



FEDERAL HOUSING FINANCE AGENCY

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Office of the Director

November 13, 2008

Herbert M. Allison, Jr.
Chief Executive Officer
Federal National Mortgage Association
3900 Wisconsin Avenue, NW
Washington, D.C. 20016-2892

CONFIDENTIAL

**Re: Notice to Suspend Affordable Housing Allocations
(FNM-OC-2008-063)**

Dear Mr. Allison:

Pursuant to section 1337 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, which establishes funding requirements for the Housing Trust Fund and Capital Magnet Fund, Fannie Mae is required to set aside an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of its total new business purchases. The section also allows the FHFA to suspend contributions on a temporary basis.

This letter serves as notice to Fannie Mae that FHFA is suspending allocations under this section until further notice due to our findings of the following:

- The amount of the contribution would further contribute to the financial instability of Fannie Mae.
- While FHFA has suspended capital classifications, the contributions would further erode the requirement to maintain a positive net worth as Fannie Mae anticipates it may have a negative net worth as of December 31, 2008, which would result in drawing funds from the U.S. Treasury to maintain a positive net worth (pursuant to the Senior Preferred Stock Purchase Agreement).

Until further notice, Fannie Mae should not set aside or allocate funds for the Housing Trust Fund and the Capital Magnet Fund. Funds accrued for the third quarter 2008 as disclosed in Fannie Mae's SEC 10-Q on November 10, 2008 should be appropriately reversed in the SEC 10-K filed for year-end 2008. Public disclosures should appropriately reference the temporary suspension by FHFA.

Should you have further questions, please contact Jeffrey Spohn, Senior Associate Director, Office of Conservatorship Operations, at 202-414-3763.

Sincerely,


James B. Lockhart III
Director