

**Fannie Mae
Federal Credit Union
Comparative Balance Sheet
As of December 31, 1998**

Assets	1998	1997
Loans	\$ 4,446,793	\$ 4,283,016
Cash in Banks Regular Savings	544,870	269,291
Investments	2,890,293	2,717,298
Receivables and Other Assets	50,094	67,512
Pre-Paid and Deferred Expenses	2,801	1,968
Fixed Assets	19,950	27,791
Less: Allowance for Loan Loss	<u>(20,174)</u>	<u>(13,859)</u>
Total Assets	\$ 7,934,627	\$ 7,353,017
Liabilities and Capital		
Accounts Payable	\$ 21,340	\$ 12,166
Accrued Expenses	3,781	4,269
Dividend Payable	<u>41,280</u>	<u>41,524</u>
Total Liabilities	\$ 66,401	\$ 57,959
Shares and Share Certificates	\$ 6,712,612	\$ 6,257,505
Regular Reserves	288,812	275,740
Undivided Earnings	<u>866,802</u>	<u>761,813</u>
Total Shares and Capital	\$ 7,868,226	\$ 7,295,058
Total Liabilities and Capital	\$ 7,934,627	\$ 7,353,017

**Income Statement for
Period Ended
December 31, 1998**

Income	1998	1997
Interest on Loans	\$ 333,364	\$ 339,645
Income from Investments	183,328	165,797
Miscellaneous Operating Income	<u>67,036</u>	<u>75,677</u>
Total Income	\$ 583,728	\$ 581,119
Expenses		
Education and Promotions	\$ 4,383	\$ 13,176
Provision for Loan Loss	9,123	6,000
Examination Fees	1,800	1,800
Member Insurance	1,427	2,336
Association Dues	3,000	3,000
Loan Servicing Expenses	3,815	5,590
Travel and Conferences	2,472	1,628
Office Operations	35,784	37,111
Professional Services	36,843	34,313
Salaries	153,006	143,921
Miscellaneous Operating Expenses	<u>(60)</u>	<u>151</u>
Total Expenses	\$ 251,593	\$ 249,026
Net Earnings	\$ 332,135	\$ 332,093

**Statement of Reserves
and Undivided Earnings
as of December 31, 1998**

Balance - Regular Reserves and Undivided Earnings 1998	\$ 1,037,553	\$ 915,091
Add: Net Earnings	332,135	332,093
Less: Dividends Paid in 1998	(214,074)	(209,631)
Balance as of December 31, 1998	\$ 1,155,614	\$ 1,037,553

Financial and Operating Highlights

	1998	1997
Assets	\$ 7,934,627	\$ 7,353,017
Shares	6,712,612	6,257,505
Loans (Outstanding)	4,446,793	4,283,016
Income	583,728	581,119
Expenses	251,593	249,026
Net Earnings (Before Dividends)	332,135	332,093
Members	3,600	3,413

**Fannie Mae
Federal
Credit
Union**
1998 Annual Report

Report of the Board of Directors

I am pleased to provide the Fannie Mae Federal Credit Union's Report of the Board of Directors for 1998.

In 1998, the Fannie Mae Federal Credit Union remained financially safe and sound and received the National Credit Union Administration's highest composite "CAMEL" rating of 1 for the fifth year in a row.

Our priority for this year and next year is to ensure a smooth transition to the Year 2000 for our members. All mission-critical applications utilized by the credit union have been converted to Year 2000-ready versions. The main Central Processing Unit utilized by the credit union has been determined to be Year 2000-ready. This system, however, is six years old. In an effort to meet the future needs of the credit union and offer new products and services to benefit our members, your Board voted to purchase a new system that will be Year 2000-ready.

The credit union also will continue to focus on adding new products and services that benefit our members. With our upgraded computer system, we hope to be able to offer home banking services to members in 1999, including the ability to process certain transactions and loan applications from a personal computer.

Fannie Mae employee-members now may find detailed information on the credit union, our products and services, and our Year 2000 efforts on Fannie Mae's intranet, HomeSite. In 1999, your Board will continue to look for ways to better communicate with members – including those who are Fannie Mae employees and those who are not – to keep them informed of credit union activities.

The Board of Directors and credit union volunteers appreciate your support and, as always, we welcome your comments and suggestions.

Denise Rosso
President

Report of the Treasurer

The financial condition of the Fannie Mae Federal Credit Union continues to be excellent, as evidenced by the accompanying financial statements.

In 1998, your credit union experienced growth in the following areas:

	% Increase
Total shares	7.28%
Total assets	7.91%
Total loans outstanding	3.83%
Total membership	5.48%
Total reserves and equity	11.38%

Building and maintaining a strong capital base allows the credit union to offer new services to its members and improve the quality of the currently offered services, including the proposed home banking services to be made possible with our new, upgraded, in-house computer system.

The Fannie Mae Federal Credit Union is a not for profit organization. Any of our "profits" are directed back to you, our members, in the form of higher dividends on savings and lower interest rates on loans. This year the credit union returned 64 percent of its net income to members in the form of dividends.

The success of the credit union can be credited to loyal members, dedicated volunteers, and knowledgeable staff. Thank you for your support.

Helen Bunn
Treasurer

Report of the Credit Committee

In 1998, the Credit Committee disbursed \$2,556,337 for 285 loans, an increase of approximately 22 percent from last year.

Favorable loan rates and new loan products continued to support loan volumes at the Fannie Mae Federal Credit Union. While interest rates remained relatively low over the course of the year, the credit union continued to aggressively approach the market by offering rates below our competition. In addition, the credit union offered periodic tax, vacation, auto, and computer loan specials at attractive rates to accommodate our members' needs.

By offering competitive loan rates, implementing new lending products, and adjusting our borrower eligibility criteria where prudently possible, we will continue to work to make the credit union every member's first choice for their borrowing needs.

Robert Catalanotto
Chairman

Report of the Supervisory Committee

During 1998, the Supervisory Committee ensured that the activities of the Fannie Mae Federal Credit Union complied with the requirements of the Federal Credit Union Act, Bylaws, and Rules and Regulations. Members of the committee also monitored cash transactions, reviewed various policies and procedures, investigated members' complaints, and made recommendations for improving the operations and services of the credit union.

In 1999, we will continue to zealously protect members' interests.

James Paige
Chairman

Officers and Credit Union Staff (as of December 31, 1998)

Board of Directors and Officers

	Term expiring
President	Denise Rosso 2000
Director	Helen Bunn 2000
Director	Domenic Grillo 1999
Director	Steven Jellinek 1999
Director	Woodrow Jenkins 1999
Director	Susan Mickelson 2000
Director	Mary Beth Preuss 2000
Director	Peter Savarino 2000
Director	Jean Schreier 1999
Director Emeritus	Bill Cupp
Director Emeritus	Robert Reid
Security Officer	Jean Schreier
General Counsel	Patricia Milon

Credit Committee

Robert Catalanotto, Chairman	1999
Michelle McMahon	1999
Robert Schmidt	2000
Wendy Marcellino (Alternate)	
Ronald Poland (Alternate)	
Darrell Grymes (Alternate)	

Supervisory Committee

James Paige, Chairman
William Cupp
Karen Thompson
Stacey Bryant

Credit Union Advisors

Keith Wright
Jeff Arpin

Staff

Manager
Credit Union Analyst
Credit Union Analyst
Credit Union Analyst
Administrative Associate

Helen Bunn
Maritza Jackson
Jean Oates
Nancy Williams
Alva Moore