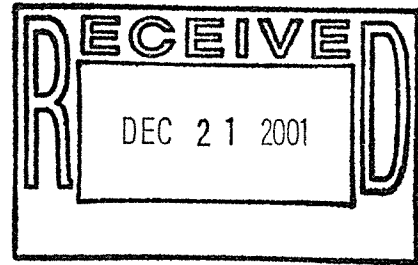


December 14, 2001

Armando Falcon, Jr., Esq.
Director
Office of Federal Housing Enterprise Oversight
Fourth Floor
1700 G Street NW
Washington, DC 20552



Re: *Proposed Corporate Governance Regulations, RIN 2550-AA20*

Dear Mr. Falcon:

We respectfully submit the following comments on the corporate governance regulations proposed by the Office of Federal Housing Enterprise Oversight ("OFHEO") on September 12, 2001.

We write to you as the directors of Fannie Mae, the major provider of home mortgage financing and liquidity to the \$5.9 trillion residential financing market in the United States. As a national financial institution whose equity and debt securities are widely held by the American investing public, Fannie Mae has long had a board made up primarily of experienced non-management directors, as well as outstanding Presidential appointees from a wide range of backgrounds. Currently our board includes a number of present or former chief executive officers, public officials, university presidents and professors, and other distinguished professionals. The individuals now serving on our board serve on a number of other boards of publicly held companies. As a group, we understand what it takes to create a strong and effective board of directors and, equally important, to attract and retain strong and able senior managers. We also understand what is expected of directors who are entrusted by shareholders with the oversight of company operations and policies.

We realize that in attracting qualified managers, and in attracting the quality of directors who can effectively oversee Fannie Mae's operations and provide wise and experienced counsel to management, we must compete with other major American business corporations. Director candidates of the quality we seek are particularly concerned that they be appropriately indemnified against vexatious (and sometimes frivolous) claims and lawsuits, and that they not be required to put their personal financial security at risk to bear the cost of administrative investigations and possible penalties. They are also concerned that they not be held to unclear standards that depart from the business judgment rule and the reasonable due care and loyalty standards that make up the core of well established corporate law. We have been briefed on the corporate governance regulations now proposed by OFHEO. Based on what we have learned about the proposed regulations and our own experience, we strongly urge that they be withdrawn.

We are genuinely concerned about the effect of the proposed regulations on our ability to attract and retain qualified board candidates. The proposed rules impose a list of specified, but ill-defined, duties and "responsibilities," apparently to be enforced at OFHEO's discretion. These duties conflict with state law concepts of the duties of care and loyalty and the protections of the business judgment rule. The result is confusion as to what is required of directors and, we fear, the creation of an inappropriate regulatory basis for administrative second-guessing of reasonable business judgments. This uncertainty is compounded by a severe curtailment of the rights to indemnification and advancement of expenses that Fannie Mae, like virtually every other American public corporation, currently offers to its directors and officers. The combination of uncertainty as to standards of conduct and liability and the limitations on

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reasonable indemnification will, in our judgment, hamper the ability of Fannie Mae to attract and retain able and experienced directors and senior managers.


Fannie Mae's management has prepared a more detailed comment letter on the particular provisions of the corporate governance proposal, and we urge you to consider those comments carefully. We write to highlight the larger issue: that these proposals, if adopted, could do real damage to Fannie Mae's corporate governance. The proposed regulations are unnecessary for an institution that continues to provide important housing credit and liquidity, as well as outstanding financial performance, even in today's difficult environment, and which has no history of inappropriate conduct that would justify such drastic changes and exposure to risk for its directors and officers.

We appreciate your consideration of our views. Please do not hesitate to contact us with any questions or comments.

Sincerely,

cc: Alfred M. Pollard, Esq.

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Daniel H. Mudd

Jamie S. Gorelick

Victor H. Ashe

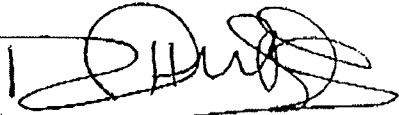
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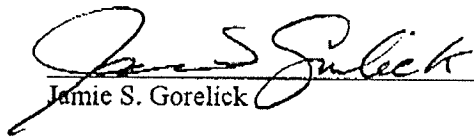
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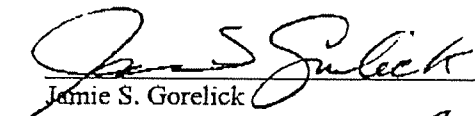
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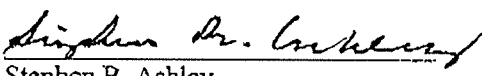


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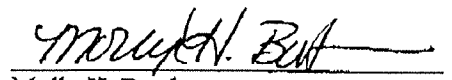
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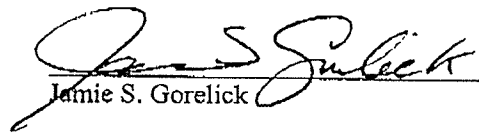
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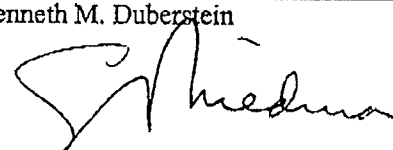
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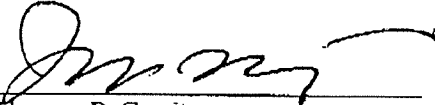
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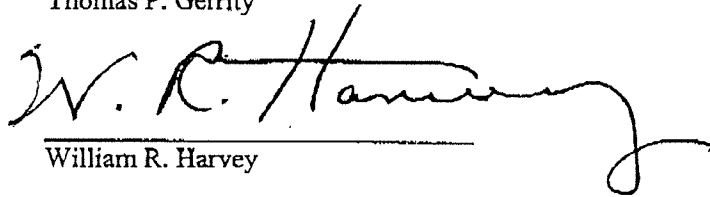
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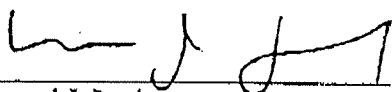
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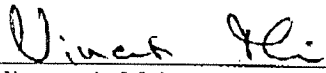
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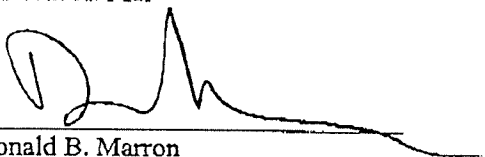
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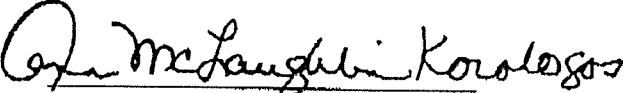
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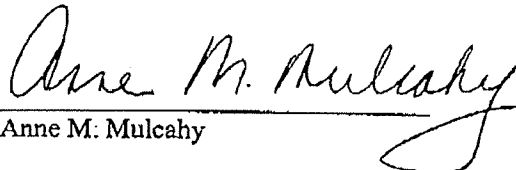
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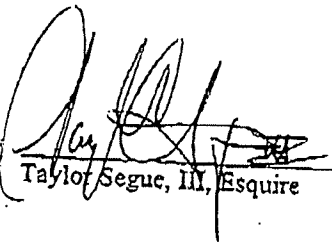
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H. Patrick Swygert

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