May 30, 2008

Ms. Suzanne Q. Bielstein  
Director of Major Projects  
Financial Accounting Standards Board  
401 Merrit 7  
Norwalk, Connecticut 06851

Ms. Bielstein:  

Fannie Mae appreciates the opportunity to provide comments regarding the Preliminary Views, “Financial Instruments with Characteristics of Equity,” (the “PV”). Fannie Mae is a government-sponsored enterprise chartered by the U.S. Congress under the name “Federal National Mortgage Association” and is aligned with national policies to support expanded access to housing and increased opportunities for home ownership. We are subject to government oversight and regulation. Our regulators include the Office of Federal Housing Enterprise Oversight, the Department of Housing and Urban Development, the Securities and Exchange Commission and the Department of the Treasury. We are a stockholder-owned corporation, and our business is self-sustaining and funded exclusively with private capital.

We appreciate the Board’s efforts to simplify the accounting distinction between liabilities and equity. However, we oppose the Basic Ownership Approach as described in the PV. Our objection to the Basic Ownership Approach is that it classifies perpetual preferred stock as a liability rather than as equity. Our view is that perpetual preferred stock is a residual interest in an entity after all claims against assets have been paid.

We issue perpetual preferred stock rather than debt as a form of capital because it is fundamentally different from debt. The key difference is that our perpetual preferred stock does not require settlement whereas our debt does require settlement. Furthermore, our regulatory core capital, as defined by statute, includes non-cumulative perpetual preferred stock. Thus, we agree with classifying perpetual preferred stock as equity as under the Ownership-Settlement Approach described in Appendix A of the PV and oppose classifying perpetual preferred stock as a liability under the Basic Ownership Approach.

If you have questions regarding this, please feel free to contact me.

Sincerely,

Gregory N. Ramsey