day Notes within the United States or its possessions in connection with sales of the 183 Day Notes during such restricted period. The Dealer will also represent that it has and will continue to have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling 183 Day Notes are aware that the 183 Day Notes may not be offered or sold to a person who is within the United States or its possessions or to a U.S. Person during the restricted period, except as permitted by relevant United States federal tax law. If the Dealer is a U.S. Person, it must represent that it is acquiring the 183 Day Notes for purposes of resale in connection with their original issuance and, if it retains any 183 Day Notes for its own account, it will do so only in accordance with the requirements of relevant United States federal tax law. Each Dealer has also represented and agreed that any affiliate that acquires the 183 Day Notes from it or another affiliate for purposes of offering or selling the 183 Day Notes during the restricted period will make the same representations.

**Dealers**

The securities dealers and banks who are party to the Dealer Agreement may act as Short-Term Note Dealers under the Universal Debt Facility. Other securities dealers and banks may be added from time to time in connection with the distribution of Benchmark Bills and Short-Term Notes or any particular issue of such securities.

See also “Plan of Distribution—Additional Information” in the Offering Circular for further information about the distribution of Debt Securities, including Benchmark Bills and Short-Term Notes.



## **APPENDIX C**

### **SUBORDINATED BENCHMARK NOTES AND OTHER SUBORDINATED DEBT SECURITIES**

Pursuant to the Stock Purchase Agreement, we are prohibited from issuing additional subordinated debt without the consent of Treasury. In addition, FHFA has directed us not to issue subordinated debt during the conservatorship and thereafter until directed otherwise.

## APPENDIX D

### INDEX DESCRIPTIONS

This Appendix is incorporated in and made a part of the Offering Circular.

#### General

The Pricing Supplement for any Debt Securities or the Fannie Mae-approved confirmation (the “Confirmation”) for any Short-Term Bills or Short-Term Notes will indicate which index, as described below, applies to the Debt Securities, or may designate a different index, which will be described in the Pricing Supplement.

Several sources for indices are pages or screens provided by Thomson Reuters (Markets) LLC (“Reuters”). If a page or screen, or its provider, is replaced, the Calculation Agent will select the appropriate successor page, screen or provider, if any.

#### LIBOR

If we specify LIBOR as the applicable interest rate index for determining the interest rate for the related Debt Securities, the following provisions will apply:

“LIBOR” means, with respect to any Reset Date:

(1) the rate that appears, at 11:00 a.m. (London time) on the LIBOR Determination Date, on the Applicable Reuters LIBOR Page for Deposits in the Index Currency having the Index Maturity;

(2) subject to clause (7) below, if the rate specified in (1) above does not so appear, then the Calculation Agent shall look to the posted or announced rate for LIBOR on the LIBOR Determination Date for the Index Currency and the Index Maturity that appears on another leading market-recognized electronic or print source used for the purpose of displaying LIBOR, as determined by the Calculation Agent in its discretion;

(3) subject to clause (7) below, if the rate specified in (1) and (2) above does not so appear, then the Calculation Agent shall look to the posted or announced rate for LIBOR that appears at 11:00 a.m. (London Time) on the Applicable Reuters LIBOR Page for the Index Currency and the Index Maturity on the London Banking Day immediately preceding the LIBOR Determination Date;

(4) subject to clause (7) below, if the rate specified in (1) through (3) above does not so appear, then the Calculation Agent will request the principal London offices of five leading banks (which may include affiliates of the Dealers) in the London interbank market selected by the Calculation Agent (after consultation with Fannie Mae, if Fannie Mae is not then acting as Calculation Agent) to provide those banks’ offered quotations to prime banks in the London interbank market for Deposits in the Index Currency having the Index Maturity as of 11:00 a.m. (London time) on the LIBOR Determination Date and in a Representative Amount. If at least two quotations are provided, then LIBOR will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest));

(5) subject to clause (7) below, if fewer than two quotations are so provided, then the Calculation Agent will request five major banks (which may include affiliates of the Dealers) in the applicable Principal Financial Center selected by the Calculation Agent (after consultation with Fannie Mae, if Fannie Mae is not then acting as Calculation Agent) to provide those banks’ offered quotations to leading European banks for loans, commencing on the applicable Reset Date, in the Index Currency having the Index Maturity as of approximately 11:00 a.m. (London time) in the applicable Principal Financial Center on the LIBOR Determination Date and in a Representative Amount. If at least two quotations are provided, then LIBOR will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest

quotation (or in the event of equality, one of the lowest)); and

(6) subject to clause (7) below, if fewer than two quotations are so provided, then LIBOR as of such LIBOR Determination Date will be LIBOR determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then LIBOR will be the rate for deposits in the Index Currency having the Index Maturity that appeared, as of 11:00 a.m. (London time) on the most recent London Banking Day preceding the LIBOR Determination Date for which the rate was displayed on the Applicable Reuters LIBOR Page with respect to deposits commencing on the second London Banking Day following that date.

(7) If the Calculation Agent reasonably determines that LIBOR is no longer being published or is no longer recognized as an industry standard benchmark rate due to lack of contributing banks or for some other reason, then the Calculation Agent, in its sole discretion, may designate an alternative index rate, taking into account general comparability to LIBOR, acceptance as a market-based benchmark rate, and any other adjustments or factors as the Calculation Agent deems appropriate. If the Calculation Agent makes a determination to change a Debt Security from a LIBOR-based rate to one linked to an alternative index rate, there can be no assurance that the alternative index will yield the same or similar economic results on the related Debt Securities.

The following definitions apply only to the preceding description of LIBOR (additional definitions on page D-3 and D-4 also apply).

- the “Applicable Reuters LIBOR Page” means the display designated as “Page LIBOR01” or “Page LIBOR02”, as applicable, provided by Reuters.
- “LIBOR Determination Date” means the second London Banking Day preceding the applicable Reset Date unless the Index Currency is (i) Sterling, in which case it means the applicable Reset Date or (ii) Euro, in which case it means the second TARGET2 Business Day preceding the applicable Reset Date (unless LIBOR is determined in accordance with paragraph (4) above, in which case it means the applicable Reset Date).
- “London Banking Day” means any day on which commercial banks are open for business (including dealings in foreign exchange and deposits in the Index Currency) in London.
- “Index Currency” means the currency or currency unit specified in the applicable Pricing Supplement or Confirmation with respect to which LIBOR will be calculated. If we do not specify a currency or currency unit in the applicable Pricing Supplement or Confirmation, the Index Currency will be U.S. dollars.
- “Principal Financial Center” means the capital city of the country issuing the Specified Payment Currency, or solely with respect to the calculation of LIBOR, the Index Currency, as the case may be, except, in each case, that with respect to U.S. dollars, Australian dollars, British pounds sterling, Canadian dollars, Hong Kong dollars and Swiss francs, the Principal Financial Center will be the city of New York, Sydney, London, Toronto, Hong Kong and Zurich, respectively, provided however, that with respect to Euro, the Principal Financial Center will be determined by the Calculation Agent (after consultation with Fannie Mae).
- “Representative Amount” means a principal amount of not less than U.S. \$1,000,000 (or, if the Index Currency is other than U.S. dollars, a principal amount not less than the equivalent in the Index Currency).

## **EURIBOR**

If we specify EURIBOR as the applicable interest rate index for determining the interest rate for the related Debt Securities, the following provisions will apply:

“EURIBOR” means, with respect to any Reset Date:

(1) the rate that appears at 11:00 a.m. (Brussels time) on the EURIBOR Determination Date, on Reuters Page 248 under the caption “EURIBOR” for Deposits in Euro having the Index Maturity;

(2) subject to clause (7) below, if the rate specified in (1) above does not so appear, then the Calculation Agent shall look to the posted or announced rate for EURIBOR on the EURIBOR Determination Date for the Index Currency and the Index Maturity that appears on another leading market-recognized electronic or print source used for the purpose of displaying EURIBOR, as determined by the Calculation Agent in its discretion;

(3) subject to clause (7) below, if the rate specified in (1) and (2) above does not so appear, then the Calculation Agent shall use the rate that appears at 11:00 a.m. (Brussels time) on the TARGET2 Business Day immediately preceding the EURIBOR Determination Date, on Reuters Page 248 under the caption “EURIBOR” for Deposits in Euro having the Index Maturity;

(4) subject to clause (7) below, if the rate specified in (1) through (3) above does not so appear, then the Calculation Agent will request five major banks (which may include affiliates of the Dealers) in the Euro-Zone selected by the Calculation Agent (after consultation with Fannie Mae, if Fannie Mae is not then acting as Calculation Agent) to provide those banks’ offered quotations to prime banks in the Euro-Zone interbank market for Deposits in Euro having the Index Maturity as of 11:00 a.m. (Brussels time) on the EURIBOR Determination Date and in a Representative Amount. If at least two quotations are provided, then EURIBOR will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest));

(5) subject to clause (7) below, if fewer than two quotations are so provided, then the Calculation Agent will request five major banks (which may include affiliates of the Dealers) in the Euro-Zone selected by the Calculation Agent (after consultation with Fannie Mae, if Fannie Mae is not then acting as Calculation Agent) to provide those banks’ offered quotations to leading European banks for loans, commencing on the applicable Reset Date, in Euro having the Index Maturity as of approximately 11:00 a.m. (Brussels time) on the EURIBOR Determination Date and in a Representative Amount. If at least two quotations are provided, then EURIBOR will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest)); and

(6) subject to clause (7) below, if fewer than two quotations are so provided, then EURIBOR as of such EURIBOR Determination Date will be EURIBOR determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then EURIBOR will be the rate for deposits in Euro having the Index Maturity that appeared, as of 11:00 a.m. (Brussels time) on the most recent TARGET2 Business Day preceding the EURIBOR Determination Date for which the rate was displayed, on Reuters Page 248 under the caption “EURIBOR” with respect to deposits commencing on the second TARGET2 Business Day following that date.

(7) If the Calculation Agent reasonably determines that EURIBOR is no longer being published or is no longer recognized as an industry standard benchmark rate due to lack of contributing banks or for some other reason, then the Calculation Agent, in its sole discretion, may designate an alternative index rate, taking into account general comparability to EURIBOR, acceptance as a market-based benchmark rate, and any other adjustments or factors as the Calculation Agent deems appropriate. If the Calculation Agent makes a determination to change a Debt Security from a EURIBOR-based rate to one linked to an alternative index rate, there can be no assurance that the alternative index will yield the same or similar economic results on the related Debt Securities.

The following definitions apply only to the preceding description of EURIBOR.

- “EURIBOR Determination Date” means the second TARGET2 Business Day preceding the applicable Reset Date, unless EURIBOR is determined in accordance with paragraph (3) above, in which case it means the applicable Reset Date.
- “Reuters Page 248” means the display designated as “Page 248” provided by Reuters.
- “Euro-Zone” means the region consisting of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

## **Additional Definitions Related to LIBOR and EURIBOR Descriptions**

With respect to the preceding descriptions of LIBOR and EURIBOR:

- “TARGET2 Business Day” means a day on which the Trans-European Automated Realtime Gross Settlement Express Transfer (“TARGET2”) System is operating.
- “Representative Amount” means a principal amount of not less than the equivalent of U.S. \$1,000,000 in Euro.
- “Deposits” means deposits commencing on the applicable Reset Date.
- “Index Maturity” means the maturity specified in the applicable Pricing Supplement or Confirmation with respect to which LIBOR or EURIBOR, as the case may be, will be calculated.
- all rates will be obtained from sources expressed as a percentage rate per annum.

## **Federal Funds Rates**

### ***Federal Funds Rate (Daily)***

If we specify Federal Funds Rate (Daily) as the applicable interest rate index for determining the interest rate for the related Debt Securities, the following provisions will apply:

The “Federal Funds Rate (Daily)” means, with respect to any Reset Date:

(1) the rate that appears by 6:45 p.m. on the applicable Determination Date on Reuters FEDFUNDS1 Page under the applicable Index Maturity for the Business Day preceding the applicable Determination Date;

(2) if the rate specified in (1) above does not so appear, then the Calculation Agent shall look to the posted or announced Federal Funds Rate (Daily) on the applicable Determination Date for the Index Maturity that is set forth by 6:45 p.m. in the H.15 Daily Update or the H.15(519) Weekly Update, as applicable, for the Business Day preceding the applicable Determination Date, opposite the caption “Federal funds (effective)”;

(3) if the rate specified in (1) and (2) above does not so appear, then the Calculation Agent shall look to the posted or announced daily effective rate for Federal Funds on the applicable Determination Date for the Index Maturity that appears on another leading market-recognized electronic or print source used for the purpose of displaying the Federal Funds Rate (Daily) for the Business Day preceding the applicable Determination Date, as determined by the Calculation Agent in its discretion;

(4) if the rate specified in (1) through (3) above does not so appear, then the Calculation Agent shall look to the rate that appears by 6:45 p.m. on the applicable Determination Date on Reuters FEDFUNDS1 Page under the applicable Index Maturity for the Business Day two days preceding the applicable Determination Date;

(5) if the rate specified in (1) through (4) above does not so appear, the Calculation Agent will request five leading brokers (which may include the Dealers or their affiliates) of federal funds transactions in The City of New York selected by the Calculation Agent (after consultation with Fannie Mae, if Fannie Mae is not then acting as Calculation Agent) to provide a quotation of those brokers’ effective rate for transactions in overnight federal funds arranged by the broker settling on the Business Day preceding the applicable Determination Date. If at least two quotations are provided, then the Federal Funds Rate (Daily) will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest));

(6) if fewer than two quotations are so provided, then the Calculation Agent will request five leading brokers (which may include the Dealers or their affiliates) of federal funds transactions in the city of New York selected by the Calculation Agent (after consultation with Fannie Mae, if Fannie Mae is not then acting as

Calculation Agent) to provide a quotation of those brokers' rates for the last transaction in overnight federal funds arranged by the broker as of 11:00 a.m. on the Business Day preceding the applicable Determination Date. If at least two quotations are provided, then the Federal Funds Rate (Daily) will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest)); and

(7) if fewer than two quotations are so provided, then the Federal Funds Rate (Daily) as of the applicable Determination Date will be the Federal Funds Rate (Daily) determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the Federal Funds Rate (Daily) will be the daily federal funds rate that appeared by 6:45 p.m. on the most recent Business Day preceding the Reset Date for which the rate was displayed on Reuters FEDFUNDS1 Page.

#### **Additional Definitions Related to Federal Funds Rate (Daily) Descriptions**

- “Determination Date” as identified in the applicable Pricing Supplement or Confirmation, means either the:
  - “Federal Funds Rate (Daily) Determination Date (Following Reset)” which means the applicable Reset Date; but if the Reset Date is not a Business Day, then such Determination Date means the Business Day immediately following the applicable Reset Date.
  - “Federal Funds Rate (Daily) Determination Date (Prior Reset)” which means the applicable Reset Date; but if the Reset Date is not a Business Day, then such Determination Date means the Business Day immediately preceding the applicable Reset Date.
  - “Federal Funds Rate (Daily) Determination Date (Same Day Reset)” which means the first Business Day after the applicable Reset Date.
- “H.15 Daily Update” means the daily statistical release electronically published or announced by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) on the Federal Reserve’s internet web site.
- “H.15(519) Weekly Update” means the official weekly statistical release designated as the H.15(519), published by the Federal Reserve Board. We understand that the Federal Reserve Board’s current method of official publication is by hard copy release, although the Federal Reserve Board does provide unofficial rates through its website and possibly other means.
- “Reuters FEDFUNDS1 Page” means the display designated as page “FEDFUNDS1” on Reuters.
- All times in the Federal Funds Rate descriptions refer to New York City time.

The following tables demonstrate, for any Debt Security using the Federal Funds Rate (Daily) as the applicable interest rate index, for a given Reset Date and a specified Determination Date convention, the publishing day for the daily effective rate for federal funds (Table 1), and the applicable business day for which such published effective rate applies (Table 2).

**TABLE 1 – PUBLISHING DAY FOR EFFECTIVE RATE**

<b><u>Stated Reset Date</u></b>	<b><u>“Prior Reset” Determination Date</u></b>	<b><u>“Following Reset” Determination Date</u></b>	<b><u>“Same Day” Determination Date</u></b>
<b>Monday</b>	Monday	Monday	Tuesday
<b>Tuesday</b>	Tuesday	Tuesday	Wednesday
<b>Wednesday</b>	Wednesday	Wednesday	Thursday
<b>Thursday</b>	Thursday	Thursday	Friday
<b>Friday</b>	Friday	Friday	Next Monday
<b>Saturday</b>	Friday	Next Monday	Next Monday
<b>Sunday</b>	Friday	Next Monday	Next Monday

**TABLE 2 – APPLICABLE BUSINESS DAY FOR EFFECTIVE RATE**

<b><u>Stated Reset Date</u></b>	<b><u>“Prior Reset” Determination Date</u></b>	<b><u>“Following Reset” Determination Date</u></b>	<b><u>“Same Day” Determination Date</u></b>
<b>Monday</b>	Prior Friday	Prior Friday	Monday
<b>Tuesday</b>	Monday	Monday	Tuesday
<b>Wednesday</b>	Tuesday	Tuesday	Wednesday
<b>Thursday</b>	Wednesday	Wednesday	Thursday
<b>Friday</b>	Thursday	Thursday	Friday
<b>Saturday</b>	Thursday	Friday	Friday
<b>Sunday</b>	Thursday	Friday	Friday

***Federal Funds Rate (Weekly Average)***

If we specify Federal Funds Rate (Weekly Average) as the applicable interest rate index for determining the interest rate for the related Debt Securities, the following provisions will apply:

The “Federal Funds Rate (Weekly Average)” means, with respect to any Reset Date:

(1) the rate that appears at 9:00 a.m. on the first Business Day after the Reset Date on Reuters H15FED1 Page opposite the caption “Federal funds (effective)” and under the caption “Week Ending” for the Friday immediately preceding the Reset Date. (As mentioned in the footnotes to the H.15(519) Weekly Update, the rate shown for the week ending on a Friday preceding a Reset Date, (which is the same rate displayed on the Reuters H15FED1 Page) actually will be the rate for the week ending on (and including) the Wednesday preceding the Reset Date (the “Seven-Day Period”).);

(2) if the rate specified in (1) above does not so appear, then the Calculation Agent shall look to the posted or announced weekly average of Federal Funds rates on the Reset Date for the Index Maturity that appears on another leading market-recognized electronic or print source used for the purpose of displaying the Federal Funds Rate (Weekly Average), as determined by the Calculation Agent in its discretion;

(3) if the rate specified in (1) and (2) above does not so appear, then the Federal Funds Rate (Weekly

Average) will be the arithmetic mean determined by the Calculation Agent of the rate, determined in the manner described in subclauses (y) and (z) below (as applicable), for each day in the Seven-Day Period (each a “Day Rate”), provided that the Calculation Agent determines a Day Rate for each day in the Seven-Day Period;

(y) The Day Rate for a Business Day will be the rate that appears, by 6:45 p.m. on the Reset Date, on Reuters FEDFUNDS1 Page for that Business Day. If a rate for that Business Day does not appear on Reuters FEDFUNDS1 Page by 6:45 p.m. on the Reset Date, the Calculation Agent will request five leading brokers (which may include the Dealers or their affiliates) of federal funds transactions in the city of New York selected by the Calculation Agent (after consultation with Fannie Mae, if Fannie Mae is not then acting as Calculation Agent) to provide a quotation of those brokers’ rates for the last transaction in overnight federal funds arranged by the broker as of 11:00 a.m. on that Business Day. If at least two quotations are provided, then the Day Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest)); and

(z) The Day Rate for a day other than a Business Day will be the rate for the preceding Business Day, whether or not the Business Day falls within the relevant Seven-Day Period, determined in accordance with the provisions of subclause (y) above; and

(4) if the Day Rate for each day in the Seven Day Period is not so determined, then the Federal Funds Rate (Weekly Average) as of such Reset Date will be the Federal Funds Rate (Weekly Average) determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the Federal Funds Rate (Weekly Average) will be the rate that appears on Reuters H15FED1 Page available by 9:00 a.m. on the day after the Reset Date opposite the caption “Federal funds (effective)” and under the caption “Week Ending” for the Friday most recently preceding the Reset Date.

Please note that the Federal Funds Rate (Weekly Average) as displayed on Reuters H15FED1 Page is a weekly average, while the Federal Funds Rate (Weekly Average) as calculated under clause (3) is based on an average of daily rates.

#### **Additional Definitions Related to Federal Funds Rate (Weekly Average) Descriptions**

- “H.15(519)Weekly Update” means the official weekly statistical release designated as the H.15(519), published by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”). We understand that the Federal Reserve Board’s current method of official publication is by hard copy release, although the Federal Reserve Board does provide unofficial rates through its website and possibly other means.
- “Reuters FEDFUNDS1 Page” means the display designated as page “FEDFUNDS1” on Reuters.
- “Reuters H15FED1 Page” means the display designated as page “H15FED1” on Reuters.
- All times in the Federal Funds Rate descriptions refer to New York City time.

#### ***Federal Funds (Open) Rate***

If we specify Federal Funds (Open) Rate as the applicable interest rate index for determining the interest rate for the related Debt Securities, the following provisions will apply:

The “Federal Funds (Open) Rate” means, with respect to any Reset Date:

(1) the opening rate for overnight Federal Funds which appears on Reuters Page USONFFHIST under the column “Open” on the Federal Funds (Open) Rate Determination Date for the Business Day preceding the Federal Funds (Open) Rate Determination Date;

(2) if the rate specified in (1) above does not so appear, then the Calculation Agent shall look to the



posted or announced opening rate for overnight Federal Funds on the Federal Funds (Open) Rate Determination Date for the Business Day preceding the Federal Funds (Open) Rate Determination Date that appears on another leading market-recognized or print source for the purpose of displaying the opening rate for overnight Federal Funds, as determined by the Calculation Agent in its sole discretion;

(3) if the rate specified in (1) and (2) above does not so appear, then the Calculation Agent shall look to the posted or announced opening rate for overnight Federal Funds on the second Business Day immediately preceding the Federal Funds (Open) Rate Determination Date, as determined by the Calculation Agent in its discretion;

(4) if the rate specified in (1) through (3) above does not so appear, then the Calculation Agent shall use the arithmetic mean of the rates for the last transactions in overnight Federal Funds prior to 9:00 am, on the Federal Funds (Open) Rate Determination Date, arranged by five leading brokers of Federal Funds transactions in New York City, as selected by the Calculation Agent. If at least two quotations are provided, the Federal Funds (Open) Rate will be the arithmetic mean of the quotations obtained (and if five quotations are provided, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest)); and

(5) if fewer than two quotations are so provided, then the Federal Funds (Open) Rate as of the Federal Funds (Open) Rate Determination Date will be the rate determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the Federal Funds (Open) Rate will be the last posted rate displayed under the column "Open" on Reuters USONFFHIST Page.

#### **Additional Definitions Related to Federal Funds (Open) Rate Descriptions**

- "Federal Funds (Open) Rate Determination Date" means the applicable Reset Date; provided, however, that if the Reset Date is not a Business Day, then the Federal Funds (Open) Rate Determination Date means the Business Day immediately preceding the applicable Reset Date.
- "Reuters USONFFHIST Page" means the display designated as page "USONFFHIST" on Reuters.
- All times in the Federal Funds Rate descriptions refer to New York City time.

#### **Prime Rate**

If we specify Prime Rate as the applicable interest rate index for determining the interest rate for the related Debt Securities, the following provisions will apply:

The "Prime Rate" means, with respect to any Reset Date:

(1) the daily rate published on the Federal Reserve Statistical Release H.15 Daily Update or the H.15(519) Weekly Update, as applicable, by 6:45 p.m., opposite the caption "Bank Prime Loan", or otherwise announced by the Federal Reserve by 6:45 p.m., for the corresponding Prime Rate Determination Date;

(2) if the rate specified in rate for the (1) above does not so appear, then the Calculation Agent shall look to the posted or announced rate for the Prime Rate on the Prime Rate Determination Date for the Index Maturity that appears on another leading market-recognized electronic or print source used for the purpose of displaying the Prime Rate, as determined by the Calculation Agent in its discretion;

(3) if the rate specified in (1) and (2) above do not so appear, then the Calculation Agent shall use the rate published on the Federal Reserve Statistical Release H.15 Daily Update or the H.15(519) Weekly Update, as applicable, by 6:45 p.m., opposite the caption "Bank Prime Loan", or otherwise announced by the Federal Reserve by 6:45 p.m., for the first Business Day preceding the Prime Rate Determination Date;

(4) if the rate specified in (1) through (3) above do not so appear, then the Calculation Agent will request five major banks (which may include affiliates of the Dealers) in the city of New York selected by the Calculation Agent (after consultation with Fannie Mae, if Fannie Mae is not then acting as Calculation Agent) to provide a quotation of those banks' U.S. dollar prime rates or base lending rates on the basis of the actual number of days in the year divided by 360 as of the close of business on the Prime Rate Determination Date. If

at least two quotations are provided, then the Prime Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest));

(5) if fewer than two quotations are so provided, the Calculation Agent will request five banks or trust companies (which may include affiliates of the Dealers) organized and doing business under the laws of the United States or any state thereof, each having total equity capital of at least U.S. \$500,000,000 and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent (after consultation with Fannie Mae, if Fannie Mae is not then acting as Calculation Agent), to provide a quotation of those banks' or trust companies' U.S. dollar prime rates or base lending rates on the basis of the actual number of days in the year divided by 360 as of the close of business on the Prime Rate Determination Date. If at least two quotations are provided, then the Prime Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or in the event of equality, one of the lowest)); and

(6) if fewer than two quotations are so provided, then the Prime Rate as of such Prime Rate Determination Date will be the Prime Rate determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the Prime Rate will be the rate calculated pursuant to clause (1) for the most recent New York Banking Day preceding the Reset Date for which at least two rates appeared by 5:00 p.m. on Reuters USPRIME1 Page.

#### **Additional Definitions Related to Prime Rate Description**

- "H.15 Daily Update" means the daily statistical release electronically published by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") on the Federal Reserve's internet web site.
- "H.15(519)Weekly Update" means the official weekly statistical release designated as the H.15(519), published by the Federal Reserve Board. We understand that the Federal Reserve Board's current method of official publication is by hard copy release, although the Federal Reserve Board does provide unofficial rates through its website and possibly other means.
- "New York Banking Day" means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which banking institutions in the city of New York are required or permitted by law or executive order to close or (d) a day on which the Federal Reserve Bank of New York is closed.
- "Prime Rate Determination Date" means the New York Banking Day preceding the applicable Reset Date.
- "Reuters USPRIME1 Page" means the display designated as page "USPRIME1" on Reuters.
- All times in the Prime Rate description refer to New York City time.

#### **Treasury Bill Rate**

If we specify Treasury Bill Rate as the applicable interest rate index for determining the interest rate for the related Debt Securities, the following provisions will apply:

The "Treasury Bill Rate" means, with respect to any Reset Date:

(1) the auction average rate for direct obligations of the United States ("Treasury Bills") with the applicable Index Maturity, as specified in the applicable Pricing Supplement or Confirmation, obtained from the applicable Reuters USAUCTION Page, under the column heading "INVEST RATE," by 3:00 p.m. on the Reset Date;

(2) if the rate specified in (1) above does not so appear, then the Calculation Agent shall look to the posted or announced auction average rate for Treasury Bills on the Reset Date for the Index Maturity that appears on another leading market-recognized electronic or print source used for the purpose of displaying the Treasury Bill Rate, as determined by the Calculation Agent in its discretion;

(3) if the rate specified in (1) and (2) above does not so appear, the Treasury Bill Rate will be the auction average rate for Treasury Bills having the Index Maturity, as specified in the applicable Pricing Supplement or Confirmation, obtained from the most recent auction of Treasury Bills prior to the Reset Date (the "Reference T-Bill Auction") as announced by the United States Department of the Treasury in the form of a press release under the heading "Investment Rate" by 3:00 p.m. on the Reset Date;

(4) if the rate is not so announced, then the Treasury Bill Rate will be the auction average rate for Treasury Bills having the Index Maturity, as specified in the applicable Pricing Supplement or Confirmation, obtained from the Reference T-Bill Auction as otherwise announced by the United States Department of the Treasury by 3:00 p.m. on the Reset Date as determined by the Calculation Agent;

(5) if the rate is not so announced, then the Treasury Bill Rate will be the auction average rate for Treasury Bills having the Index Maturity, as specified in the applicable Pricing Supplement or Confirmation, obtained from the applicable Reuters USAUCTION Page, under the column heading "INVEST RATE," by 3:00 p.m. on the Business Day preceding the Reset Date;

(6) if the rates specified in (1) through (5) above are not so announced, the Calculation Agent will request five leading primary United States government securities dealers (which may include the Dealers or their affiliates) in the city of New York selected by the Calculation Agent (after consultation with Fannie Mae, if Fannie Mae is not then acting as Calculation Agent) to provide a quotation of those dealers' secondary market bid yield, as of 3:00 p.m. on that Reset Date, for Treasury Bills with a remaining maturity closest to the Index Maturity, as specified in the applicable Pricing Supplement or Confirmation (or, in the event that the remaining maturity is equally close, the longer remaining maturity). If at least two quotations are provided, then the Treasury Bill Rate will be the arithmetic mean determined by the Calculation Agent of the quotations obtained (and, if five quotations are provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)); and

(7) if fewer than two quotations are so provided, the Treasury Bill Rate as of such Reset Date will be the Treasury Bill Rate for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, the Treasury Bill Rate will be the auction average rate for Treasury Bills having the Index Maturity, as specified in the applicable Pricing Supplement or Confirmation, from the most recent auction of Treasury Bills prior to the Reset Date for which the rate was announced by the United States Department of the Treasury in the form of a press release under the heading "Investment Rate".

The auction average rate for Treasury Bills and the secondary market bid yield for Treasury Bills will be obtained expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable (or, if not so expressed, will be converted by the Calculation Agent to a bond equivalent yield).

All times in the Treasury Bill description refer to New York City time.

#### **Additional Definitions Related to Treasury Bill Rate Description**

- "Reuters USAUCTION Page" means the display pages for the auction average rate for Treasury Bills with the Index Maturity referenced in the applicable Pricing Supplement or Confirmation appearing on the Reuters USAUCTION10 Page or Reuters USAUCTION11 Page, as applicable.

#### **CMS Rate**

If we specify CMS Rate as the applicable interest rate index for determining the interest rate for the related Debt Securities, the following provisions will apply:

The "CMS Rate" means, with respect to any Reset Date:

(1) the rate for U.S. dollar swap transactions for the applicable Index Currency and applicable Index Maturity, as specified in the applicable Pricing Supplement or Confirmation for the Debt Securities, expressed as a percentage, which appears on the Reuters page "ISDAFIX1" (or such other page that may replace that page

on that service or a successor service) at 11:00 a.m. (New York City Time) on the applicable CMS Determination Date;

(2) if the rate specified in (1) above does not so appear, then the Calculation Agent shall look to the posted or announced rate for U.S. dollar swap transactions on the CMS Determination Date for the applicable Index Currency and applicable Index Maturity that appears on another leading market-recognized electronic or print source used for the purpose of displaying the CMS Rate, as determined by the Calculation Agent in its discretion;

(3) if the rate specified in (1) and (2) above does not so appear, the Calculation Agent shall use the rate for U.S. dollar swap transactions for the applicable Index Currency and applicable Index Maturity, as specified in the applicable Pricing Supplement or Confirmation for the Debt Securities, expressed as a percentage, which appears on the Reuters page “ISDAFIX1” (or such other page that may replace that page on that service or a successor service) at 11:00 a.m. (New York City Time) on the Business Day preceding the applicable CMS Determination Date;

(4) if the rate specified in (1) through (3) above does not so appear, and the latest CMS Rate as described in clause (1) or (2) above was first available prior to ten calendar days before the applicable CMS Determination, then the CMS Rate shall be determined by the Calculation Agent on the basis of the mid-market semi-annual swap rate quotations provided by the five leading swaps dealers in the New York City interbank market (which may include Dealers and their affiliates), and for this purpose, “mid-market semi-annual swap rate” means the arithmetic mean of the bid and offered rate quotations for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollars denominated interest rate swap transaction with the applicable Index Currency and Index Maturity, as specified in the applicable Pricing Supplement or Confirmation for the Debt Securities, commencing on the Reset Date for the relevant Interest Period, and for a relevant representative amount in the relevant market at the relevant time, with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USDLIBORBBA (as defined in the Annex to the ISDA Definitions published by the International Swap and Derivatives Association) with a designated maturity of three months, or a successor index selected by the Calculation Agent. The Calculation Agent will request the principal New York City office of each of the five leading swaps dealers selected by the Calculation Agent to provide a quotation of its rate. If at least five quotations are provided, the rate for that CMS Determination Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest);

(5) If two, three or four (and not five) of such swaps dealers are quoting as described in clause (4) above, then the CMS Rate will be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotes will be eliminated; and

(6) If fewer than two rate quotations are provided, then the CMS Rate for the Reset Date shall be the CMS Rate in effect on the preceding Reset Date.

#### **Additional Definitions Related to CMS Rate Description**

- “CMS Determination Date” means the second Business Day preceding the applicable Reset Date.

#### **CMT Rate**

If we specify CMT Rate as the applicable interest rate index for determining the interest rate for the related Debt Securities, the following provisions will apply:

The “CMT Rate” means, with respect to any Reset Date:

(1) the rate for constant maturity Treasuries displayed as of 6:45 p.m. (New York City time) on Reuters Page FEDCMT under the heading “Treasury Constant Maturities” for the applicable Index Maturity, for the applicable CMT Determination Date;

(2) if the rate specified in (1) above does not so appear, then the Calculation Agent shall look to the posted or announced CMT Rate on the CMT Determination Date for the applicable Index Maturity that is published on the Federal Reserve Statistical Release H.15 Daily Update or the H.15(519) Weekly Update, as applicable, opposite the caption “Treasury Constant Maturities”;

(3) if the rate specified in (1) and (2) above does not so appear, then the Calculation Agent shall look to the posted or announced rate for constant maturity Treasuries on the CMT Determination Date for the applicable Index Maturity that appears on another leading market-recognized electronic or print source used for the purpose of displaying the CMT Rate, as determined by the Calculation Agent in its discretion;

(4) if the rate specified in (1) through (3) above does not so appear, the Calculation Agent shall calculate the CMT Rate using the rate for constant maturity Treasuries displayed as of 6:45 p.m. (New York City time) on Reuters Page FEDCMT, under the heading "Treasury Constant Maturities" for the applicable Index Maturity, for the Business Day preceding the applicable CMT Determination Date;

(5) if the rate specified in (1) through (4) above does not so appear, the CMT Rate will be calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent and as a decimal on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m. (New York City time) on such CMT Determination Date of three leading primary United States government securities dealers (which may include the Dealers or their affiliates) in the city of New York selected by the Calculation Agent (from five such dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for direct noncallable fixed rate obligations of the United States ("Treasury Notes") most recently issued with an original maturity closest to the applicable Index Maturity. If two, three or four (and not five) of such dealers are quoting as described in this clause (5), then the CMT Rate (Weekly Average) will be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations will be eliminated; and

(6) if fewer than two dealers selected by the Calculation Agent are quoting as described in clause (5) above, the CMT Rate as of such CMT Determination Date will be the CMT Rate determined on the immediately preceding CMT Determination Date.

#### **Additional Definitions Related to CMT Rate Description**

- "CMT Determination Date" means the second Business Day preceding the applicable Reset Date.
- "H.15 Daily Update" means the daily statistical release electronically published or announced by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") on the Federal Reserve's internet web site.
- "H.15(519) Weekly Update" means the official weekly statistical release designated as the H.15(519), published by the Federal Reserve Board. We understand that the Federal Reserve Board's current method of official publication is by hard copy release, although the Federal Reserve Board does provide unofficial rates through its website and possibly other means.
- "Reuters Page FEDCMT" means the display designated as page "FEDCMT" on Reuters.

## APPENDIX E

### SELLING RESTRICTIONS

This Appendix is incorporated in and made a part of the Offering Circular.

#### General

The Debt Securities may be offered or sold only where it is legal to do so. The Dealers have represented and agreed that they will comply with all applicable laws and regulations in each jurisdiction in which they may purchase, offer, sell or deliver Debt Securities or distribute this Offering Circular, any Pricing Supplement, or any other offering material. The Dealers also have agreed to comply with selling restrictions relating to specific countries. We and the Dealers may modify selling restrictions at any time. Some of the restrictions that may be applicable to the offer and sale of Debt Securities are set forth below.

#### Australia

Each Dealer acknowledges that: (A) this Offering Circular is not a prospectus, disclosure document under Chapter 6D of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; (B) neither this Offering Circular or any disclosure document or product disclosure statement in relation to the Debt Securities has been lodged with the Australian Securities and Investments Commission; and (C) this Offering Circular does not purport to, is not required to and does not contain all of the information which would be required in a disclosure document or product disclosure statement under the Corporations Act.

Each Dealer has represented and agreed that it has not and must not:

- (A)(1) offer a Debt Security for issue, or invite applications for the issue of a Debt Security, in, or to or from a person that receives the offer or invitation in, Australia; or
- (2) offer a Debt Security for sale, or invite offers to purchase a Debt Security, in, or to or from a person that receives the offer or invitation in, Australia; or
- (B) distribute or publish the Offering Circular or any offering material or advertisement or statement relating to any Debt Securities in Australia,

unless:

- (i) the offer or invitation is an offer or invitation which does not require disclosure to investors under Part 6D.2 or Part 7.9 of the Corporations Act because the offeree or invitee is a “professional investor” or “sophisticated investor” for purposes of section 708 of the Corporations Act and the offeree or invitee is a “wholesale client” for the purposes of section 761G of the Corporations Act;
- (ii) the making of the offer or invitation, and the distribution or publication of the Offering Circular and any other offering material or advertisement or statement in relation to the Debt Securities, are each in compliance, and the issue or sale of the Debt Securities in accordance with the offer or invitation would be in compliance, with the Corporations Act, the Corporations Regulations and all other applicable laws and regulations;
- (iii) the offer, invitation or distribution complied with the conditions of the Australian financial services license of the person making the offer, invitation or distribution or an applicable exemption from the requirement to hold such license; and
- (iv) such action does not require any document to be lodged with the Australian Securities and Investments Commission or the Australian Securities Exchange.

This Offering Circular is not intended to be distributed or passed on, directly or indirectly, to any other

class of persons in Australia, except persons falling within paragraph (i) above.

Any person to whom Debt Securities are issued must not, within 12 months after the issue, offer, transfer or assign those Debt Securities to investors in Australia except in circumstances where disclosure is not required under the Corporations Act or where the offer is pursuant to a disclosure document which complies with the Corporations Act.

This Offering Circular is issued by Fannie Mae. Fannie Mae does not hold an Australian Financial Services License and is not authorized to provide financial product advice in relation to the Debt Securities in Australia. An investor in the Debt Securities will not have cooling off rights. This Offering Circular does not take account of an investor's objectives, financial situation or particular needs. In making an investment decision, an investor must rely on its own inquiries and the statements in this Offering Circular, including any statements on the risks involved.

This Offering Circular has not been prepared for an Australian audience. Investors should therefore note that this information:

- may contain references to dollar amounts which are not Australian dollars;
- may contain financial information which is not prepared in accordance with Australian law or practices;
- may not address risks associated with investment in foreign currency denominated investments; and
- does not address Australian tax issues.

For purposes of this paragraph:

“Corporations Act” means the Corporations Act 2001 ( C t h ) of the Commonwealth of Australia;

“Corporations Regulations” means the Corporations Regulations 2001 of the Commonwealth of Australia; and

“Debt Security” includes a legal or equitable right or interest in, or an option to acquire, a Debt Security.

## **Belgium**

With regard to Debt Securities having a maturity of less than 12 months (and which therefore fall outside the scope of the Prospectus Directive), this Offering Circular has not been, and it is not expected that it will be, submitted for approval to the Belgian Financial Services and Markets Authority. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Universal Debt Facility will be required to represent and agree, that it shall refrain from taking any action that would be characterized as or result in a public offering of the Debt Securities in Belgium in accordance with the Prospectus Law dated 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets, as amended or replaced from time to time.

## **Canada**

The Debt Securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Debt Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Unless otherwise specified in the applicable Pricing Supplement, pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

## **China**

Each Dealer has acknowledged that the Debt Securities have not been and will not be registered under the relevant laws of the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan). Accordingly, each Dealer represents, warrants and agrees to and with Fannie Mae that it has not made, and will not make, any offer, promotion, solicitation for sales or sale of or for, as the case may be, any Debt Securities in the People's Republic of China, except where permitted by the China Securities Regulatory Commission or where the activity otherwise is permitted under the laws and regulations of the People's Republic of China.

## **European Economic Area—Prospectus Directive Selling Restrictions**

From January 1, 2018, each Dealer has represented and agreed, and each further Dealer appointed under the Universal Debt Facility will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Debt Securities which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - i. a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or
  - ii. a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - iii. not a qualified investor as defined in Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, the "Prospectus Directive"); and
  
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Debt Securities to be offered so as to enable an investor to decide to purchase or subscribe the Debt Securities.

Prior to January 1, 2018, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Universal Debt Facility will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Debt Securities which are the subject of the offering contemplated by this Offering Circular (as completed by the Pricing Supplement in relation thereto) to the public in that Relevant Member State except that it may, with



effect from and including the Relevant Implementation Date, make an offer of Debt Securities to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by Fannie Mae for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Debt Securities referred to in (a) to (c) above shall require Fannie Mae or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an “offer of Debt Securities to the public” in relation to any Debt Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Debt Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Debt Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

## **France**

Each Dealer has represented and agreed and each further Dealer will be required to represent and agree that it has not offered or sold, and will not offer or sell, directly or indirectly, any Debt Securities to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular, Pricing Supplement or any other offering material related to the Debt Securities and that such offers, sales, and distributions have been made and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in and in accordance with Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*. This Offering Circular has not been submitted to the clearance procedures of the *Autorité des Marchés Financiers*.

## **Germany**

Each of the Dealers has represented and warranted to, and has agreed with, Fannie Mae that it will not offer or sell the Debt Securities in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*), and any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. The Debt Securities may neither be, nor are they intended to be, distributed by way of public offering, public advertisement or in a similar manner within the meaning of Sections 2 Nr. 4 and 3 (1) of the German Securities Prospectus Act nor shall the distribution of this Offering Circular or any other documents relating to the Debt Securities constitute such public offer, unless such public offer is exempt from the obligation to issue a prospectus pursuant to German Securities Prospectus Act or any other relevant German laws and regulations governing the issue, offering and sale of the Debt Securities.

The distribution of the Debt Securities has not been notified and the Debt Securities are not registered or

authorized for public distribution in the Federal Republic of Germany under the German Securities Prospectus Act. Accordingly, this Offering Circular has not been filed or deposited with the German Federal Financial Supervisory Authority (*Bundesanstalt fuer Finanzdienstleistungsaufsicht—BaFin*)

In Germany, the Debt Securities shall only be available to, and this Offering Circular and any other offering material in relation to the Debt Securities are directed only at persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 Nr. 6 of the German Securities Prospectus Act. Any resale of the Debt Securities in the Federal Republic of Germany may only be made in accordance with the German Securities Prospectus Act and any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

The language in this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order to ensure that the correct technical meaning may be ascribed to them under applicable law.

### **Hong Kong**

Each Dealer represents and agrees that:

- (1) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), by means of any document, any Debt Securities (except for Debt Securities which are "Structured Products" as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong)) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that ordinance; or (ii) in circumstances which do not result in the document being a "prospectus" as defined in the Companies (winding up and Miscellaneous Provisions) Ordinance (Cap. 32 of Hong Kong) or which do not constitute an offer to the public within the meaning of that ordinance; and
- (2) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Debt Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Debt Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that ordinance.

### **Republic of Italy**

Unless otherwise specified within the relevant offering document, the offering of any Debt Securities has not been registered with the Commissione Nazionale per la Società e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly, no Debt Securities may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Debt Securities be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Financial Services Act") and Article 34-ter first paragraph, letter b, of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("Regulation No. 11971"); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Debt Securities or distribution of copies of this Offering Circular or any other document relating to the Debt Securities in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No.

16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “Banking Act”); and

- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

*Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the Debt Securities which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are regularly “systematically” distributed on the secondary market in Italy to non-qualified investors become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Debt Securities being declared null and void and in the liability of the intermediary transferring the Debt Securities for any damages suffered by such non-qualified investors.*

### **Japan**

The Debt Securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the “FIEL”). Each Dealer has represented and agreed that it will not offer or sell any Debt Securities, directly or indirectly, in Japan or to, or for the account or the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the FIEL and any other applicable laws and regulations and ministerial guidelines of Japan.

### **Korea**

The Debt Securities have not been and will not be registered under the Financial Investment Services and Capital Markets Act and the decrees and regulations thereunder (the “FSCMA”). The Debt Securities may not be offered or sold directly or indirectly, in Korea or to, or for the benefit of, any Korean resident (as such term is defined in the Foreign Exchange Transaction Law), or to others for re-offering or resale, directly or indirectly, in Korea or to, or benefit of, Korean resident, except pursuant to the applicable laws and regulations of Korea, including the FSCMA, the Foreign Exchange Transaction Law and the decrees and regulations thereunder.

### **Grand Duchy of Luxembourg**

This Offering Circular has not been approved by, and will not be submitted for approval to, the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) (“CSSF”) or a competent authority of another EU Member State for notification to the CSSF, where applicable, for purposes of public offering or sale in the Grand Duchy of Luxembourg. Each Dealer severally represents, warrants and agrees that it has not and will not, offer or sell the Debt Securities to the public in Luxembourg, directly or indirectly, and neither this Offering Circular nor any prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available in, or from or published in, Luxembourg, except in circumstances which do not constitute an offer of securities to the public pursuant to the provisions of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, as amended (the “Prospectus Act 2005”).

### **New Zealand**

No product disclosure statement, prospectus, or similar offering or disclosure document in relation to the

Debt Securities has been prepared or has been lodged with or reviewed or approved by the Registrar of Financial Service Providers or any other regulatory body in New Zealand. Each Dealer has represented and agreed that it has not offered or sold and agrees it will not offer or sell any Debt Securities in New Zealand or distribute or publish any offering material or advertisement in relation to any offer of Debt Securities in New Zealand other than:

- (a) to persons who are a “wholesale investor” for the purposes of clause 3(1) of Schedule 1 of the Financial Markets Conduct Act 2013 (the “Financial Markets Conduct Act”) (as the term “wholesale investor” is defined by clauses 3(2) and 3(3)(a) of Schedule 1 of the Financial Markets Conduct Act); or
- (b) in other circumstances where there is no contravention of the Financial Markets Conduct Act 2013 (and its related regulations).

### **Portugal**

Each Dealer has represented and agreed that offers and sales, direct or indirect, of Debt Securities have not been and will not be made in Portugal, except to the extent that said offers and sales do not qualify as public offers of securities (“*oferta pública de valores mobiliários*”) for the purposes of the Portuguese Securities Code and relevant ancillary legislation and are made in compliance with other relevant laws of Portugal. The recipients of this Offering Circular and other offering materials in respect of the Debt Securities are qualified investors, targeted exclusively on the basis of a private placement, all as defined in and in accordance with articles 30, 109 and 110 of the Portuguese Securities Code. Accordingly, the Debt Securities must not be, and are not being, offered or advertised, and no offering or marketing materials relating to the Debt Securities may be made available or distributed in any way that would constitute a public offer under the Portuguese Securities Code (whether at present or in the future).

### **Singapore**

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Debt Securities may not be circulated or distributed, nor may the Debt Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Debt Securities are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Debt Securities under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

### **Spain**

The Debt Securities may not be offered, sold or distributed in the Kingdom of Spain except in accordance with the requirements of: (a) the Spanish Securities Market Law (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), as amended and restated; and (b) Royal Decree 1310/2005, of 4 November (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), as amended and restated; and (c) the

decrees and regulations made thereunder (and, if applicable, the relevant laws, decrees and regulations that in the future may replace the legal provisions mentioned under (a), (b) and (c) above, which deal with public offerings and issuance of securities (*ofertas públicas de venta o suscripción de valores*) in the Kingdom of Spain, and which are hereinafter jointly referred to as the “Spanish Regulations on Public Offerings and Issuance of Securities”).

Each Dealer has acknowledged that this Offering Circular has not been approved by, or registered with the administrative registries of, the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, each Dealer has represented and agreed that the Debt Securities have not been and will not be offered, sold or distributed in the Kingdom of Spain to any person, except in circumstances which do not constitute a public offer of securities in accordance with the Spanish Regulations on Public Offerings and Issuance of Securities. Each Dealer has also represented and agreed that it has not made and will not make any kind of advertisement of the Debt Securities to the public in the Kingdom of Spain, except in accordance with the Spanish Regulations on Public Offerings and Issuance of Securities, or in circumstances which do not constitute a public offer of securities in accordance with those regulations.

### **Sweden**

Each Dealer has represented, warranted and agreed to and with Fannie Mae that such Dealer and its Affiliates have not, and will not directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy any Debt Securities or distribute any draft or definitive document in relation to any offer, invitation or sale in Sweden except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act of 1991 (*lagen om handel med finansiella instrument*). This Offering Circular is not a prospectus in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act or in any other Swedish laws or regulations. Neither the Swedish Financial Supervisory Authority (*finansinspektionen*) nor any other Swedish public body has examined, approved or registered this Offering Circular.

### **Switzerland**

The Debt Securities may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. This Offering Circular and any other offering or marketing material relating to the Debt Securities has been prepared without regard to the disclosure standards for issuance prospectuses and does not constitute a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Circular nor any other offering or marketing material relating to the Debt Securities may be publicly distributed or otherwise made publicly available in Switzerland.

The contents of this Offering Circular and any other offering or marketing material relating to the Debt Securities have not been filed with or approved by any regulatory authority in Switzerland. In particular, this Offering Circular will not be filed with, and the offer of Debt Securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (“FINMA”), and the offer of Debt Securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Debt Securities.

### **Taiwan**

Each Dealer has acknowledged that the offering of the Debt Securities has not been and will not be registered with or approved by the Financial Supervisory Commission of Taiwan, the Republic of China (“ROC”) and/or other ROC regulatory authority pursuant to relevant securities laws and regulations and therefore may not be offered or sold within the ROC through a public offering or in circumstances which constitute an offer within the meaning of the ROC Securities and Exchange Act that requires registration or approval of the ROC Financial Supervisory Commission. The Debt Securities are only permitted

to be made available to ROC investors for purchase outside the ROC. Accordingly, the Dealers have represented and agreed that they have not made, and will not make, any offers, promotion, commercial solicitation and sales of any Debt Securities directly or indirectly within the ROC. No person or entity has been authorized to offer, sell or give advice regarding or otherwise intermediate the offering and sale of the Debt Securities within the ROC.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Universal Debt Facility will be required to represent and agree, that:

- (a) in relation to any Debt Securities which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Debt Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Debt Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by Fannie Mae;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Debt Securities in circumstances in which Section 21(1) of the FSMA does not apply to Fannie Mae; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Debt Securities in, from or otherwise involving the United Kingdom.

### **United States**

Please see “Distribution of Benchmark Bills and Short-Term Notes—183 Day Notes Selling Restriction” in Appendix B to the Offering Circular for the selling restriction that applies to 183 Day Notes.

## APPENDIX F

### REDENOMINATION TO THE EURO

This Appendix is incorporated in and made a part of the Offering Circular.

The following provisions govern redenomination to the Euro of Debt Securities originally denominated in currencies expected to be replaced by the Euro, the currency of the European economic and monetary union.

#### Definitions

The following definitions refer to terms used in this Appendix:

- “cent” means the sub-unit of the Euro (which is equal to 1/100 of a Euro).
- “Euro(s)” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.
- “Fixed Conversion Rate” means the fixed rate for the conversion of the Specified Payment Currency into Euro established by the Treaty.
- “Original Specified Payment Currency” means the original national currency unit of a Participating Member State in which a Debt Security is denominated and payable.
- “Participating Member State” means a member state of the European Union that adopts the Euro as its single currency in accordance with the Treaty.
- “Redenomination Notice” means the notice we will give to Holders and the applicable clearing system of our intention to redenominate an Original Specified Payment Currency to Euro.
- “Selected Redenomination Date” means the Interest Payment Date that is specified in a Redenomination Notice as the date on which redenomination of Debt Securities will occur.
- “Treaty” means the Treaty establishing the European Community, as amended.

#### Redenomination

With respect to any Debt Security originally denominated in an Original Specified Payment Currency, on the Selected Redenomination Date, we may change the currency unit in which these applicable Debt Securities (the “Applicable Debt Securities”) are denominated and payable from the Original Specified Payment Currency to the Euro. In order to change the currency unit, we must give the Holders of the Applicable Debt Securities and the applicable clearing system at least 30 days’ prior notice by sending the Redenomination Notice. We also will notify the Global Agent in writing of our intention to change the currency unit at least 45 days prior to the Selected Redenomination Date. We may change the currency unit, however, without the consent of the Holders or beneficial owners of the Applicable Debt Securities, the Global Agent, or the applicable clearing system.

The Redenomination Notice given by us will state the Selected Redenomination Date and describe the manner in which the redenomination will be effected. The Redenomination Notice also will describe the rounding convention to be used by us when redenominating the Applicable Debt Securities and the effect of that rounding convention. See “Description of the Debt Securities—Notices” for certain other general provisions regarding notices to Holders of Debt Securities.

If we elect to redenominate an issue of Applicable Debt Securities into Euro, we will redenominate all, not just a part, of the outstanding issue of Applicable Debt Securities. We will effect redenomination by converting the aggregate outstanding principal amount of the Applicable Debt Securities, as stated in the Original Specified Payment Currency, into Euro by using the Fixed Conversion Rate and by rounding in compliance with rules regarding rounding set forth in applicable European Community regulations. However, if we determine, in consultation with the Global Agent, that the manner of the redenomination and/or rounding is not consistent with existing or anticipated market practice for the redenomination into Euro of debt obligations issued in the euromarket (regardless of the original currency in which the debt obligations were denominated) and held in any international clearing system, or is not practicable given the manner in which the Applicable Debt Securities are held and cleared through the applicable clearing system, we may, in consultation with the Global Agent, adopt another method which is, or we reasonably believe will be, so consistent or practicable.

Immediately after redenomination on the Selected Redenomination Date, Euro will be deemed the new Specified Payment Currency in which we will make payments of any amounts on the Applicable Debt Securities after the Selected Redenomination Date. On the Selected Redenomination Date, however, we may pay any interest or principal then due on the Debt Securities either in the Original Specified Payment Currency or in Euro, as we may decide in our sole discretion and as we will describe in the Redenomination Notice.

In the event that we do not redenominate Debt Securities denominated in an Original Specified Payment Currency prior to the end of the relevant transitional period, if any, the Treaty provides that references in the Debt Securities to the Original Specified Payment Currency will be deemed references to the Euro unit, according to the relevant Fixed Conversion Rate. The Redenomination Date may be after the end of the relevant transitional period, if any.

In connection with the redenomination that occurs on the Selected Redenomination Date, we may determine, in consultation with the Global Agent, that additional changes to the terms of the Applicable Debt Securities are advisable in order to conform the Applicable Debt Securities to conventions then applicable to the issue or trading of instruments denominated or payable in Euro (“Additional Conforming Changes”). The Additional Conforming Changes may include changes to Minimum Denominations and Additional Increments of the Applicable Debt Securities, accrual methods, the definition of “Business Day”, and/or certain other terms of the Applicable Debt Securities. We may amend and/or replace any related Applicable Debt Securities, definitive Debt Securities, and/or the Global Agency Agreement in order to reflect the changes described in the Redenomination Notice and all Additional Conforming Changes.

Any Additional Conforming Changes will not take effect until we have given at least 30 days prior notice to the Holders of the Applicable Debt Securities and the applicable clearing system and at least 45 days prior notice to the Global Agent (unless we and the Global Agent mutually agree to a shorter time for notice to the Global Agent).

Notwithstanding any provisions contained in this Offering Circular under “Description of the Debt Securities—Modification and Amendment”, we will be able to take all of the actions described in and contemplated by this section without the consent of any Holders or beneficial owners of the Applicable Debt Securities.

There is a discussion of the tax consequences of redenominating a Debt Security to Euro in this Offering Circular under “United States Taxation—U.S. Persons—Debt Securities with Payments Based on a Non-U.S. Currency—Conversion to the Euro.”





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