The DMBS Certificates

We, the Federal National Mortgage Association, or Fannie Mae, will issue the guaranteed discount mortgage-backed certificates (the “DMBS certificates”). Each issue of DMBS certificates will have its own identification number and will represent an undivided ownership interest in a distinct pool of one or more multifamily residential mortgage loans secured by multifamily properties that contain at least five residential units or in a pool consisting of a participation interest in one or more loans of that type.

Fannie Mae Guaranty

We guarantee to each DMBS trust that we will supplement amounts received by that trust as required to permit payment of the full original stated principal amount of the DMBS certificates on their maturity date. We alone are responsible for making payments under our guaranty. The DMBS certificates and payments of principal on the DMBS certificates are not guaranteed by the United States, and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

Consider carefully the risk factors section beginning on page 8. Unless you understand and are able to tolerate these risks, you should not invest in the DMBS certificates.

The DMBS certificates are exempt from registration under the Securities Act of 1933, as amended, and are “exempted securities” under the Securities Exchange Act of 1934, as amended. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these DMBS certificates or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is September 1, 2007.
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INFORMATION ABOUT THIS PROSPECTUS AND PROSPECTUS SUPPLEMENTS

We will provide information that supplements this prospectus in connection with each issue of DMBS certificates. This prospectus and the prospectus supplement for each issuance of DMBS certificates will be available in paper form upon request and on our Web site listed below. We will provide electronic copies of this prospectus and the prospectus supplement for each issuance of DMBS certificates on our Web site listed below. The disclosure documents for any particular issuance of DMBS certificates are this prospectus and the related prospectus supplement, together with any information incorporated in these documents by reference as discussed below under the heading “INCORPORATION BY REFERENCE.” We also provide updated information and corrections regarding mortgage loans and mortgage loan pools through our “PoolTalk®” application or at other locations on our Web site listed below. In determining whether to purchase any issuance of DMBS certificates in any initial offering, you should rely ONLY on the information in this prospectus, the related prospectus supplement and any information that we have otherwise incorporated into these documents by reference. You should not rely on any unauthorized information or representation and should not solicit lenders, primary servicers or others for additional and/or more current information about the loans in your pool.

Each prospectus supplement will include specific information about the pooled multifamily mortgage loan or loans backing that particular issuance of DMBS certificates and about the DMBS certificates themselves. Because the prospectus supplement will contain specific information about a particular issuance of DMBS certificates, you should rely on the information in the prospectus supplement to the extent it is different from or more complete than the information in this prospectus.

Each prospectus supplement also may include a section under the heading “Recent Developments” that may contain additional summary information with respect to current events, including certain regulatory, accounting and financial issues, affecting Fannie Mae.

Certificateholders should note that the DMBS certificates are not traded on any exchange and that the market price of a particular issuance of DMBS certificates or a benchmark price may not be readily available.

You may obtain copies of this prospectus and the related prospectus supplement by writing to Fannie Mae, Attention: Fixed Income Investor Marketing, 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 or by calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115. Typically, the prospectus supplement is available no later than two business days before settlement of the related series of certificates. These documents generally will also be available on our corporate Web site at www.fanniemae.com. We are providing our internet address solely for the information of prospective investors. We do not intend the internet address to be an active link. This means that we are not using this internet link to incorporate additional information into this prospectus or into any prospectus supplement.

INCORPORATION BY REFERENCE

We are incorporating by reference in this prospectus the documents listed below. This means that we are disclosing information to you by referring you to these documents. These documents are considered part of this prospectus, so you should read this prospectus, and any applicable supplements or amendments, together with these documents.

You should rely only on the information provided or incorporated by reference in this prospectus and any applicable supplements or amendments, and you should rely only on the most current information.

We incorporate by reference the following documents we have filed, or may file, with the Securities and Exchange Commission (“SEC”):

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (“Form 10-K”);
• all other reports we have filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, since the end of the fiscal year covered by the Form 10-K until the date of this prospectus, including any quarterly reports on Form 10-Q and current reports on Form 8-K, but excluding any information “furnished” to the SEC on Form 8-K; and

• all proxy statements that we file with the SEC and all documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this prospectus and prior to the completion of the offering of the related series of certificates, excluding any information we “furnish” to the SEC on Form 8-K.

You may read our SEC filings and other information about us at the offices of the New York Stock Exchange and the Chicago Stock Exchange. Our SEC filings also will be available at the SEC’s Web site at www.sec.gov. You also may read and copy any document we file with the SEC by visiting the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the operation of the Public Reference Room. We are providing the address of the SEC’s Web site solely for the information of prospective investors. We do not intend the internet address to be an active link. This means that information that appears on the SEC’s Web site is not incorporated into this prospectus, except as specifically stated in this prospectus.

You can obtain copies of periodic reports we file with the SEC and all documents incorporated in this prospectus by reference without charge from our Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (telephone: 202 752-7115).
SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a summary, it speaks in general terms without giving details or discussing any exceptions. Before buying any issue of DMBS certificates, you should have the information necessary to make an investment decision. For that, you must read in its entirety this prospectus (as well as any documents to which we refer you in this prospectus) as well as any related prospectus supplement for that issue.

Security . . . . . . . . . . . . . . . . . . Guaranteed Discount Mortgage-Backed Certificates (Multi-family Residential Mortgage Loans).

Issuer and Guarantor . . . . . . . . . . . Fannie Mae, a federally chartered and stockholder-owned corporation.

The DMBS certificates and payments of principal on the DMBS certificates are not guaranteed by the United States, and the DMBS certificates do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. Fannie Mae alone is responsible for making payments on its guaranty.

Description of DMBS Certificates . . The certificates are issued as discount mortgage-backed securities (“DMBS”), which are short-term mortgage-backed securities that do not bear interest and that have terms of one year or less. Investors purchase DMBS certificates at a discount. Each DMBS certificate will represent an ownership interest in a pool consisting of a participation interest in one or more multifamily mortgage loans. Fannie Mae will issue the DMBS certificates in book-entry form on the book-entry system of the U.S. Federal Reserve Banks. The book-entry DMBS certificates will not be convertible into physical certificates.

Minimum Denomination . . . . . We will issue the DMBS certificates in minimum denominations of $1,000 with additional increments of $1.

Issue Date . . . . . . . . . . . . . . . . . The issue date of the DMBS certificates is the first day of the month in which the DMBS certificates are issued.

Settlement Date . . . . . . . . . . . . . . The settlement date for the DMBS certificates will occur no later than the last business day of the month in which the issue date occurs.

Maturity Date . . . . . . . . . . . . . . . . The maturity date of the DMBS certificates is specified in the prospectus supplement for each issue of DMBS certificates (“maturity date”).

Payments . . . . . . . . . . . . . . . . . . We will pay you the full original stated principal amount of your DMBS certificates on the maturity date. The DMBS certificates will not be prepaid in whole or in part.

Business Day . . . . . . . . . . . . . . . . . Any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank in the district where the DMBS certificate account is maintained is closed.
Guaranty . . . . . . . . . . . . . . . . . . . . . Fannie Mae guarantees to each DMBS trust that we will supplement amounts received by the DMBS trust as required to permit the DMBS trust to pay the full original stated principal amount of your DMBS certificates on their Maturity Date.

Servicing . . . . . . . . . . . . . . . . . . . . We are responsible as Master Servicer for certain duties. We typically contract with mortgage lenders to perform many servicing functions for Fannie Mae.

Trust Agreement . . . . . . . . . . . . . . Each issue of DMBS certificates is issued in accordance with the provisions of the Multifamily Master Trust Agreement. We summarize certain pertinent provisions of the trust agreement in this prospectus. You should refer to the trust agreement for a complete description of your rights and obligations as well as those of Fannie Mae.

Trustee . . . . . . . . . . . . . . . . . . . . . We serve as trustee for each issue of DMBS certificates pursuant to the terms of the trust agreement and the related issue supplement.

Paying Agent . . . . . . . . . . . . . . . . . . The Federal Reserve Bank of New York currently serves as the paying agent for us on our mortgage pass-through certificates.

Fiscal Agent . . . . . . . . . . . . . . . . . . The fiscal agent is an entity designated by us to perform certain administrative functions for the trust. The Federal Reserve Bank of New York currently serves as our fiscal agent.

Termination . . . . . . . . . . . . . . . . . . The trust will terminate on the maturity date of the related DMBS certificates. We do not have any option to cause an early termination of the trust.

Federal Tax Consequences . . . . . We take the position for U.S. federal income tax purposes that the DMBS certificates are interests in grantor trusts that own a participation interest in the underlying mortgage loans. As a result, it is our position that each beneficial owner of a DMBS certificate will be treated as the owner of a pro rata undivided interest in each of the mortgage loans included in the related mortgage pool. Each such beneficial owner will be required to include in income its pro rata share of the income from the mortgage loans in the pool and generally will be entitled to deduct its pro rata share of the expenses of the grantor trust, subject to the limitations described in “CERTAIN FEDERAL INCOME TAX CONSEQUENCES—Expenses of the Trust.” Notwithstanding the foregoing, there can be no assurance that for U.S. federal income tax purposes the Standard DUS DMBS certificates or Bulk Delivery DMBS certificates will not instead be treated as debt instruments secured by the underlying mortgage loans (or as grantor trust interests in such debt instruments), in which case different and possibly adverse tax consequences would apply to beneficial owners who are domestic building and loan associations or real estate investment trusts. See “CERTAIN FEDERAL INCOME TAX CONSEQUENCES—
Standard DUS DMBS Certificates and Bulk Delivery DMBS Certificates.”

Potential purchasers of the Standard DUS DMBS certificates and the Bulk Delivery DMBS Certificates should consult their tax advisors regarding the appropriate U.S. federal income tax treatment of those DMBS certificates.

ERISA Considerations . . . . . . Before investing in any DMBS certificates, a fiduciary of an employee benefit plan subject to ERISA or a plan subject to Section 4975 of the Code should consider whether the investment is permissible under the terms of the plan, whether the investment is consistent with the standards of fiduciary conduct prescribed by ERISA and whether the investment is permissible under the prohibited transaction rules of ERISA and Section 4975 of the Code.

Legal Investment Considerations . . Under the Secondary Mortgage Market Enhancement Act of 1984, the certificate offered by this prospectus and the related prospectus supplement will be considered to be “Securities issued or guaranteed by the Federal National Mortgage Association.” Nevertheless, you should consult your own legal advisor to determine whether and to what extent the certificates of a series constitute legal investments for you.
RISK FACTORS

We have listed below some of the risks associated with an investment in the DMBS certificates. Because each investor has different investment needs and a different tolerance for risk, you should consult your own financial and legal advisors to determine whether the DMBS certificates are suitable investments for you.

INVESTMENT FACTORS:

The DMBS certificates may not be a suitable investment for you.

DMBS certificates are complex financial instruments. They are not suitable for every investor. Before investing, you should

- have sufficient knowledge and experience to evaluate (either alone or with the help of a financial or legal advisor) the merits and risks of the DMBS certificates and the information contained in this prospectus, the applicable prospectus supplement, and the documents incorporated by reference;

- understand thoroughly the terms of the DMBS certificates;

- be able to evaluate (either alone or with the help of a financial or legal advisor) the economics and other factors that may affect your investment;

- have sufficient financial resources and liquidity to bear all risks associated with the DMBS certificates; and

- investigate any legal investment restrictions that may apply to you.

You should exercise particular caution if your circumstances do not permit you to hold the DMBS certificates until maturity.

Some investors may be unable to buy certain classes.

Investors whose investment activities are subject to legal investment laws and regulations, or to review by regulatory authorities may be unable to buy certain certificates. You should obtain legal advice to determine whether you may purchase the certificates.

LIQUIDITY FACTORS:

There may be no market for the DMBS certificates of a particular issue, and no assurance can be given that a market will develop and continue.

We cannot be sure that each new issue of DMBS certificates, when created, will have a ready market, or, if a market does develop, that the market will remain active during the entire term for which the DMBS certificates are outstanding. In addition, neither we nor any other party are obligated to make a market in the certificates. Therefore, it is possible that if you wish to sell your DMBS certificates in the future, you may have difficulty
finding potential purchasers. Some of the factors that may affect the resale of DMBS certificates include:

- the outstanding principal amount of the DMBS certificates;
- the amount of DMBS certificates offered for resale from time to time;
- any legal restriction or tax treatment that limits the demand for the DMBS certificates;
- the availability of comparable securities; and
- the level of interest rates generally, the volatility with which prevailing interest rates are changing and the direction in which interest rates are, or appear to be, trending.

Terrorist activities and accompanying military and political actions by the United States Government could cause reductions in investor confidence and substantial volatility in real estate and securities markets. It is impossible to predict the extent to which terrorist activities may occur or, if they do occur, the extent of the effect on the DMBS certificates in general or DMBS certificates of a particular issue. Moreover, it is uncertain what effects any past or future terrorist activities and/or any consequent military and/or political actions on the part of the United States Government and others will have on the United States and world financial markets. Among other things, reduced investor confidence could result in substantial volatility in securities markets and a decline in the value of real estate-related investments. The liquidity and market value of the DMBS certificates may be impaired.

CREDIT FACTORS:

If we failed to pay under our guaranty, the amount distributed to DMBS certificateholders may not be sufficient. Even if a borrower fails to pay its mortgage loan in full on time, we guarantee to each DMBS trust that we will supplement amounts received by the trust as required to permit payment in full of the original stated principal amount to DMBS certificateholders on the maturity date. If for any reason we are unable to do so, you will not receive the full principal amount on time. If the borrower continues to default on its mortgage loan and we continue to be unable to pay under our guaranty, you may receive less than or none of the original stated principal amount of the mortgage loan. This would cause you to suffer a loss on the DMBS certificates.

If our credit should become impaired, a buyer may be willing to pay only a reduced price for your DMBS certificates, if you wanted to sell them in the future. There could be an adverse change in our financial condition that would impair our credit rating or the perception of our credit. Even if we were to make all the payments required under our guaranty, potential buyers may offer less for your DMBS certificates than they would offer if our financial condition had remained unchanged.
FANNIE MAE

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, as amended (the “Charter Act”). We were established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market. We became a stockholder-owned and privately managed corporation by legislation enacted in 1968.

Under our Charter Act, we were created to:

- provide stability in the secondary market for residential mortgages;
- respond appropriately to the private capital markets;
- provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing, including multifamily housing, for low-and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- promote access to mortgage credit throughout the nation (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

In accordance with our statutory purpose, we provide funds to the mortgage market by purchasing mortgage loans from lenders. In this way, we replenish their funds so they can make additional loans. We acquire funds to purchase these loans by issuing debt securities to capital market investors, many of whom ordinarily would not invest in mortgages. Thus, we are able to expand the total amount of funds available for housing.

We also issue mortgage-backed certificates, receiving guaranty fees for our guaranty of timely payment of principal and interest on the certificates. We issue mortgage-backed certificates primarily in exchange for pools of mortgage loans from lenders. By issuing mortgage-backed certificates, we further fulfill our statutory mandate to increase the liquidity of residential mortgage loans.

In addition, we offer various services to lenders and others for a fee. These services include issuing certain types of structured mortgage-backed certificates and providing technology services for originating and underwriting mortgage loans.

Our principal office is located at 3900 Wisconsin Avenue, NW, Washington, DC 20016, telephone: (202) 752-7000.

USE OF PROCEEDS

We usually issue DMBS certificates in swap transactions, in which the DMBS certificates are issued in exchange for the participation interests in multifamily mortgage loan or loans in the pool that backs the DMBS certificates.

DESCRIPTION OF THE DMBS CERTIFICATES

We will create a trust for each issuance of DMBS certificates pursuant to a multifamily master trust agreement and an issue supplement (collectively, a “trust agreement”) for that series. We will enter into the trust agreement in our corporate capacity and as trustee. We will issue each series of DMBS certificates pursuant to the trust agreement.

We summarize below the important terms of the trust agreement below. This summary is not complete. If there is any conflict between the information in this prospectus and the actual provisions
of the trust agreement, the terms of the trust agreement will govern. The multifamily master trust agreement is available on our Web site.

**DMBS Certificates**

DMBS certificates are short-term securities that do not bear interest and typically have a three month maturity, though the terms can range from one month to one year. Investors purchase DMBS certificates at a discount. On the maturity date, the holder of the DMBS certificate receives the full original stated principal amount of the DMBS certificate. See “CERTAIN FEDERAL INCOME TAX CONSEQUENCES” for a discussion of tax issues involved in purchasing a DMBS certificate.

If any voluntary or involuntary prepayments on the multifamily mortgage loans are received during the term of the DMBS certificates, those prepayments will not be passed through to the DMBS certificateholders before the maturity date. Instead, the full original stated principal amount of the DMBS certificates will be paid to the certificateholders on the maturity date.

We guarantee to the DMBS trust for each series of DMBS certificates that we will supplement amounts received by the trust to permit full and final payment to certificateholders of the original stated principal amount of the DMBS certificates on their maturity date.

**Issuance in Book-Entry Form**

We will issue the DMBS certificates in book-entry form using the book-entry system of the U.S. Federal Reserve Banks. Physical certificates are not available. Book-entry certificates must be issued in a minimum denomination of $1,000 with additional increments of $1. They are freely transferable on the records of any Federal Reserve Bank but are not convertible to physical certificates. Any transfers are subject to the minimum denomination requirements.

A certificateholder is an entity whose name appears in the records of a Federal Reserve Bank as the owner of the DMBS certificate. Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may be certificateholders. These entities are not necessarily the beneficial owners of the DMBS certificates. They are banks, brokerage firms, securities clearing organizations and similar companies, which act as financial intermediaries. Beneficial owners ordinarily hold DMBS certificates by having accounts at financial intermediaries, which either have book-entry accounts with a Federal Reserve Bank or hold through other financial intermediaries, one of which has such a book-entry account. A certificateholder that is not also the beneficial owner of a certificate, and all the other financial intermediaries in the chain between the certificateholder and the beneficial owner, are responsible for establishing and maintaining accounts for their customers.

The Federal Reserve Bank of New York currently serves as our fiscal agent pursuant to a fiscal agency agreement. In that capacity, it performs certain administrative functions for us with respect to certificateholders. Neither we nor the Federal Reserve Bank will have any direct obligation to the beneficial owner of a certificate who is not also a certificateholder. We and the Federal Reserve Bank may treat the certificateholder as the absolute owner of the certificate for all purposes, regardless of any contrary notice you may provide.

The Federal Reserve Bank of New York also currently serves as our paying agent. In that capacity it credits the account of the certificateholder when we make a distribution on the certificates. Each certificateholder and any financial intermediaries are responsible for remitting distributions to the beneficial owners of the certificate.

**Distributions on DMBS Certificates**

We will make no payments on the DMBS certificates until the maturity date. On the maturity date, we will pay the DMBS certificateholder that is listed as the holder in the records of any Federal
Reserve Bank as of the close of business on the record date, the full original stated principal amount of the DMBS certificates. The record date is the last business day before the maturity date.

Trust Agreement

We will issue the DMBS certificates pursuant to trust documents. For each issuance of DMBS certificates, there will be an issue supplement to the trust agreement. This prospectus relates to certificates issued on and after September 1, 2007, which are issued under our Multifamily Master Trust Agreement, effective September 1, 2007. For information about DMBS certificates issued before that date, see the prospectus that was in effect at the time of issuance of those certificates.

We have summarized the important terms of the September 1, 2007 trust agreement below. This summary is not complete. If there is any conflict between the information in this prospectus and the actual provisions of the trust agreement, the terms of the trust agreement and its related issue supplement will govern. You may obtain a copy of the trust agreement from our Washington, DC office or our Web site found at www.fanniemae.com. You may obtain a copy of the issue supplement that applies to your issue of certificates from our Washington, DC office.

Fannie Mae Guaranty

We are the guarantor under the trust agreement. We guarantee to each DMBS trust that we will supplement amounts received by the trust as required to permit payment of the full original stated principal amount of the DMBS certificates on their maturity date.

Our guaranty runs directly to the DMBS trust and not directly to certificateholders. As a result, certificateholders do not have any rights to bring proceedings directly against Fannie Mae to enforce our guaranty except in the limited circumstances described below under “—Certificateholder Rights.”

Neither the DMBS certificates nor payments of principal on the DMBS certificates are guaranteed by the United States. The DMBS certificates do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. We alone are responsible for making payments on our guaranty.

Collection and Other Servicing Procedures

We are generally responsible for servicing the mortgage loans in each pool. We service loans through lenders that originated the mortgage loans or other approved mortgage servicers. See “FANNIE MAE PURCHASE PROGRAM—Seller and Servicer Eligibility” for information on our servicer requirements. Our servicing procedures include collecting payments from borrowers, seeing that the mortgaged properties are insured, and foreclosing upon defaulted mortgage loans.

Certain Matters Regarding Our Duties as Trustee

We serve as trustee under the trust agreement. We may resign from our duties as trustee under the trust agreement upon providing 90 days’ advance notice to the guarantor. Our resignation would not become effective until a successor has assumed our duties. Even if our duties as trustee under the trust agreement terminate, we still would be obligated under our guaranty.

Under the trust agreement, the trustee may consult with and rely on the advice of counsel, accountants and other advisors, and the trustee will not be responsible for errors in judgment or for anything it does or does not do in good faith if it so relies. This standard of care also applies to our directors, officers, employees and agents. We are not required, in our capacity as trustee, to risk our funds or incur any liability if we do not believe those funds are recoverable or if we do not believe adequate indemnity exists against a particular risk. This does not affect our obligations as guarantor under the Fannie Mae guaranty.
We are indemnified by each trust for actions we take in our capacity as trustee in connection with
the administration of that trust. Officers, directors, employees, and agents of the trustee are also
indemnified by each trust with respect to that trust. Nevertheless, neither we nor they will be
protected against any liability if it results from willful misfeasance, bad faith or gross negligence or as
a result of willful disregard of our duties.

The trust agreement provides that the trustee may, but is not obligated to, undertake any legal
action that it deems necessary or desirable in the interests of certificateholders. We may be reim-
bursed for the legal expenses and costs of the action from the assets of the trust.

We may be removed as trustee only if a guarantor event of default has occurred with respect to a
trust. In that case, we can be removed and replaced by a successor trustee as to an affected trust by
certificateholders owning at least 51% of the voting rights of that trust.

Guarantor Events of Default

Any of the following events will be considered a guarantor event of default under the trust
agreement for an issue of DMBS certificates:

- if we fail to make a required payment under our guaranty, and our failure continues uncor-
corrected for 15 days after certificateholders owning at least 5% of that issue of certificates have
given us written notice of nonpayment; or

- if we fail in any material way to fulfill any of our other obligations under the trust agreement
or the related issue supplement, and our failure continues uncorrected for 60 days after
certificateholders owning at least 25% of that issue of certificates have given us written
notice; or

- if we become insolvent, a conservator or receiver is appointed (either voluntarily or involun-
tarily) or we admit in writing that we are unable to pay our debts.

If one of the guarantor events of default occurs with respect to a trust and continues uncorrected,
certificateholders who own at least 51% of the voting rights of the related issue of certificates will
have the right to terminate all of our rights and obligations as trustee and as master servicer with
respect to that issue under the trust agreement and the related issue supplement. However, our
guaranty obligations will continue to be in effect. The same proportion of certificateholders that has
the right to terminate us as trustee and/or master servicer also may appoint a successor to assume all
of our terminated obligations of the master servicer and/or the trustee. The successor trustee will
take title as trustee to the participation certificate included in the related trust fund. Any decision of
certificateholders to terminate us and appoint a successor must be in writing.

Certificateholder Rights

A certificateholder generally does not have any right under the trust agreement to institute any
proceeding against us with respect to the trust agreement. A certificateholder may institute such a
proceeding only if a guarantor event of default has occurred and is continuing and:

- the certificateholders evidencing at least 25% of the voting rights of an affected trust have
requested in writing that the trustee institute the proceeding in its own name as trustee; and

- the trustee for 120 days has neglected or refused to institute any proceeding.

The trustee will be under no obligation to take any action or to institute, conduct or defend any
litigation under the trust agreement at the request, order or direction of any certificateholder unless
the certificateholders have offered to the trustee reasonable security or indemnity against the costs,
expenses and liabilities that the trustee may incur.
Amendment

We may amend the trust agreement without notifying or obtaining the consent of the certificateholders to do any of the following:

- correct an error, correct, modify or supplement any provision in the trust documents that is inconsistent with any other provision of the trust documents or this prospectus or prospectus supplement, or cure an ambiguity or supplement a provision of the trust documents, provided that such cure of an ambiguity or supplement of a provision is not otherwise inconsistent with the trust agreement; and
- modify the trust agreement to maintain the fixed investment trust status of a trust for federal income tax purposes.

No amendment to maintain the tax status of a trust or to cure an ambiguity can be made if it would otherwise require certificateholder consent unless that consent is obtained.

In addition, if certificateholders beneficially owning at least 51% of an issue of certificates give their consent, we may amend the trust agreement for a purpose not listed above, except that we may not do any of the following without the consent of all certificateholders of the related trust:

- terminate or change our guaranty obligations;
- reduce or delay payments to certificateholders;
- take an action that materially increases the taxes payable in respect of a trust or affects the status of the trust as a fixed investment trust for federal income tax purposes;
- reduce the percentage requirement of certificateholders who must give their consent to any waiver or amendment; or
- make a change to the activities of the trust that would (i) allow the seller of the multifamily mortgage loans (or allow Fannie Mae, in the case of a pool formed by our portfolio) to regain control of the multifamily loans, (ii) cause the trust to cease to be a qualified special purpose entity for accounting purposes, or (iii) affect the interests of a certificateholder in any way that would be viewed as significant unless all certificateholders of an issue have agreed.

Termination

The trust will terminate with respect to an issue of certificates when the certificate principal balance of the related pool has been reduced to zero and all distributions have been passed through to certificateholders. We do not have any clean-up call option, i.e., we cannot terminate the trust when the unpaid principal balance of the related pool declines to a certain amount or reaches a certain percentage of the original unpaid principal balance of the pool.

Merger

If we merge or consolidate with another corporation, the successor corporation will be our successor under the trust agreement and will assume all of our duties under the trust agreement, including our guaranty.

MULTIFAMILY MORTGAGE LOAN POOLS

We combine multifamily mortgage loans and participation interests in multifamily mortgage loans into pools and issue our guaranteed mortgage-backed certificates that evidence ownership interests in the pooled loans and participation interests. For purposes of our description here, a participation interest is considered a separate multifamily mortgage loan, and payments on the participation interest are treated as payments on the underlying loan or loans subject to the participation interest.
Each time that we issue a DMBS certificate, we prepare disclosure documents that describe the terms of the certificate. These disclosure documents are delivered to the DMBS investor and posted on our Web site at www.fanniemae.com. The disclosure documents for a DMBS certificate at issuance consist of this prospectus, a related prospectus supplement and any documents incorporated by reference into this prospectus. See “INCORPORATION BY REFERENCE” above. The prospectus supplement is comprised of several parts: a schedule of loan information, a pool statistics page, and a prospectus supplement narrative. The schedule of loan information discloses certain loan-level data about the multifamily loans in the DMBS pool, and the pool statistics page provides pool-level data about the loan pool. See—Mortgage Loan Pool Statistics—and “MULTIFAMILY MORTGAGE LOANS—Schedule of Loan Information” below. The prospectus supplement narrative includes additional information about the DMBS certificates and, in some instances, about the mortgage loans. These at-issuance disclosure documents contain the most current information available to us as of the date on which the DMBS certificates are being issued, unless the prospectus supplement provides for a different date. After a DMBS certificate is issued, the related at-issuance disclosure documents may be corrected during the applicable offering period. Corrected documents are posted on our website. After the offering period, we provide corrected information on Pool Talk® and elsewhere on our Web site but we do not revise the at-issuance offering documents to provide any updated information.

Mortgage Loan Pool Statistics

The pool statistics page of the prospectus supplement for a pool will specify the prefix, pool number and CUSIP number of the DMBS certificates, the issue date of the DMBS certificates, the principal balance of the DMBS certificates on the issue date, the maturity date of the DMBS certificates and will identify the seller and servicer of the loan(s) backing the DMBS certificates. In addition, the pool statistics page will indicate whether the DMBS certificates are Standard DUS DMBS certificates, Bulk Delivery DMBS certificates or Credit Facility DMBS certificates.

A sample pool statistics page is provided in Exhibit A at the end of this prospectus. DMBS certificateholders should determine for themselves how to use the pool statistics.

MULTIFAMILY MORTGAGE LOANS

Each multifamily mortgage loan is evidenced by a promissory note or other instrument and secured by a deed of trust, mortgage or similar security instrument creating a lien on a multifamily residential property. Each participation interest backing a DMBS certificate is evidenced by a participation certificate representing a 100% interest in a short term advance under a mortgage loan.

Document Delivery and Custodial Requirements

Either we or our custodian (which may be the seller or servicer of the mortgage loans) takes possession of the original note endorsed to us (or a copy of the original note along with a lost note affidavit, in the case of notes that have been lost or are missing), and a filed or recorded assignment to us of the mortgage or deed of trust. We may permit variations of these procedures in certain cases. If we use a custodian, the custodian may be Fannie Mae or a Fannie Mae approved seller or servicer, or any affiliate of any of them. In all cases, the custodian must be approved by Fannie Mae. Before issuing a series of DMBS certificates, we review the mortgage loan schedule for that series and later may, from time to time, conduct random spot checks to confirm that the related documents are held by the custodian.

We have the right to change these document delivery and custody requirements at any time as long as we determine that the change will not materially and adversely affect the DMBS certificateholders’ interests. We have set up these requirements to protect DMBS certificateholders’ interests in the multifamily mortgage loans and participation interests contained in the related pool. Nevertheless, because the law is unclear regarding a liquidation, reorganization or similar
proceeding involving the assets of Fannie Mae, no assurance can be given regarding the status of the DMBS certificateholders’ interests in the mortgage loans if a proceeding of that type should occur.

**Loan Origination and Servicing**

Most of the mortgage loans subject to the participation interests backing the DMBS certificates are loans originated by lenders as Delegated Underwriting and Servicing loans (“DUS loans”). We permit only multifamily lenders that have been specifically approved by us to act as DUS lenders (“DUS lenders”) and to deliver DUS loans. We delegate to the DUS lenders the responsibility for underwriting and servicing DUS loans. In return, the DUS lenders are usually required to bear a share of any losses on the DUS loans they deliver and/or service.

Our guide relating to the underwriting and servicing of DUS loans (“DUS Guide”) sets forth specific guidelines for DUS lenders and DUS loans. A DUS lender originates and underwrites each DUS loan generally to conform to our DUS loan product requirements as described in the DUS Guide. DUS lenders and borrowers sometimes request that we waive one or more requirements of the DUS Guide with respect to a specific DUS loan. We use our discretion to grant various types of waivers from our underwriting guidelines if we deem those waivers to be prudent given all the circumstances.

There are two main types of DUS loans that back the DMBS certificates: Standard DUS loans (“Standard DUS loans”) and Structured Transaction loans (“Structured Transactions”). DMBS certificates may be backed by loans or advances made under Structured Transactions or in connection with Standard DUS loans. Most DUS loans are first lien mortgage loans that are non-recourse to the borrower. The different types of DUS loans are discussed in greater detail under “—Types of DUS Loans.”

Although most of the mortgage loans backing the DMBS certificates are DUS loans originated by DUS lenders in accordance with the DUS Guide, we may accept delivery of mortgage loans that will back DMBS certificates from lenders who are not DUS lenders. All mortgage loans backing DMBS certificates, however, are originated in accordance with the underwriting standards described in the DUS Guide, except to the extent that we use our discretion to grant various types of waivers, as described above.

**Types of DUS Loans**

The two main types of DUS loans backing the DMBS certificates are Standard DUS loans and Structured Transactions. Structured Transactions are further divided into credit facility (“Credit Facility”) transactions and bulk delivery (“Bulk Delivery”) transactions. Each type of DUS Loan is more fully described below.

We purchase from the DUS lender a participation interest representing a 100% undivided ownership interest in a short-term advance, typically from three to nine months, under one or more DUS loans, and we issue a DMBS certificate with the same maturity date as the advance. When the DMBS certificate matures, the DUS lender may issue a new participation interest in a subsequent advance in exchange for a new DMBS certificate. Proceeds from the new DMBS certificate and the discount collected from the borrower are used to pay the maturing DMBS certificate in full. The effective interest rate on the underlying DUS loan adjusts each time a new DMBS certificate is issued, based upon the discount at that time. This process of issuing new DMBS certificates at the maturity of the previous DMBS certificates related to advances under the same underlying DUS loan continues until the underlying DUS loan reaches maturity (or, for a Credit Facility, the lender’s commitment to make short-term advances terminates), or the borrower elects to prepay the DUS loan or to convert the loan’s interest rate to a fixed rate. We hold the participation certificate representing each participation interest in trust for the benefit of the holders of the related DMBS certificates. Ownership of a DMBS certificate provides a holder of that certificate with a fractional undivided beneficial interest in a pool containing a single participation interest.
**Standard DUS Loans**

When a borrower and a lender enter into a Standard DUS loan, there is no agreement under which the lender has committed to make further advances or loans to the borrower as part of the same transaction. Instead, the DUS lender extends a five, seven or ten-year loan to the borrower to be funded by a series of short term advances each made consecutively upon the maturity of the preceding advance, and funded by the issuance of consecutive DMBS certificates as described above.

Standard DUS loans are governed by the related loan documents and by the DUS Guide. The loan documents are typically the standard form of DUS loan documents, including a form of DUS DMBS note, with any exceptions approved by us in our sole discretion.

**Structured Transactions**

In Structured Transactions, we purchase participation interests in mortgage loans or advances that are being financed under a structured transaction arrangement. Under a structured transaction arrangement, a pool of mortgages secured by multiple properties serves as collateral for short-term borrowings that have terms of one year or less and for intermediate- and long-term financings that have terms of five to ten years, though some arrangements may provide for only short-term borrowings or only intermediate- and long-term financings. A structured transaction arrangement may be a Credit Facility or a Bulk Delivery transaction. In Structured Transactions, the lender and the borrower will enter into either a master credit facility agreement (for Credit Facility transactions) or a master loan agreement (for Bulk Delivery transactions) (either referred to as the “master agreement”) under which the lender is committed to lend additional funds to the borrower.

**Credit Facility Transactions.** In a Credit Facility transaction, the lender makes short-, intermediate- or long-term loans (each, an “advance”) to the borrower secured by mortgage(s) on multiple properties, which advances may be evidenced by one or more mortgage notes under which short-term advances are made at a discount and intermediate-term and long-term advances are interest-bearing. Participation interests representing short-term advances issued at a discount are the only Credit Facility advances that may underlie DMBS Certificates. These short-term advances are funded through the issuance of consecutive DMBS certificates as described above. Credit Facilities may permit a borrower, upon satisfaction of certain conditions, to add, substitute or release properties over time. The master agreement also may provide that the borrower has the right to increase the dollar amount of the lender’s commitment to make advances under certain conditions. In Credit Facility transactions, all of the advances made under a Credit Facility are generally cross-collateralized and cross-defaulted. See “—Characteristics of Mortgage Loans—Cross-Default and Cross-Collateralization Provisions” below.

**Bulk Delivery Transactions.** In a Bulk Delivery transaction, the lender makes loans on multiple properties for a term, typically between five and ten years, to be funded by a series of short term advances each made consecutively upon maturity of the preceding advance, These short-term advances are funded through the issuance of consecutive DMBS certificates as described above. All loans in a Bulk Delivery are pooled together, but a separate loan for each property generally is made to each related borrower and each loan is evidenced by a separate note and secured by a mortgage on the multifamily property owned by that borrower. Bulk Delivery transactions may permit, upon the satisfaction of certain conditions, additional, but related, borrowers to add new properties to the transaction, the substitution of properties, and the release of specific properties upon payment in full of the loan secured by the property being released. Also, the master agreement may give current borrowers the right to expand the arrangement to accommodate new, but related, borrowers. In Bulk Delivery transactions, the loans made under the transaction generally are not cross-collateralized or cross-defaulted.

**Advances and Loans Under Structured Transactions.** The short-term advances and loans under a Structured Transaction that are funded through DMBS certificates do not bear interest. Each short-term advance is disbursed to the borrower in a discounted amount that is less than 100%
of the original stated principal amount of the advance or loan. The master agreement may provide that short-term advances may be borrowed, repaid, and re-borrowed over the term of the master agreement. A short-term advance or loan requires the borrower to repay the entire amount of principal including all of the initial discount on or before the maturity date of the DMBS certificates. Under the master agreement, the borrower may elect to refinance the short-term advance or loan. If the borrower refinances the advance or loan, a new DMBS certificate will be issued which will be backed by a single participation interest that equals 100% of the unpaid principal balance of the refinanced advance or loan.

In addition, the master agreement generally prohibits an advance or loan from being assumed by a new mortgagor or a mortgaged property from being further encumbered by a subordinate mortgage lien. In addition, unless specifically permitted by us, most transfers of ownership interests in the borrower and transfers of ownership interests or changes of control of certain affiliates of the borrower are prohibited under the master agreement.

If an advance or loan underlying any DMBS certificate is prepaid for any reason (including default) before its maturity date, we will not pay the prepayment to holders of the related DMBS before the maturity date of the DMBS certificate.

**Characteristics of Mortgage Loans**

The mortgage loans backing DMBS certificates generally have the following characteristics:

**Conventional Mortgage Loans.** Most of the multifamily mortgage loans backing the DMBS certificates are conventional mortgage loans—that is, loans that are not insured by the Federal Housing Administration (the “FHA”) or other government agencies. We refer to non-conventional loans as government loans and refer to pools of loans that include exclusively government loans as government pools. Some conventional loan pools, however, may include loans that are insured by the FHA or other governmental agencies.

**Lien on the Related Mortgaged Property.** Each mortgage loan or pool of loans backing a DMBS certificate is secured by a first lien or a subordinate lien on one or more mortgaged properties. If any lien is a subordinate lien, that fact will be reflected in the schedule of loan information included in the prospectus supplement.

Sometimes we purchase a multifamily mortgage loan secured by a mortgaged property that is already encumbered by one or more mortgage liens. At other times, a mortgaged property that secures a mortgage loan backing the related DMBS certificates may be further encumbered by a subordinate lien mortgage loan after the issue date of the DMBS certificates. We may permit a new subordinate lien mortgage loan on the mortgaged property where we are satisfied that the new subordinate loan will not have a material adverse effect on the financial performance of the existing mortgage loan backing the DMBS certificates. We evaluate requests for subordinate financing on a loan-by-loan basis and may consider a number of factors.

An event of default may occur under a mortgage loan not included in your pool but secured by the mortgaged property related to the existing mortgage loan in your pool. The event of default (i) may trigger an event of default under the existing mortgage loan in your pool or any other mortgage loans and (ii) may entitle the holder of the other mortgage lien to foreclose on and sell the mortgaged property subject to the lien of any mortgage loans senior to the defaulted mortgage loan. Nevertheless, we guarantee that you will receive the full original stated principal amount of your DMBS certificate on its maturity date, even if we receive foreclosure proceeds prior to such date.

**Cross-Default and Cross-Collateralization Provisions.** In certain cases, particularly in connection with Credit Facility transactions, two or more multifamily mortgage loans may be cross-defaulted and/or cross-collateralized with other loans.
If the loans are cross-defaulted, the occurrence of an event of default under one loan will trigger an event of default under each of the other loans in the pool. In this case, not only may we declare the defaulted mortgage loan immediately due and payable but we may also declare one or more of the other mortgage loans immediately due and payable. Despite any such declaration, however, our guaranty ensures that you will receive the full original stated principal balance of your DMBS certificate on its maturity date, and not any earlier.

If the loans are cross-collateralized, the mortgaged property securing one loan will also serve as additional collateral for each of the other loans in the pool. Each mortgage loan, therefore, is secured not only by a first priority lien on the related mortgaged property but also by a lien on each of the other mortgaged properties, which is either equal or junior in priority to the first priority mortgage on the property. Cross-collateralization provisions expand the collateral available for repayment of one mortgage loan to include not only the related mortgaged property but also each of the other mortgaged properties securing loans in the pool. If an event of default occurs under one of the loans, the related mortgaged property and one or more of the other mortgaged properties may be sold to satisfy the outstanding debt obligations. Nevertheless, your DMBS certificate will not be prepaid. Our guaranty ensures that you will receive the full original stated principal balance of your DMBS certificate on its maturity date.

Loan-to-Value Ratios. All mortgage loans backing the DMBS certificates have loan-to-value ratios that do not exceed 100% at the time of loan origination.

Debt Service Coverage Ratios. Among the underwriting criteria applied when a lender originates a mortgage loan is the debt service coverage ratio of that loan. With respect to loans that are cross-collateralized and cross-defaulted, an aggregate debt service coverage ratio is considered.

Addition, Release and Substitution of Mortgaged Property. In a Credit Facility, the master agreement may provide that the borrower has the right to add, release or substitute mortgaged properties as long the conditions specified in the agreement are satisfied. In a Bulk Delivery, the master agreement will contain conditions for adding new borrowers and new properties to the arrangement and, sometimes, conditions for substituting mortgaged properties. The conditions to be satisfied vary among different Structured Transactions. In addition, applying similar conditions, we may permit substitutions of the mortgaged properties backing Standard DUS DMBS certificates. In most instances, these substitutions will occur on the maturity date of a DMBS certificate. Sometimes these changes may be permitted at other times, but no prepayment of the DMBS certificates will result. Examples of the conditions that must be met for addition, release or substitution of properties include the following:

- the underwriting of the proposed mortgaged property to be added or substituted must be performed in accordance with our standards;
- the lender and Fannie Mae must be satisfied that after the addition, release or substitution of a mortgaged property, the debt service coverage ratio will not be less than, and the loan-to-value ratio will not be greater than, the required ratios set forth in the related master agreement;
- the borrower must not be in default under the loan documents; and
- title, survey and all documents necessary to release, add or substitute the mortgaged property must be prepared to the lender's satisfaction.

Assumption and Further Encumbrances. The mortgage loans underlying DMBS certificates generally cannot be assumed by a new mortgagor, and the related mortgaged properties generally cannot be further encumbered by a subordinate mortgage lien. In addition, unless specifically permitted by us, most transfers of ownership interests in the borrower and transfers of ownership interests or changes of control of certain affiliates of the borrower are defaults under the master agreement or loan documents. However, we reserve the right to waive these requirements.
For Structured Transactions, each time that a DMBS backed by an advance or a loan is issued, we will issue a new schedule of loan information for that DMBS containing detailed information about the new advance or loan, as appropriate, and updating information on any other outstanding advances or loans secured by the same real property. Whenever we issue a new schedule of loan information, the new schedule will provide information about the existence and total value of any additional collateral (which may be a letter of credit or other collateral). The additional collateral may cause the certificates not to qualify as interests in real property for purposes of the federal income tax laws applicable to certain investors. See “CERTAIN FEDERAL INCOME TAX CONSEQUENCES.”

Schedule of Loan Information

In the schedule of loan information found in each prospectus supplement, we will furnish certain data elements about the underlying multifamily mortgage loans in the pool. The data elements included in the schedule of loan information for the loans in any particular pool may vary but generally will include the data elements listed below.

**Characteristics of the Loan and the Mortgaged Property**

**Terms for Most Loans**

- Pool Number
- Seller Number
- Issue Date Principal Balance
- Maturity Date
- First Monthly Payment Due

- Original Amortization Term
- Property Type
- Property City, State and Zip Code
- Number of Multifamily Units
- Appraised Value or Property Value

A sample schedule of loan information showing data elements that are generally provided may be found in *Exhibit B* at the end of this prospectus.

**FANNIE MAE PURCHASE PROGRAM**

The multifamily mortgage loans we purchase must meet standards required by the law under which we were chartered, which we refer to as the Charter Act. These standards require that the multifamily mortgage loans be, in our judgment, of a quality, type and class consistent with the purchase standards imposed by private institutional mortgage investors. Consistent with those requirements, and with the purposes for which we were chartered, we establish eligibility criteria and policies for the mortgage loans we purchase, for the sellers from whom we purchase loans, and for the servicers who service our mortgage loans. See “FANNIE MAE” above, for information regarding the Charter Act and the charter purpose.

**DUS Guide**

Our mortgage loan purchase eligibility criteria and policies are set forth in our DUS Guide, including any updates and amendments to the DUS Guide. We amend our DUS Guide and our eligibility criteria and policies from time to time. This means it is possible that not all the mortgage loans in a particular pool will be subject to the same eligibility standards. It also means that the standards described in the DUS Guide may not be the same as the standards that applied when loans in a particular pool were originated. We also may waive or modify our eligibility and loan underwriting requirements or policies when we purchase mortgage loans.
Seller and Servicer Eligibility

Before we approve a company to become a seller or servicer for us, we require that the company demonstrate the following to our satisfaction:

- that it has a proven ability to originate or service, as applicable, the type of mortgages for which our approval is being requested;
- that it employs a staff with adequate experience in that area;
- that it has as one of its principal business purposes the origination or servicing, as applicable, of multifamily residential mortgages;
- that it is properly licensed, or otherwise authorized, to originate, sell or service, as applicable, multifamily residential mortgages in each of the jurisdictions in which it does business;
- that it has a financial condition that is acceptable to us;
- that it has quality control and management systems to evaluate and monitor the overall quality of its loan production and servicing activities; and
- that it is covered by a fidelity bond and errors and omissions insurance acceptable to us.

We enter into a written mortgage selling and servicing contract with each seller and servicer we approve, under which, among other things, the seller or servicer agrees to maintain the foregoing attributes to our satisfaction. DUS lenders must be specially approved and enter into additional agreements with us. See “MULTIFAMILY MORTGAGE LOANS—Loan Origination and Servicing.”

Servicing Arrangements

We are responsible for servicing and administering the multifamily mortgage loans. In most cases, we contract with other entities to perform those functions under our supervision and on our behalf. The entity with whom we contract is often the seller of the loans, but may be an unaffiliated entity. Even if we hire a servicer, we remain responsible to DMBS certificateholders for all the servicing and administrative functions related to the mortgage loans.

In some instances, we may own a multifamily mortgage loan secured by a mortgaged property in which we or the lender or servicer also owns an equity interest. In these circumstances, we may be required to contract with a party not affiliated with Fannie Mae or the transaction to perform certain servicing functions.

Servicers must meet the eligibility standards and performance obligations in our DUS Guide. All servicers are obligated to diligently perform all services and duties customary to servicing mortgage loans. We monitor the servicer’s performance and have the right to remove any servicer at any time that we consider its removal to be in the best interest of the certificateholders. Duties performed by the servicer include general loan servicing responsibilities, collection and remittance of payments on the multifamily mortgage loans, administration of mortgage escrow accounts, collection of insurance claims and foreclosure, if necessary.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The certificates and payments on the DMBS certificates generally are subject to taxation. Therefore, you should consider the tax consequences of holding a DMBS certificate before acquiring one. The following discussion describes certain material U.S. federal income tax consequences of the purchase, ownership, and disposition of the DMBS certificates. The discussion is based on provisions of the Internal Revenue Code of 1986, as amended (the “Code”), the Treasury regulations thereunder, Internal Revenue Service (“IRS”) rulings and pronouncements, and judicial decisions now in effect, all of which are subject to change at any time, possibly on a retroactive basis.
The discussion in this section is general and does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. This discussion may not apply to your particular circumstances for various reasons including the following:

- This discussion reflects federal tax laws in effect as of the date of this prospectus. Changes to any of these laws after the date of this prospectus may affect the tax consequences discussed below.
- This discussion addresses only DMBS certificates acquired by beneficial owners at original issuance and held as capital assets (generally, property held for investment).
- This discussion does not address all tax consequences that may be relevant to beneficial owners subject to special rules, such as dealers in securities, certain traders in securities, banks, tax-exempt organizations, insurance companies, regulated investment companies, real estate mortgage investment conduits, real estate investment trusts, persons that hold certificates as part of a hedging transaction or as a position in a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar.
- This discussion does not address the tax consequences of the purchase, ownership or disposition of a DMBS certificate by a partnership. If a partnership holds a DMBS certificate, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership.
- This discussion may be supplemented by a discussion in any applicable prospectus supplement.
- This discussion does not address taxes imposed by any state, local, or foreign taxing jurisdiction.

For these reasons, you should consult your own tax advisor regarding the federal income tax consequences of holding and disposing of DMBS certificates as well as any tax consequences arising under the laws of any state, local, or foreign taxing jurisdiction.

For purposes of this discussion, the term mortgage loan, in the case of a participation interest, means the interest in the underlying mortgage loan represented by that participation interest, and in applying a federal income tax rule that depends on the origination date of a mortgage loan or the characteristics of a mortgage loan at its origination, the term mortgage loan means the underlying mortgage loan and not the participation interest.

As used in this section, the term “United States holder” means a beneficial owner of a DMBS certificate that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source of its income, or (iv) a trust if a court within the United States can exercise primary supervision over its administration and at least one United States person has the authority to control all substantial decisions of the trust.

U.S. Treasury Circular 230 Notice

The tax discussions contained in this prospectus (including the sections entitled “CERTAIN FEDERAL INCOME TAX CONSEQUENCES” and “ERISA CONSIDERATIONS”) and any applicable prospectus supplement were not intended or written to be used, and cannot be used, for the purpose of avoiding United States federal tax penalties. These discussions were written to support the promotion or marketing of the transactions or matters addressed in this prospectus. You should seek advice based on your particular circumstances from an independent tax advisor.
Tax Treatment of the DMBS Certificates

In Revenue Ruling 84-10, 1984-1 C.B. 155, the IRS set forth certain federal income tax consequences relating to investments in the certificates issued with respect to a mortgage pool. Pursuant to Revenue Ruling 84-10, a mortgage pool will not be classified as an association taxable as a corporation for federal income tax purposes. Instead, a mortgage pool will be classified as a grantor trust, and each beneficial owner of a certificate will be considered to be the beneficial owner of a pro rata undivided interest in each of the mortgage loans included in that particular pool. Although Revenue Ruling 84-10 does not specifically address participation interests in mortgage loans, other IRS pronouncements clearly indicate that the holdings of Revenue Ruling 84-10 are equally applicable to a certificate backed by a pool consisting (in whole or in part) of participation interests in mortgage loans.

Credit Facility DMBS Certificates

Based on Revenue Ruling 84-10, the Credit Facility DMBS certificates are interests in grantor trusts that own the underlying mortgage loans for U.S. federal income tax purposes. A United States holder of a Credit Facility DMBS certificate will be treated as the owner of a pro rata undivided interest in each of the mortgage loans included in the related mortgage pool, all of which will be short-term obligations for U.S. federal income tax purposes. A United States holder of a Credit Facility DMBS certificate must report on its federal income tax return its pro rata share of the entire income from each mortgage loan in the related pool, consistent with the United States holder’s method of accounting. The items of income from such a mortgage loan include original issue discount (discussed below), prepayment premiums, assumption fees, and late payment charges, plus certain amounts paid by us under our guaranty. A United States holder can deduct its pro rata share of the expenses of the grantor trust as provided in section 162 or section 212 of the Code, consistent with its method of accounting and subject to the discussion below.

A United States holder must allocate its basis in a Credit Facility DMBS certificate among the mortgage loans included in the related pool in proportion to the relative fair market values of those mortgage loans. If the basis allocated to a mortgage loan exceeds the principal amount, the United States holder may have premium with respect to that mortgage loan. Premium is discussed below. Although short-term obligations are technically not subject to the market discount rules, if the basis allocated to a mortgage loan is less than the principal amount of that mortgage loan, such discount may be treated in a manner similar to market discount (discussed below). You should consult your own tax advisor regarding the treatment of such discount.

As a result of the treatment of the Credit Facility DMBS certificates as interests in grantor trusts that own the underlying mortgage loans for U.S. federal income tax purposes, the following consequences will result for certain investors:

1. A Credit Facility DMBS certificate owned by a domestic building and loan association will be considered to represent “loans secured by an interest in real property” within the meaning of section 7701(a)(19)(C)(v) of the Code, provided that the real property underlying each mortgage loan is (or, from the proceeds of the mortgage loans, will become) the type of real property described in that section of the Code.

2. A Credit Facility DMBS certificate owned by a real estate investment trust will be treated as a “real estate asset” within the meaning of section 856(c)(5)(B) of the Code, and the interest income on the certificate will be considered “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code.

The tax consequences to domestic building and loan associations and real estate investment trusts discussed above will not apply to a mortgage loan to the extent that its principal amount exceeds the value of the real property securing the loan. We believe that the fair market value of the real property securing each mortgage loan exceeds the principal balance of that mortgage loan as of
the issue date of the certificates based upon the lender’s representation that each mortgage loan complies with underwriting guidelines with respect to property value and loan-to-value ratio. The principal security for each mortgage loan is a first lien (or, in the case of a subordinate lien mortgage loan, a subordinate lien) on real property. However, the mortgage loans may also be secured by a security interest in related tangible personal property (e.g., equipment and furniture) and in related intangible personal property such as rents and revenues, insurance proceeds, condemnation awards or settlements, contract rights, deposits, permits, accounts, licenses, and so forth. If the principal balance of a mortgage loan exceeds the fair market value of the real property securing the mortgage loan, the Credit Facility DMBS certificates will retain the special tax attributes discussed above in proportion to the value of the real property remaining as security for the mortgage loan.

**Standard DUS DMBS Certificates and Bulk Delivery DMBS Certificates**

It is not clear under current law whether the Standard DUS DMBS certificates or the Bulk Delivery DMBS certificates should be treated for U.S. federal income tax purposes as interests in a grantor trust or as debt instruments secured by the underlying mortgage loans that back these DMBS certificates (or as grantor trust interests in such debt instruments). We intend to take the position that the Standard DUS DMBS certificates and the Bulk Delivery DMBS certificates are interests in grantor trusts that own the underlying mortgage loans for U.S. federal income tax purposes, and the remainder of this discussion assumes that those DMBS certificates will be so treated. As a result, a United States holder of a Standard DUS or Bulk Delivery DMBS certificate must report on its federal income tax return its pro rata share of the entire income from each mortgage loan in the related pool, consistent with the United States holder's method of accounting. The items of income from such a mortgage loan include interest, original issue discount (discussed below), prepayment premiums, assumption fees, and late payment charges, plus any amount paid by us as interest under our guaranty. A United States holder can deduct its pro rata share of the expenses of the grantor trust as provided in section 162 or section 212 of the Code, consistent with its method of accounting and subject to the discussion below.

A United States holder must allocate its basis in a Standard DUS or Bulk Delivery DMBS certificate among the mortgage loans included in the related pool in proportion to the relative fair market values of those mortgage loans. If the basis allocated to a mortgage loan is less than the principal amount of that mortgage loan, the United States holder may have market discount with respect to that mortgage loan, and if the basis exceeds the principal amount, the United States holder may have premium with respect to that mortgage loan. Market discount and premium are discussed below.

In addition, the consequences described above with respect to holders of Credit Facility DMBS that are domestic building and loan associations or real estate investment trusts should also apply to such holders holding Standard DUS DMBS certificates and Bulk Delivery DMBS certificates. However, there can be no assurance that the Standard DUS DMBS certificates and/or the Bulk Delivery DMBS certificates will not instead be treated as debt instruments secured by the underlying mortgage loans (or as grantor trust interests in such debt instruments), in which case the following consequences would result:

1. A Standard DUS or Bulk Delivery DMBS certificate owned by a domestic building and loan association would not be treated as an “interest in real property” within the meaning of section 7701(a)(19)(C)(v) of the Code, but instead would be treated as an “obligation of a corporation which is an instrumentality of the United States” within the meaning of section 7701(a)(19)(C)(ii) of the Code.

2. A Standard DUS or Bulk Delivery DMBS certificate owned by a real estate investment trust would not be treated as a “real estate asset” within the meaning of section 856(c)(5)(B) of the Code but instead would be treated as a “government security” within the meaning of section 856(c)(4)(A) of the Code. The interest income on the certificate would not be considered
“interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code (although such interest income would be qualifying income for purposes of the 95% gross income test applicable to REITs).

Potential purchasers of the Standard DUS DMBS certificates and the Bulk Delivery DMBS certificates should consult their own tax advisor regarding the appropriate U.S. federal income tax treatment of those DMBS certificates.

Interest and Original Issue Discount

A United States holder of a DMBS certificate must include in income its pro rata share of the interest (subject to the discussion of short-term obligations below) and original issue discount, if any, paid or accrued on the mortgage loan or loans underlying the DMBS certificate as ordinary interest income over the term of such DMBS certificate. Any qualified stated interest will be included in income in accordance with the DMBS holder’s normal method of accounting. A United States holder of a DMBS certificate must include any original issue discount in income as it accrues, subject to the discussion of short-term obligations below and generally in advance of the receipt of the related cash flow. A mortgage loan will be considered to have been issued with original issue discount if its stated redemption price at maturity exceeds its issue price by more than a specified de minimis amount.

As described above, each Credit Facility DMBS Certificate will represent an ownership interest in one or more mortgage loans, all of which will be short-term obligations for U.S. federal income tax purposes. As a result, each Credit Facility DMBS certificate will be treated as being issued with original issue discount equal to the excess of the total payments on the underlying mortgage loans over the underlying mortgage loans’ issue price. A cash method United States holder would include payments on the Credit Facility DMBS certificate in income upon its receipt of such payments unless it elected to accrue the discount for U.S. federal income tax purposes. A cash method United States holder that elected to accrue the discount or an accrual method United States holder would include the amount of the discount in income as it accrues on a straight-line basis, unless it elected to accrue the discount according to a constant yield method based on daily compounding. A United States holder that is not required and does not elect to include the discount in income currently would be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry a Credit Facility DMBS certificate in an amount not exceeding the discount until it is included in income. A United States holder of a short-term obligation that is an accrual basis taxpayer, a bank (as defined in section 581), a regulated investment company, or another class of United States holder described in section 1281 of the Code generally is required to include original issue discount on such an obligation in income as it accrues on a straight-line basis, regardless of its method of accounting. Alternatively, such a United States holder may make an irrevocable election to accrue such original issue discount on the basis of the obligation’s yield to maturity and daily compounding.

If the Standard DUS DMBS certificates and/or the Bulk Delivery DMBS certificates were to be treated as debt instruments secured by the underlying mortgage loans (or as grantor trust interests in such debt instruments), those DMBS certificates would be treated as short-term obligations for federal income tax purposes. As a result, each DMBS certificate would be treated as being issued with original issue discount equal to the excess of the total payments on the certificate over its issue price. In addition, the tax accounting methods applicable to United States holders of a Credit Facility DMBS Certificate would apply to the United States holders of the Standard DUS and/or Bulk Delivery DMBS Certificates.

Market Discount

A United States holder that acquires an interest in a mortgage loan for less than its principal amount generally will be treated as having acquired the loan at a market discount in the amount of the excess of the principal amount over the United States holder’s basis in that mortgage loan, unless the excess is less than a specified de minimis amount. Market discount on a mortgage loan is
considered to be zero if the market discount is less than 0.25 percent of the principal balance of the mortgage loan multiplied by the number of complete years from the date the United States holder acquires an interest in the mortgage loan to the maturity of the mortgage loan. A United States holder must determine the amount of accrued market discount for a period using a straight-line method, based on the maturity of the mortgage loan, unless the United States holder elects to determine accrued market discount using a constant yield method.

In general, three consequences arise if a United States holder acquires an interest in a mortgage loan (e.g., a DMBS certificate) with market discount. First, the United States holder must treat any principal payment with respect to a mortgage loan acquired with market discount as ordinary income to the extent of the market discount that accrued while such United States holder held an interest in that mortgage loan. Second, the United States holder must treat gain on the disposition or retirement of a DMBS certificate as ordinary income under the circumstances discussed below under “—Sales and Other Dispositions of DMBS Certificates.” Third, a United States holder that incurs or continues indebtedness to acquire a DMBS certificate at a market discount may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of market discount is included in income. Alternatively, a United States holder may elect to include market discount in income on a current basis as it accrues, in which case the three consequences discussed above will not apply. If a United States holder makes this election, the United States holder must also apply the election to all debt instruments acquired by the United States holder on or after the beginning of the first taxable year to which the election applies. A United States holder may revoke the election only with the consent of the IRS.

Short-term obligations are technically not subject to the market discount rules. It is unclear whether rules similar to the market discount rules would apply to United States holders of short-term obligations. You should consult your own tax advisor regarding the treatment of any discount with respect to short-term obligations.

Premium

A United States holder that acquires an interest in a mortgage loan for more than its principal amount generally has premium with respect to that mortgage loan in the amount of the excess. In that event, the United States holder may elect to treat the premium as amortizable bond premium. If the election is made, a United States holder must also apply the election to all debt instruments the interest on which is not excludible from gross income (fully taxable bonds) held by the United States holder at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by the United States holder. A United States holder may revoke the election only with the consent of the IRS.

If a United States holder makes this election, the United States holder reduces the amount of any interest payment that must be included in the United States holder's income by the portion of the premium allocable to the period based on the mortgage loan’s yield to maturity. Correspondingly, a United States holder must reduce its basis in the mortgage loan by the amount of premium applied to reduce any interest income. The amount of premium to be allocated among the interest payments on an adjustable rate mortgage (“ARM”) is determined by reference to an equivalent fixed-rate debt instrument constructed as of the date the United States holder acquires an interest in the ARM.

If a United States holder does not elect to amortize premium, (i) the United States holder must include the full amount of each interest payment in income, and (ii) the premium must be allocated to the principal distributions on the mortgage loan and, when each principal distribution is received, a loss equal to the premium allocated to that distribution will be recognized. Any tax benefit from premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the certificate. See “—Sales and Other Dispositions of DMBS Certificates.”
Expenses of the Trust

A United States holder’s ability to deduct its share of the fee payable to the servicer, the fee payable to us for providing our guaranty, and other expenses to administer the mortgage pool is limited under section 67 of the Code in the case of (i) estates and trusts and (ii) individuals owning an interest in a DMBS certificate directly or through an investment in a pass-through entity (other than in connection with such individual’s trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies, and non-publicly-offered regulated investment companies, but do not include estates, non-grantor trusts, cooperatives, real estate investment trusts, or publicly-offered regulated investment companies.

Generally, a United States holder can deduct its share of these costs only to the extent that these costs, when aggregated with certain of the United States holder’s other miscellaneous itemized deductions, exceed two percent of the United States holder’s adjusted gross income. For this purpose, an estate or non-grantor trust computes adjusted gross income in the same manner as in the case of an individual, except that deductions for administrative expenses of the estate or trust that would not have been incurred if the property were not held in such trust or estate are treated as allowable in arriving at adjusted gross income.

In addition, section 68 of the Code may provide for certain limitations on itemized deductions otherwise allowable for a United States holder who is an individual. Further, a United States holder may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

Mortgage Loan Servicing

The IRS has issued guidance on the tax treatment of mortgage loans in cases in which the fee retained by the servicer of the mortgage loans exceeds what is established under tax law to be reasonable compensation for the services to be performed. This guidance is directed primarily to servicers and, in most cases, should not have a significant effect on United States holders of mortgage loans.

Under the IRS guidance, if a servicing fee on a mortgage loan is determined to exceed reasonable compensation, the payments of the excess servicing fee are treated as a series of stripped coupons and the mortgage loan is treated as a stripped bond within the meaning of section 1286 of the Code. In general, if a mortgage loan is treated as a stripped bond, any discount with respect to that mortgage loan will be treated as original issue discount. Any premium with respect to such a mortgage loan may be treated as amortizable bond premium regardless of the date the mortgage loan was originated, because a stripped bond is treated as originally issued on the date a United States holder acquires the stripped bond. See “—Premium” above. In addition, the excess portion of servicing compensation will be excluded from the income of holders and thus will not be subject to the limitations on the deductibility of miscellaneous itemized deductions. See “—Expenses of the Trust” above.

A mortgage loan effectively will not be treated as a stripped bond, however, but will instead be treated as a market discount bond if the mortgage loan meets either the 100 basis point test or the de minimis test. A mortgage loan will meet the 100 basis point test if the total amount of servicing compensation on the mortgage loan does not exceed reasonable compensation for servicing by more than 100 basis points. A mortgage loan meets the de minimis test if (i) the discount at which the mortgage loan is acquired is less than 0.25 percent of the remaining principal balance of the mortgage loan multiplied by its weighted average remaining life, or (ii) in the case of wholly self-amortizing mortgage loans, the acquisition discount is less than ¼ of one percent times the number of whole years to final stated maturity.

The IRS guidance contains a number of ambiguities. For example, it is not clear whether the rules described above are to be applied on an individual loan or an aggregate basis. You should...
consult your own tax advisor about the IRS guidance and its application to investments in the DMBS certificates.

Sales and Other Dispositions of DMBS Certificates

Upon the sale, exchange, or other disposition of a DMBS certificate, the United States holder generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the United States holder’s adjusted basis in the DMBS certificate. The adjusted basis of a DMBS certificate generally will equal the cost of the DMBS certificate to the United States holder, increased by any amounts of original issue discount, market discount and other discount included in the United States holder’s gross income with respect to the certificate, and reduced by any distributions on the DMBS certificate previously received by the United States holder as principal and by any premium that has reduced the United States holder’s interest income with respect to the DMBS certificate. Any such gain or loss generally will be capital gain or loss, except (i) as provided in section 582(c) of the Code (which generally applies to banks) or (ii) to the extent any gain represents original issue discount or accrued market discount not previously included in income (to which extent such gain would be treated as ordinary income). Any capital gain (or loss) will be long-term capital gain (or loss) if at the time of disposition the United States holder held the certificate for more than one year. The ability to deduct capital losses is subject to limitations.

Information Reporting and Backup Withholding

For each payment on a DMBS certificate, we will post on our Web site, or otherwise make available, information that will allow each beneficial owner to determine its pro rata share of the income and administrative expense of the related DMBS trust, and any other information required by the Code or the Treasury regulations thereunder.

Payments of interest, original issue discount and principal and payments of proceeds from the sale of DMBS certificates may be subject to backup withholding if the recipient of the payment is not an exempt recipient and fails to furnish certain information, including its taxpayer identification number, to us or our agent, or otherwise fails to establish an exemption from backup withholding. Any amounts deducted and withheld from such a payment would be allowable as a credit against the United States holder’s U.S. federal income tax. Furthermore, certain penalties may be imposed by the IRS on a holder or owner who is required to supply information but who does not do so in the proper manner.

Non-United States Holders

Additional rules apply to a beneficial owner of a DMBS certificate that is not a United States holder and that is not a partnership (a “Non-U.S. holder”). Payments on a DMBS certificate made to, or on behalf of, a beneficial owner that is a Non-U.S. holder generally will be exempt from U.S. federal income and withholding taxes, provided the following conditions are satisfied:

- the beneficial owner does not hold the certificate in connection with its conduct of a trade or business in the United States;
- the beneficial owner is not, with respect to the United States, a personal holding company or a corporation that accumulates earnings in order to avoid U.S. federal income tax;
- the beneficial owner is not a U.S. expatriate or former U.S. resident who is taxable in the manner provided in section 877(b) of the Code;
- the beneficial owner is not an excluded person (i.e., a 10-percent shareholder of Fannie Mae or the borrower within the meaning of section 871(h)(3)(B) of the Code or a controlled foreign corporation related to Fannie Mae or the borrower within the meaning of section 881(c)(3)(C) of the Code);
the beneficial owner signs a statement under penalties of perjury certifying that it is a Non-U.S. holder and provides the name, address, and taxpayer identification number, if any, of the beneficial owner; and

• the last United States person in the chain of payment to the beneficial owner (the withholding agent) receives such non-U.S. beneficial ownership statement from the beneficial owner or a financial institution holding on behalf of the beneficial owner and does not have actual knowledge that such statement is false.

Backup withholding will not apply to payments made to a beneficial owner that is a Non-U.S. holder if the beneficial owner or a financial institution holding on behalf of the beneficial owner provides a non-U.S. beneficial ownership statement to the withholding agent. A non-U.S. beneficial ownership statement may be made on an IRS Form W-8BEN or a substantially similar substitute form. The beneficial owner or financial institution holding on behalf of the beneficial owner must inform the withholding agent of any change in the information on the statement within 30 days of such change.

ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in DMBS certificates on behalf of a plan subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (such as employer-sponsored pension and profit sharing plans) and other types of benefit plans and arrangements subject to Section 4975 of the Code (such as individual retirement accounts). ERISA and the Code also impose these requirements on some entities in which these benefit plans or arrangements invest. We refer to these plans, arrangements and entities, collectively, as plans.

A fiduciary considering investing assets of a plan in any certificate should consult its legal advisor about ERISA, fiduciary and other legal considerations before making such an investment. Specifically, before authorizing an investment in any DMBS certificates, any such fiduciary should, after considering the plan’s particular circumstances, determine whether the investment is appropriate under the plan’s governing documents and whether the investment is appropriate under the fiduciary standards of ERISA or other applicable law, including standards with respect to prudence, diversification and delegation of control and the prohibited transaction provisions of ERISA and the Code.

Regulations (the “Plan Asset Regulations”) promulgated under ERISA by the United States Department of Labor generally provide that when a plan acquires an interest in an entity that is neither a publicly offered security nor a security issued by an investment company registered under the Investment Company Act of 1940, the plan’s assets include both the security and an undivided interest in each of the underlying assets of the issuer unless it is established that an exception under the Plan Asset Regulations applies. The application of this general rule could cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility rules of ERISA and could cause an investment in DMBS certificates to be a prohibited transaction under ERISA or the Code.

The Plan Asset Regulation provides that the general rule stated above does not apply to a plan’s acquisition of a guaranteed governmental mortgage pool certificate. The definition of “guaranteed governmental mortgage pool certificate” includes DMBS certificates which are backed by, or evidencing an interest in, specified mortgages or participation interest therein and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the Plan Asset Regulation, investment by a plan in a guaranteed governmental mortgage pool certificate does not cause the assets of the plan to include the mortgage loans underlying the certificate or cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Code by providing services with
respect to the mortgages in the pool. Our counsel, Hunton & Williams LLP, has advised us that the
DMBS certificates qualify under the definition of guaranteed governmental mortgage pool certif-
icates and, as a result, the purchase and holding of DMBS certificates by plans will not cause the
underlying mortgage loans or the assets of Fannie Mae to be subject to the fiduciary requirements of
ERISA or to the prohibited transaction provisions of ERISA and the Code merely by reason of that
plan’s holding of a certificate. However, investors should consult with their own counsel regarding
the ERISA eligibility of DMBS certificates they may purchase.

LEGAL OPINION

If you purchase DMBS certificates, we will send you, upon request, an opinion of our general
counsel (or one of our deputy general counsels) as to the validity of the DMBS certificates, the issue
supplement and the trust agreement for that issue.
All information in this exhibit is for illustrative purposes only and should not be
deemed to represent any actual loan or any actual issuance. Information presented may
vary for individual pools.

Federal National Mortgage Association
Mortgage-Backed Securities Program

Supplement to Prospectus Dated September 1, 2007

$[ ] .00
Issue Date [ ], 2007

Security Description FNDM [ ] DMBS
Fannie Mae Pool Number [ ]
CUSIP [ ]

Principal Payable on [ ]

------- Pool Statistics (as of Issue Date) -------

Number of Participation Interests . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . [ ]
Outstanding Balance . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . [ ]
Maturity Date . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . [ ]
Term . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . [ ]
Servicer . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . [ ]

Geographic Distribution of Security Properties*

* See Schedule of Loan Information

The date of this Supplement is [ ]

(Pool No. [ ])

A-1
Fannie Mae
Multifamily DMBS
Schedule of Loan Information

Number of Advances Outstanding .......................................... [ ]*
Fannie Mae Pool Number ......................................................... [ ]
Aggregate Issue Date Principal Balance: .................................... [ ]
Number of Mortgaged Properties: .............................................. [ ]*
Aggregate Real Property Value**: .............................................. [ ]
Value of Other Collateral: ......................................................... [ ]
Total Collateral Value: ............................................................ [ ]
Fannie Mae Seller Name: .......................................................... [ ]
Transaction Type: ................................................................. [ ]

* Additional information regarding each Advance and each Mortgaged Property on Succeeding Pages of this Schedule of Loan Information.

** As most recently reported to the Corporation by the servicer of the Mortgage Loan; see body of Prospectus Supplement for additional information.
Fannie Mae
Multifamily DMBS
Schedule of Loan Information

**Advances Outstanding**

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**Original Term:** The number of months used to calculate original monthly principal and interest payment.

**Lockout Flag/# Mos:** The number of months in the lockout period from the date that the Advance is made.

**1st Monthly Payment Date:** The first date that a payment is due and payable.

**Prepayment Premium:** See the body of the Prospectus Supplement for additional information.

**U.S. Treasury Security Due Date:** The maturity date of the U.S. Treasury Security used for calculation of the Prepayment Premium, if any. See the body of the Prospectus Supplement for additional information.

(Pool No. [     ])
Collateral Details

City: ................................................................. [ ]
State: ................................................................. [ ]
Zip Code: ............................................................ [ ]
No. Units: ............................................................. [ ]
Co-op Ind: ............................................................. [ ]
Collateral Reference No: ........................................ [ ]

(Pool No. [ ])
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No one is authorized to give information or to make representations in connection with the DMBS certificates other than the information and representations contained in this prospectus. You must not rely on any unauthorized information or representation. This prospectus does not constitute an offer or solicitation with regard to the DMBS certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this prospectus at any time, no one implies that the information contained in it is correct after its date.

The Securities and Exchange Commission has not approved or disapproved the DMBS certificates or determined if this prospectus or any supplement to this prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

Additional prospectuses and information regarding outstanding pools are available upon request by calling us at 800-237-8627 or by going to our corporate Web site at www.fanniemae.com.

Guaranteed Discount Mortgage-Backed Certificates
(Multifamily Residential Mortgage Loans)

MULTIFAMILY DMBS PROSPECTUS

September 1, 2007