

\$300,000,000  
Federal National Mortgage Association



**Guaranteed REMIC Pass-Through Certificates**  
**Fannie Mae REMIC Trust 1994-86**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in Fannie Mae REMIC Trust 1994-86 (the "Trust"). The assets of the Trust will consist of certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "MBS"), each of which will represent a beneficial interest in a pool (the "Pool") of first lien, single-family, fixed-rate residential mortgage loans with original maturities of up to 15 years (the "Mortgage Loans") having the characteristics described herein. The Certificates will be issued and guaranteed as to timely distribution of principal and interest by Fannie Mae.

Investors should not purchase the Certificates before reading this Prospectus Supplement and the additional Disclosure Documents listed at the bottom of page S-2.

THE CERTIFICATES MAY NOT BE SUITABLE INVESTMENTS FOR ALL INVESTORS. NO INVESTOR SHOULD PURCHASE CERTIFICATES UNLESS SUCH INVESTOR UNDERSTANDS AND IS ABLE TO BEAR THE PREPAYMENT, YIELD, LIQUIDITY AND OTHER RISKS ASSOCIATED WITH SUCH CERTIFICATES.

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THE CERTIFICATES, TOGETHER WITH ANY INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES. THE OBLIGATIONS OF FANNIE MAE UNDER ITS GUARANTY OF THE CERTIFICATES ARE OBLIGATIONS SOLELY OF FANNIE MAE AND DO NOT CONSTITUTE AN OBLIGATION OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY THEREOF OTHER THAN FANNIE MAE. THE CERTIFICATES ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND ARE "EXEMPTED SECURITIES" WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934.

| Class    | Original Principal Balance | Principal Type(1) | Interest Rate | Interest Type(1) | CUSIP Numbers | Final Distribution Date |
|----------|----------------------------|-------------------|---------------|------------------|---------------|-------------------------|
| PA ..... | \$47,686,000               | PAC               | 6.00%         | FIX              | 31359HT87     | April 1999              |
| PB ..... | 25,409,000                 | PAC               | 6.00          | FIX              | 31359HT95     | April 2001              |
| PC ..... | 27,784,000                 | PAC               | 6.00          | FIX              | 31359HU28     | February 2003           |
| PD ..... | 22,629,000                 | PAC               | 6.00          | FIX              | 31359HU36     | June 2004               |
| PE ..... | 45,287,000                 | PAC               | 6.00          | FIX              | 31359HU44     | September 2006          |
| PG ..... | 30,652,000                 | PAC               | 6.00          | FIX              | 31359HU51     | January 2008            |
| PH ..... | 20,140,000                 | PAC               | 6.00          | FIX              | 31359HU69     | October 2008            |
| PJ ..... | 19,311,000                 | PAC               | 6.00          | FIX              | 31359HU77     | June 2009               |
| A .....  | 61,017,000                 | SUP               | 6.00          | FIX              | 31359HU85     | June 2009               |
| R .....  | 85,000                     | PAC               | 6.00          | FIX              | 31359HU93     | June 2009               |

(1) See "Description of the Certificates—Class Definitions and Abbreviations" in the REMIC Prospectus and "Description of the Certificates—Distributions of Interest" and "—Distributions of Principal" herein.

The Certificates will be offered by Lehman Brothers Inc., including Lehman Government Securities Inc. (the "Dealer" or "Lehman Brothers") from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The Certificates will be offered by the Dealer, subject to receipt and acceptance by it and subject to its right to reject any order in whole or in part. It is expected that the Certificates, except for the R Class, will be available through the book-entry system of the Federal Reserve Banks on or about June 30, 1994 (the "Settlement Date"). It is expected that the R Class in registered, certificated form will be available for delivery at the offices of the Dealer, Three World Financial Center, New York, New York 10285, on or about the Settlement Date.

**LEHMAN BROTHERS**

May 12, 1994

*(Cover continued from previous page)*

The yield to investors in each Class will be sensitive in varying degrees to the rate of principal payments of the Mortgage Loans, the characteristics of the Mortgage Loans actually included in the Pool, and the purchase price paid for the related Class. Accordingly, investors should consider the following risks:

- The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of some or all of the Classes.
- In the case of any Certificates purchased at a discount to their principal amounts, a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Certificates purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield.

See “Description of The Certificates—Yield Considerations” herein.

In addition, investors should purchase Certificates only after considering the following:

- The actual final payment of any Class will likely occur earlier, and could occur much earlier, than the Final Distribution Date for such Class specified on the cover page. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus.
- The rate of principal distributions of the Certificates is uncertain and investors may be unable to reinvest the distributions thereon at yields equaling the yields on the Certificates. See “Description of the Certificates—Reinvestment Risk” in the REMIC Prospectus.
- Investors whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates. Investors should consult their legal advisors to determine whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment. See “Legal Investment Considerations” in the REMIC Prospectus.

The Dealer intends to make a market for the Certificates but is not obligated to do so. There can be no assurance that such a secondary market will develop or, if developed, that it will continue. Thus, investors may not be able to sell their Certificates readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Certificates unless such investor understands and is able to bear the risk that the value of the Certificates will fluctuate over time and that the Certificates may not be readily salable.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Prospectus Supplement, the REMIC Prospectus or the MBS Prospectus. Any representation to the contrary is a criminal offense.

An election will be made to treat the Trust as a “real estate mortgage investment conduit” (“REMIC”) pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). The R Class will be subject to transfer restrictions. See “Description of the Certificates—Characteristics of the R Class” and “Certain Additional Federal Income Tax Consequences” herein, and “Description of the Certificates—Additional Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences” in the REMIC Prospectus.

Investors should purchase the Certificates only if they have read and understood this Prospectus Supplement and the following documents (collectively, the “Disclosure Documents”):

- Fannie Mae’s Prospectus for Guaranteed REMIC Pass-Through Certificates dated April 7, 1994 (the “REMIC Prospectus”), which is attached to this Prospectus Supplement;
- Fannie Mae’s Prospectus for Guaranteed Mortgage Pass-Through Certificates dated January 1, 1994 (the “MBS Prospectus”); and
- Fannie Mae’s Information Statement dated March 31, 1994 and any supplements thereto (collectively, the “Information Statement”).

The MBS Prospectus and the Information Statement are incorporated herein by reference and may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such documents may also be obtained from Lehman Brothers Inc. by writing or calling its Registration Department at 140 58th Street, Brooklyn, New York 11220 (telephone 718-921-8466).

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## REFERENCE SHEET

This reference sheet is not a summary of the REMIC transaction and it does not contain complete information about the Certificates. Investors should purchase the Certificates only after reading this Prospectus Supplement and each of the additional Disclosure Documents described herein.

### Assumed Mortgage Loan Characteristics (as of June 1, 1994)

| Approximate<br>Principal<br>Balance | Approximate<br>Weighted Average<br>Remaining Term<br>to Maturity<br>(in months) | Calculated<br>Loan Age<br>(in months) | Approximate<br>Weighted Average<br>Coupon |
|-------------------------------------|---------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------|
| \$300,000,000                       | 172                                                                             | 8                                     | 6.60%                                     |

The actual remaining terms to maturity, calculated loan ages and interest rates of most of the Mortgage Loans will differ from the weighted average shown above, perhaps significantly. See “Description of the Certificates—The MBS” herein.

### Interest Rates

The Certificates will bear interest at the respective per annum interest rates set forth on the cover.

See “Description of the Certificates—Distributions of Interest—*Interest Accrual Period*” herein.

### Component Class

|                    | Original<br>Principal Balance | Principal<br>Type |
|--------------------|-------------------------------|-------------------|
| R1 Component ..... | \$75,000                      | PAC               |
| R2 Component ..... | \$10,000                      | PAC               |

### Distributions of Principal

1. To the PAC Classes and Components to their respective Planned Balances in the order and proportions set forth herein under “Description of the Certificates—Distribution of Principal.”
2. To the A Class, until the principal balance thereof is reduced to zero.
3. To the PAC Classes and Components as in step 1 above until the principal balances thereof are reduced to zero.

### Weighted Average Lives (years) \*

|          | PSA Prepayment Assumptions |      |      |      |      |
|----------|----------------------------|------|------|------|------|
|          | 0%                         | 95%  | 125% | 240% | 500% |
| PA ..... | 2.2                        | 1.1  | 1.1  | 1.1  | 1.1  |
| PB ..... | 4.9                        | 2.5  | 2.5  | 2.5  | 1.9  |
| PC ..... | 6.6                        | 3.5  | 3.5  | 3.5  | 2.3  |
| PD ..... | 8.0                        | 4.5  | 4.5  | 4.5  | 2.8  |
| PE ..... | 9.6                        | 5.9  | 5.9  | 5.9  | 3.5  |
| PG ..... | 11.2                       | 8.0  | 8.0  | 8.0  | 4.8  |
| PH ..... | 12.1                       | 10.0 | 10.0 | 10.0 | 6.2  |
| PJ ..... | 13.0                       | 12.5 | 12.5 | 12.5 | 9.0  |
| A .....  | 14.1                       | 11.1 | 8.9  | 2.2  | 0.9  |
| R .....  | 5.9                        | 3.7  | 3.7  | 3.7  | 2.8  |

\* Determined as specified under “Weighted Average Lives of the Certificates” herein.

## DESCRIPTION OF THE CERTIFICATES

The following summaries describing certain provisions of the Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the remaining provisions of this Prospectus Supplement, the additional Disclosure Documents and the provisions of the Trust Agreement (defined below). Capitalized terms used and not otherwise defined in this Prospectus Supplement have the meanings assigned to such terms in the applicable Disclosure Document or the Trust Agreement (as the context may require).

### General

*Structure.* The Trust will be created pursuant to a trust agreement dated as of September 1, 1987, as supplemented by an issue supplement thereto, dated as of June 1, 1994 (together, the “Trust Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as Trustee, and the Certificates in the Classes and aggregate original principal balances set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

The Certificates (other than the R Class) will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The assets of the Trust will consist of the MBS.

*MBS Distributions.* The MBS will provide that principal and interest on the underlying Mortgage Loans will be passed through monthly, commencing on the 25th day of the month following the month of initial issuance of the MBS (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day).

*Fannie Mae Guaranty.* Fannie Mae guarantees to each holder of an MBS the timely payment of scheduled installments of principal of and interest on the underlying Mortgage Loans, whether or not received, together with the full principal balance of any foreclosed Mortgage Loan, whether or not such balance is actually recovered. In addition, Fannie Mae will be obligated to distribute on a timely basis to the Holders of Certificates required installments of principal and interest and to distribute the principal balance of each Class of Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Collateral Account. The guaranties of Fannie Mae are not backed by the full faith and credit of the United States. See “Description of the Certificates—Fannie Mae’s Guaranty” in the REMIC Prospectus and “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus.

*Characteristics of Certificates.* The Certificates, other than the R Certificate, will be issued and maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts such Certificates have been deposited are herein referred to as “Holders” or “Certificateholders.” A Holder is not necessarily the beneficial owner of a book-entry Certificate. Beneficial owners will ordinarily hold book-entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See “Description of the Certificates—Denominations, Certificate Form” in the REMIC Prospectus.

The R Certificate will not be issued in book-entry form but will be issued in fully registered, certificated form. As to the R Certificate, “Holder” or “Certificateholder” refers to the registered owner thereof. The R Certificate will be transferable and, if applicable, exchangeable at the corporate trust office of the Transfer Agent, or at the agency of the Transfer Agent in New York, New York. The Transfer Agent initially will be State Street Bank and Trust Company in Boston, Massachusetts (“State Street”). A service charge may be imposed for any registration of transfer or, if applicable, exchange of the R Certificate and Fannie Mae may require payment of a sum sufficient to cover any tax or other governmental charge. See also “Characteristics of the R Class” herein.

Distributions on the R Class will be made by check mailed by the Paying Agent to the address of each person entitled thereto as it appears on the Certificate Register maintained by the Certificate Registrar (initially State Street) not later than each Distribution Date; provided, however, that the distribution to the Holders of the R Certificates of the proceeds of any remaining assets of the Trust will be made only upon presentation and surrender of such Certificates at the office of the Paying Agent. The Paying Agent initially will be State Street.

*Components.* For purposes of calculating payments of principal, the R Class is comprised of multiple payment components having the designations and original principal balances set forth below:

|                    | <u>Original<br/>Principal Balance</u> |
|--------------------|---------------------------------------|
| R1 Component ..... | \$75,000                              |
| R2 Component ..... | 10,000                                |

Components are not separately transferable from the related Class of Certificates.

*Authorized Denominations.* The Certificates, other than the R Certificates, will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The R Certificates will be issued in minimum denominations of \$1,000 and integral multiples of \$100 in excess thereof.

*Distribution Dates.* Distributions on the Certificates will be made on the 25th day of each month (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day), commencing in the month following the Settlement Date.

*Calculation of Distributions.* Interest on the interest-bearing Certificates is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing (except with respect to the Accrual Classes, if any) in the month after the Settlement Date. Interest to be distributed or, in the case of any Accrual Classes, added to principal on each interest-bearing Certificate on a Distribution Date will consist of one month's interest on the outstanding principal balance of such Certificate immediately prior to such Distribution Date. Interest to be distributed or, in the case of any Accrual Classes, added to principal on a Distribution Date will accrue on the interest-bearing Certificates during the one month periods set forth herein under "Distributions of Interest—*Interest Accrual Period.*" Principal on the Certificates will be distributed on each Distribution Date in an amount equal to the sum of the aggregate distributions of principal concurrently made on the MBS and any interest accrued and added on such Distribution Date to the principal balances of the Accrual Classes, if any. See "Distributions of Principal" herein.

*Record Date.* Each monthly distribution on the Certificates will be made to Holders of record on the last day of the preceding month.

*REMIC Trust Factors.* As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available for each Class of Certificates the factor (carried to eight decimal places) which, when multiplied by the original principal balance of a Certificate of such Class, will equal the remaining principal balance of such Certificate after giving effect to the distribution of principal to be made on the following Distribution Date and any interest to be added as principal to the principal balances of any Accrual Classes on such Distribution Date.

*Optional Termination.* Consistent with its policy described under "Description of Certificates—Termination" in the MBS Prospectus, Fannie Mae will agree not to effect indirectly an early termination of the Trust through the exercise of its right to repurchase the Mortgage Loans underlying any MBS unless only one Mortgage Loan remains in the related Pool or the principal balance of such Pool at the time of repurchase is less than one percent of the original principal balance thereof.

## The MBS

The MBS underlying the Certificates will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the MBS Prospectus. The Mortgage Loans will be conventional Level Payment Mortgage Loans secured by a first mortgage or deed of trust on a one- to four-family (“single-family”) residential property having an original maturity of up to 15 years, as described under “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. The characteristics of the MBS and Mortgage Loans as of June 1, 1994 (the “Issue Date”) are expected to be as follows:

|                                             |                          |
|---------------------------------------------|--------------------------|
| Aggregate Unpaid Principal Balance .....    | \$300,000,000            |
| MBS Pass-Through Rate .....                 | 6.00%                    |
| Range of WACs (per annum percentages) ..... | 6.25 to 8.50%            |
| Range of WAMs .....                         | 100 months to 180 months |
| Approximate Weighted Average WAM .....      | 172 months               |
| Approximate Weighted Average CAGE .....     | 8 months                 |

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth the Pool number, the current WAC (or original WAC, if the current WAC is not available) and the current WAM (or Adjusted WAM, if the current WAM is not available) of the Mortgage Loans underlying each MBS, along with the weighted average of all the current or original WACs and the weighted average of all the current or Adjusted WAMs, based on the current unpaid principal balances of the Mortgage Loans underlying the MBS as of the Issue Date. The Final Data Statement will not accompany this Prospectus Supplement but will be made available by Fannie Mae. To request the Final Data Statement, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. The contents of the Final Data Statement and other data specific to the Certificates are available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000.

## Distributions of Interest

### *Categories of Classes*

For the purpose of payments of interest, the Classes will be categorized as follows:

| <u>Interest Type*</u> | <u>Classes</u> |
|-----------------------|----------------|
| Fixed Rate            | All Classes    |

\* See “Description of the Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.

*General.* The interest-bearing Certificates will bear interest at the respective per annum interest rates set forth on the cover or described herein. Interest on the interest-bearing Certificates is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing (except with respect to any Accrual Classes) in the month after the Settlement Date. Interest to be distributed or, in the case of any Accrual Classes, added to principal on each interest-bearing Certificate on a Distribution Date will consist of one month’s interest on the outstanding principal balance of such Certificate immediately prior to such Distribution Date.

*Interest Accrual Period.* Interest to be distributed or added to principal on a Distribution Date will accrue on the interest-bearing Certificates during the one-month period set forth below (an “Interest Accrual Period”).

| <u>Classes</u>                                                      | <u>Interest Accrual Period</u>                                              |
|---------------------------------------------------------------------|-----------------------------------------------------------------------------|
| All interest-bearing Classes<br>(collectively, the “Delay Classes”) | Calendar month preceding the month<br>in which the Distribution Date occurs |

See “Yield Considerations” herein.

## Distributions of Principal

### *Categories of Classes and Components*

For the purpose of payments of principal, the Classes and Components will be categorized as follows:

| <u>Principal Type*</u> | <u>Classes and Components</u>             |
|------------------------|-------------------------------------------|
| PAC                    | PA, PB, PC, PD, PE, PG, PH, PJ, R1 and R2 |
| Component              | R                                         |
| Support                | A                                         |

\* See “Description of the Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.

### *Principal Distribution Amount*

Principal will be distributed monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to the aggregate distributions of principal concurrently made on the MBS.

On each Distribution Date, the Principal Distribution Amount will be distributed as principal of the Classes and Components in the following order of priority:

- (i) to the PA Class, until the principal balance thereof is reduced to its Planned Balance for such Distribution Date;
- (ii) concurrently, to the PB Class and the R1 Component, in proportion to their original principal balances (or 99.7056976927% and 0.2943023073%, respectively), until the principal balances thereof are reduced to their respective Planned Balances for such Distribution Date;
- (iii) sequentially, to the PC, PD, PE, PG and PH Classes, in that order, until the principal balances thereof are reduced to their respective Planned Balances for such Distribution Date;
- (iv) concurrently, to the PJ Class and the R2 Component, in proportion to their original principal balances (or 99.9482428446% and 0.0517571554%, respectively), until the principal balances thereof are reduced to their respective Planned Balances for such Distribution Date;
- (v) to the A Class, until the principal balance thereof is reduced to zero;
- (vi) to the PA Class, without regard to its Planned Balance and until the principal balance thereof is reduced to zero;
- (vii) concurrently, to the PB Class and the R1 Component, in the proportions set forth in clause (ii) above, without regard to their Planned Balances and until the principal balances thereof are reduced to zero;
- (viii) sequentially, to the PC, PD, PE, PG and PH Classes, in that order, without regard to their Planned Balances and until the respective principal balances thereof are reduced to zero; and
- (ix) concurrently, to the PJ Class and the R2 Component, in the proportions set forth in clause (iv) above, without regard to their Planned Balances and until the principal balances thereof are reduced to zero.

PAC  
Classes  
and  
Components

Support  
Class

PAC  
Classes  
and  
Components



## Structuring Assumptions

*Pricing Assumptions.* Unless otherwise specified, the information in the tables in this Prospectus Supplement has been prepared on the basis of the following assumptions (the “Pricing Assumptions”):

- each Mortgage Loan bears interest at a rate of 6.60% per annum and has an original term to maturity of 180 months, a CAGE of 8 months and a remaining term to maturity of 172 months;
- the Mortgage Loans prepay at the *constant* percentages of PSA specified in the related table;
- the closing date for the sale of the Certificates is the Settlement Date; and
- the first Distribution Date for the Certificates occurs in the month following the Settlement Date.

*Prepayment Assumptions.* Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this Prospectus Supplement is the Public Securities Association’s standard prepayment model (“PSA”). To assume a specified rate of PSA (for example, 125% PSA) is to assume a specified rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans computed as described under “Description of the Certificates—Prepayment Considerations and Risks” in the REMIC Prospectus. It is highly unlikely that prepayments will occur at any PSA rate or at any other constant rate.

*Structuring Range.* The Principal Balance Schedules have been prepared on the basis of the Pricing Assumptions and the assumption that the Mortgage Loans prepay at a *constant* PSA rate within the Structuring Range set forth below.

| <u>Related Classes<br/>and Components</u> | <u>Structuring Range</u> |
|-------------------------------------------|--------------------------|
| PAC                                       | Between 95% and 240%     |

**There is no assurance that the principal balances of the Classes or Components listed above will conform on any Distribution Date to the applicable balances specified for such Distribution Date in the Principal Balance Schedules herein, or that distributions of principal on the related Classes or Components will begin or end on the respective Distribution Dates specified therein.** Because any excess of the principal distribution on any Distribution Date over the amount necessary to reduce the applicable Classes or Components to their scheduled balances will be distributed, the ability to so reduce such Classes or Components will not be enhanced by the averaging of high and low principal prepayments from month to month. In addition, even if prepayments occur at rates falling within the Structuring Range specified above, principal distributions may be insufficient to reduce the applicable Classes or Components to their scheduled balances if such prepayments do not occur at a *constant* PSA rate. Moreover, because of the diverse remaining terms to maturity of the Mortgage Loans (which may include recently originated Mortgage Loans), the Classes or Components specified above may not be reduced to their scheduled balances, even if prepayments occur at a *constant* rate within the Structuring Range specified above.

*Initial Effective Ranges.* The Effective Range for a Class or Component is the range of prepayment rates (measured by *constant* PSA rates) that would reduce such Class or Component to its Principal Balance Schedule on each Distribution Date. The Initial Effective Ranges set forth in the

table below are based upon the assumed characteristics of the Mortgage Loans specified in the Pricing Assumptions.

| <u>Related Classes<br/>and Components</u> | <u>Initial Effective Ranges</u> |
|-------------------------------------------|---------------------------------|
| PA                                        | Between 95% and 410%            |
| PB                                        | Between 95% and 300%            |
| R1                                        | Between 95% and 300%            |
| PC                                        | Between 95% and 255%            |
| PD                                        | Between 95% and 240%            |
| PE                                        | Between 95% and 240%            |
| PG                                        | Between 95% and 240%            |
| PH                                        | Between 75% and 240%            |
| PJ                                        | Between 30% and 240%            |
| R2                                        | Between 30% and 240%            |

The actual Effective Ranges at any time will be based upon the actual characteristics of the Mortgage Loans at such time, which are likely to vary (and may vary considerably) from the Pricing Assumptions. The actual Effective Ranges calculated on the basis of the actual characteristics likely will differ from the Initial Effective Ranges. As a result, the applicable Classes and Components might not be reduced to their scheduled balances even if prepayments were to occur at a *constant* PSA rate within the Initial Effective Ranges (particularly if such rate were at the lower or higher end of such ranges). In addition, even if prepayments occur at rates falling within the actual Effective Ranges, principal distributions may be insufficient to reduce the applicable Classes and Components to their scheduled balances if such prepayments do not occur at a *constant* PSA rate. It is highly unlikely that the Mortgage Loans will prepay at any *constant* PSA rate. In general, the actual Effective Ranges may narrow, widen or shift upward or downward to reflect actual prepayment experience over time. The principal payment stability of the PAC Classes and Components will be supported in part by the Support Class. When the Support Class is retired, any outstanding PAC Classes and Components will no longer have Effective Ranges and will be more sensitive to prepayments.

## Principal Balance Schedules

| <u>Distribution<br/>Date</u> | <u>PA Class<br/>Planned<br/>Balance</u> | <u>PB Class<br/>Planned<br/>Balance</u> | <u>R1<br/>Component<br/>Planned<br/>Balance</u> | <u>PC Class<br/>Planned<br/>Balance</u> | <u>PD Class<br/>Planned<br/>Balance</u> |
|------------------------------|-----------------------------------------|-----------------------------------------|-------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Initial Balance .....        | \$47,686,000.00                         | \$25,409,000.00                         | \$75,000.00                                     | \$27,784,000.00                         | \$22,629,000.00                         |
| July 1994 .....              | 46,204,810.65                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| August 1994 .....            | 44,673,597.62                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| September 1994 .....         | 43,092,995.90                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| October 1994 .....           | 41,463,666.67                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| November 1994 .....          | 39,786,296.83                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| December 1994 .....          | 38,061,598.55                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| January 1995 .....           | 36,290,308.78                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| February 1995 .....          | 34,473,188.76                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| March 1995 .....             | 32,611,023.49                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| April 1995 .....             | 30,704,621.14                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| May 1995 .....               | 28,754,812.53                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| June 1995 .....              | 26,762,450.50                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| July 1995 .....              | 24,728,409.32                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| August 1995 .....            | 22,653,584.06                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| September 1995 .....         | 20,538,889.92                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| October 1995 .....           | 18,385,261.55                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| November 1995 .....          | 16,193,652.43                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| December 1995 .....          | 13,965,034.08                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| January 1996 .....           | 11,700,395.42                           | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| February 1996 .....          | 9,400,741.96                            | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| March 1996 .....             | 7,067,095.13                            | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| April 1996 .....             | 4,700,491.44                            | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| May 1996 .....               | 2,344,779.49                            | 25,409,000.00                           | 75,000.00                                       | 27,784,000.00                           | 22,629,000.00                           |
| June 1996 .....              | 0.00                                    | 25,408,906.03                           | 74,999.72                                       | 27,784,000.00                           | 22,629,000.00                           |
| July 1996 .....              | 0.00                                    | 23,081,686.53                           | 68,130.45                                       | 27,784,000.00                           | 22,629,000.00                           |
| August 1996 .....            | 0.00                                    | 20,765,167.37                           | 61,292.75                                       | 27,784,000.00                           | 22,629,000.00                           |
| September 1996 .....         | 0.00                                    | 18,459,295.99                           | 54,486.49                                       | 27,784,000.00                           | 22,629,000.00                           |
| October 1996 .....           | 0.00                                    | 16,164,020.02                           | 47,711.50                                       | 27,784,000.00                           | 22,629,000.00                           |
| November 1996 .....          | 0.00                                    | 13,879,287.40                           | 40,967.63                                       | 27,784,000.00                           | 22,629,000.00                           |
| December 1996 .....          | 0.00                                    | 11,605,046.30                           | 34,254.73                                       | 27,784,000.00                           | 22,629,000.00                           |
| January 1997 .....           | 0.00                                    | 9,341,245.14                            | 27,572.65                                       | 27,784,000.00                           | 22,629,000.00                           |
| February 1997 .....          | 0.00                                    | 7,087,832.59                            | 20,921.23                                       | 27,784,000.00                           | 22,629,000.00                           |
| March 1997 .....             | 0.00                                    | 4,844,757.58                            | 14,300.32                                       | 27,784,000.00                           | 22,629,000.00                           |
| April 1997 .....             | 0.00                                    | 2,611,969.29                            | 7,709.78                                        | 27,784,000.00                           | 22,629,000.00                           |
| May 1997 .....               | 0.00                                    | 389,417.14                              | 1,149.45                                        | 27,784,000.00                           | 22,629,000.00                           |
| June 1997 .....              | 0.00                                    | 0.00                                    | 0.00                                            | 25,955,669.98                           | 22,629,000.00                           |
| July 1997 .....              | 0.00                                    | 0.00                                    | 0.00                                            | 23,746,939.02                           | 22,629,000.00                           |
| August 1997 .....            | 0.00                                    | 0.00                                    | 0.00                                            | 21,548,323.70                           | 22,629,000.00                           |
| September 1997 .....         | 0.00                                    | 0.00                                    | 0.00                                            | 19,359,774.30                           | 22,629,000.00                           |
| October 1997 .....           | 0.00                                    | 0.00                                    | 0.00                                            | 17,181,241.30                           | 22,629,000.00                           |
| November 1997 .....          | 0.00                                    | 0.00                                    | 0.00                                            | 15,012,675.44                           | 22,629,000.00                           |
| December 1997 .....          | 0.00                                    | 0.00                                    | 0.00                                            | 12,854,027.71                           | 22,629,000.00                           |
| January 1998 .....           | 0.00                                    | 0.00                                    | 0.00                                            | 10,705,249.32                           | 22,629,000.00                           |
| February 1998 .....          | 0.00                                    | 0.00                                    | 0.00                                            | 8,566,291.72                            | 22,629,000.00                           |
| March 1998 .....             | 0.00                                    | 0.00                                    | 0.00                                            | 6,437,106.61                            | 22,629,000.00                           |
| April 1998 .....             | 0.00                                    | 0.00                                    | 0.00                                            | 4,317,645.93                            | 22,629,000.00                           |
| May 1998 .....               | 0.00                                    | 0.00                                    | 0.00                                            | 2,207,861.82                            | 22,629,000.00                           |
| June 1998 .....              | 0.00                                    | 0.00                                    | 0.00                                            | 107,706.68                              | 22,629,000.00                           |
| July 1998 .....              | 0.00                                    | 0.00                                    | 0.00                                            | 0.00                                    | 20,646,133.15                           |
| August 1998 .....            | 0.00                                    | 0.00                                    | 0.00                                            | 0.00                                    | 18,565,094.07                           |
| September 1998 .....         | 0.00                                    | 0.00                                    | 0.00                                            | 0.00                                    | 16,493,542.54                           |

| <u>Distribution<br/>Date</u>      | <u>PA Class<br/>Planned<br/>Balance</u> | <u>PB Class<br/>Planned<br/>Balance</u> | <u>R1<br/>Component<br/>Planned<br/>Balance</u> | <u>PC Class<br/>Planned<br/>Balance</u> | <u>PD Class<br/>Planned<br/>Balance</u> |
|-----------------------------------|-----------------------------------------|-----------------------------------------|-------------------------------------------------|-----------------------------------------|-----------------------------------------|
| October 1998 .....                | \$ 0.00                                 | \$ 0.00                                 | \$ 0.00                                         | \$ 0.00                                 | \$14,431,431.88                         |
| November 1998 .....               | 0.00                                    | 0.00                                    | 0.00                                            | 0.00                                    | 12,378,715.63                           |
| December 1998 .....               | 0.00                                    | 0.00                                    | 0.00                                            | 0.00                                    | 10,335,347.55                           |
| January 1999 .....                | 0.00                                    | 0.00                                    | 0.00                                            | 0.00                                    | 8,301,281.65                            |
| February 1999 .....               | 0.00                                    | 0.00                                    | 0.00                                            | 0.00                                    | 6,276,472.14                            |
| March 1999 .....                  | 0.00                                    | 0.00                                    | 0.00                                            | 0.00                                    | 4,260,873.47                            |
| April 1999.....                   | 0.00                                    | 0.00                                    | 0.00                                            | 0.00                                    | 2,254,440.31                            |
| May 1999 .....                    | 0.00                                    | 0.00                                    | 0.00                                            | 0.00                                    | 257,127.53                              |
| June 1999 and<br>thereafter ..... | 0.00                                    | 0.00                                    | 0.00                                            | 0.00                                    | 0.00                                    |

|                       |                              |                                         |                                         |                                         | R2                                      |                                          |
|-----------------------|------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|------------------------------------------|
|                       | <u>Distribution<br/>Date</u> | <u>PE Class<br/>Planned<br/>Balance</u> | <u>PG Class<br/>Planned<br/>Balance</u> | <u>PH Class<br/>Planned<br/>Balance</u> | <u>PJ Class<br/>Planned<br/>Balance</u> | <u>Component<br/>Planned<br/>Balance</u> |
| Initial Balance ..... |                              | \$45,287,000.00                         | \$30,652,000.00                         | \$20,140,000.00                         | \$19,311,000.00                         | \$10,000.00                              |
| July 1994 .....       |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| August 1994 .....     |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| September 1994.....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| October 1994 .....    |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| November 1994 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| December 1994 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| January 1995 .....    |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| February 1995 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| March 1995 .....      |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| April 1995 .....      |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| May 1995 .....        |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| June 1995 .....       |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| July 1995 .....       |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| August 1995 .....     |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| September 1995.....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| October 1995 .....    |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| November 1995 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| December 1995 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| January 1996 .....    |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| February 1996 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| March 1996 .....      |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| April 1996 .....      |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| May 1996 .....        |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| June 1996 .....       |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| July 1996 .....       |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| August 1996 .....     |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| September 1996.....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| October 1996 .....    |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| November 1996 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| December 1996 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| January 1997 .....    |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| February 1997 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| March 1997 .....      |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| April 1997.....       |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| May 1997 .....        |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| June 1997 .....       |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| July 1997 .....       |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| August 1997 .....     |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| September 1997.....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| October 1997 .....    |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| November 1997 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| December 1997 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| January 1998 .....    |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| February 1998 .....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| March 1998 .....      |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| April 1998.....       |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| May 1998 .....        |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| June 1998 .....       |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| July 1998 .....       |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| August 1998 .....     |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |
| September 1998.....   |                              | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                |

| <u>Distribution<br/>Date</u> | <u>PE Class<br/>Planned<br/>Balance</u> | <u>PG Class<br/>Planned<br/>Balance</u> | <u>PH Class<br/>Planned<br/>Balance</u> | <u>PJ Class<br/>Planned<br/>Balance</u> | <u>R2<br/>Component<br/>Planned<br/>Balance</u> |
|------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-------------------------------------------------|
| October 1998 .....           | \$45,287,000.00                         | \$30,652,000.00                         | \$20,140,000.00                         | \$19,311,000.00                         | \$10,000.00                                     |
| November 1998 .....          | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| December 1998 .....          | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| January 1999 .....           | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| February 1999 .....          | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| March 1999 .....             | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| April 1999 .....             | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| May 1999 .....               | 45,287,000.00                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| June 1999 .....              | 43,555,890.25                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| July 1999 .....              | 41,576,683.78                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| August 1999 .....            | 39,606,463.68                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| September 1999 .....         | 37,645,185.70                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| October 1999 .....           | 35,692,805.82                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| November 1999 .....          | 33,749,280.22                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| December 1999 .....          | 31,814,565.31                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| January 2000 .....           | 29,888,617.70                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| February 2000 .....          | 27,971,394.22                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| March 2000 .....             | 26,062,851.91                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| April 2000 .....             | 24,162,948.02                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| May 2000 .....               | 22,271,639.99                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| June 2000 .....              | 20,404,667.95                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| July 2000 .....              | 18,566,775.03                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| August 2000 .....            | 16,757,549.35                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| September 2000 .....         | 14,976,584.56                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| October 2000 .....           | 13,223,479.87                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| November 2000 .....          | 11,497,839.89                           | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| December 2000 .....          | 9,799,274.61                            | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| January 2001 .....           | 8,127,399.30                            | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| February 2001 .....          | 6,481,834.46                            | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| March 2001 .....             | 4,862,205.75                            | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| April 2001 .....             | 3,268,143.90                            | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| May 2001 .....               | 1,699,284.67                            | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| June 2001 .....              | 155,268.76                              | 30,652,000.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| July 2001 .....              | 0.00                                    | 29,287,741.75                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| August 2001 .....            | 0.00                                    | 27,792,354.07                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| September 2001 .....         | 0.00                                    | 26,320,760.86                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| October 2001 .....           | 0.00                                    | 24,872,622.00                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| November 2001 .....          | 0.00                                    | 23,447,601.96                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| December 2001 .....          | 0.00                                    | 22,045,369.81                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| January 2002 .....           | 0.00                                    | 20,665,599.11                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| February 2002 .....          | 0.00                                    | 19,307,967.88                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| March 2002 .....             | 0.00                                    | 17,972,158.51                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| April 2002 .....             | 0.00                                    | 16,657,857.76                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| May 2002 .....               | 0.00                                    | 15,364,756.62                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| June 2002 .....              | 0.00                                    | 14,092,550.32                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| July 2002 .....              | 0.00                                    | 12,840,938.24                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| August 2002 .....            | 0.00                                    | 11,609,623.88                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| September 2002 .....         | 0.00                                    | 10,398,314.79                           | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| October 2002 .....           | 0.00                                    | 9,206,722.49                            | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| November 2002 .....          | 0.00                                    | 8,034,562.47                            | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| December 2002 .....          | 0.00                                    | 6,881,554.12                            | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| January 2003 .....           | 0.00                                    | 5,747,420.63                            | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |

| <u>Distribution<br/>Date</u> | <u>PE Class<br/>Planned<br/>Balance</u> | <u>PG Class<br/>Planned<br/>Balance</u> | <u>PH Class<br/>Planned<br/>Balance</u> | <u>PJ Class<br/>Planned<br/>Balance</u> | <u>R2<br/>Component<br/>Planned<br/>Balance</u> |
|------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-------------------------------------------------|
| February 2003 .....          | \$ 0.00                                 | \$ 4,631,889.01                         | \$20,140,000.00                         | \$19,311,000.00                         | \$10,000.00                                     |
| March 2003 .....             | 0.00                                    | 3,534,690.01                            | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| April 2003.....              | 0.00                                    | 2,455,558.04                            | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| May 2003 .....               | 0.00                                    | 1,394,231.18                            | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| June 2003 .....              | 0.00                                    | 350,451.08                              | 20,140,000.00                           | 19,311,000.00                           | 10,000.00                                       |
| July 2003 .....              | 0.00                                    | 0.00                                    | 19,463,962.95                           | 19,311,000.00                           | 10,000.00                                       |
| August 2003 .....            | 0.00                                    | 0.00                                    | 18,454,515.48                           | 19,311,000.00                           | 10,000.00                                       |
| September 2003.....          | 0.00                                    | 0.00                                    | 17,461,860.81                           | 19,311,000.00                           | 10,000.00                                       |
| October 2003 .....           | 0.00                                    | 0.00                                    | 16,485,754.48                           | 19,311,000.00                           | 10,000.00                                       |
| November 2003 .....          | 0.00                                    | 0.00                                    | 15,525,955.42                           | 19,311,000.00                           | 10,000.00                                       |
| December 2003 .....          | 0.00                                    | 0.00                                    | 14,582,225.82                           | 19,311,000.00                           | 10,000.00                                       |
| January 2004 .....           | 0.00                                    | 0.00                                    | 13,654,331.18                           | 19,311,000.00                           | 10,000.00                                       |
| February 2004 .....          | 0.00                                    | 0.00                                    | 12,742,040.20                           | 19,311,000.00                           | 10,000.00                                       |
| March 2004 .....             | 0.00                                    | 0.00                                    | 11,845,124.78                           | 19,311,000.00                           | 10,000.00                                       |
| April 2004.....              | 0.00                                    | 0.00                                    | 10,963,359.95                           | 19,311,000.00                           | 10,000.00                                       |
| May 2004 .....               | 0.00                                    | 0.00                                    | 10,096,523.84                           | 19,311,000.00                           | 10,000.00                                       |
| June 2004 .....              | 0.00                                    | 0.00                                    | 9,244,397.64                            | 19,311,000.00                           | 10,000.00                                       |
| July 2004 .....              | 0.00                                    | 0.00                                    | 8,406,765.53                            | 19,311,000.00                           | 10,000.00                                       |
| August 2004 .....            | 0.00                                    | 0.00                                    | 7,583,414.70                            | 19,311,000.00                           | 10,000.00                                       |
| September 2004.....          | 0.00                                    | 0.00                                    | 6,774,135.26                            | 19,311,000.00                           | 10,000.00                                       |
| October 2004 .....           | 0.00                                    | 0.00                                    | 5,978,720.21                            | 19,311,000.00                           | 10,000.00                                       |
| November 2004 .....          | 0.00                                    | 0.00                                    | 5,196,965.41                            | 19,311,000.00                           | 10,000.00                                       |
| December 2004 .....          | 0.00                                    | 0.00                                    | 4,428,669.55                            | 19,311,000.00                           | 10,000.00                                       |
| January 2005 .....           | 0.00                                    | 0.00                                    | 3,673,634.09                            | 19,311,000.00                           | 10,000.00                                       |
| February 2005 .....          | 0.00                                    | 0.00                                    | 2,931,663.24                            | 19,311,000.00                           | 10,000.00                                       |
| March 2005 .....             | 0.00                                    | 0.00                                    | 2,202,563.91                            | 19,311,000.00                           | 10,000.00                                       |
| April 2005.....              | 0.00                                    | 0.00                                    | 1,486,145.68                            | 19,311,000.00                           | 10,000.00                                       |
| May 2005 .....               | 0.00                                    | 0.00                                    | 782,220.78                              | 19,311,000.00                           | 10,000.00                                       |
| June 2005 .....              | 0.00                                    | 0.00                                    | 90,604.03                               | 19,311,000.00                           | 10,000.00                                       |
| July 2005 .....              | 0.00                                    | 0.00                                    | 0.00                                    | 18,722,417.60                           | 9,695.21                                        |
| August 2005 .....            | 0.00                                    | 0.00                                    | 0.00                                    | 18,055,217.33                           | 9,349.71                                        |
| September 2005.....          | 0.00                                    | 0.00                                    | 0.00                                    | 17,399,778.83                           | 9,010.29                                        |
| October 2005 .....           | 0.00                                    | 0.00                                    | 0.00                                    | 16,755,927.07                           | 8,676.88                                        |
| November 2005 .....          | 0.00                                    | 0.00                                    | 0.00                                    | 16,123,489.45                           | 8,349.38                                        |
| December 2005 .....          | 0.00                                    | 0.00                                    | 0.00                                    | 15,502,295.75                           | 8,027.70                                        |
| January 2006 .....           | 0.00                                    | 0.00                                    | 0.00                                    | 14,892,178.15                           | 7,711.76                                        |
| February 2006 .....          | 0.00                                    | 0.00                                    | 0.00                                    | 14,292,971.11                           | 7,401.47                                        |
| March 2006 .....             | 0.00                                    | 0.00                                    | 0.00                                    | 13,704,511.44                           | 7,096.74                                        |
| April 2006.....              | 0.00                                    | 0.00                                    | 0.00                                    | 13,126,638.21                           | 6,797.49                                        |
| May 2006 .....               | 0.00                                    | 0.00                                    | 0.00                                    | 12,559,192.70                           | 6,503.65                                        |
| June 2006 .....              | 0.00                                    | 0.00                                    | 0.00                                    | 12,002,018.43                           | 6,215.12                                        |
| July 2006 .....              | 0.00                                    | 0.00                                    | 0.00                                    | 11,454,961.10                           | 5,931.83                                        |
| August 2006 .....            | 0.00                                    | 0.00                                    | 0.00                                    | 10,917,868.54                           | 5,653.70                                        |
| September 2006.....          | 0.00                                    | 0.00                                    | 0.00                                    | 10,390,590.73                           | 5,380.66                                        |
| October 2006 .....           | 0.00                                    | 0.00                                    | 0.00                                    | 9,872,979.71                            | 5,112.62                                        |
| November 2006 .....          | 0.00                                    | 0.00                                    | 0.00                                    | 9,364,889.61                            | 4,849.51                                        |
| December 2006 .....          | 0.00                                    | 0.00                                    | 0.00                                    | 8,866,176.60                            | 4,591.26                                        |
| January 2007 .....           | 0.00                                    | 0.00                                    | 0.00                                    | 8,376,698.84                            | 4,337.79                                        |
| February 2007 .....          | 0.00                                    | 0.00                                    | 0.00                                    | 7,896,316.49                            | 4,089.03                                        |
| March 2007 .....             | 0.00                                    | 0.00                                    | 0.00                                    | 7,424,891.65                            | 3,844.90                                        |
| April 2007.....              | 0.00                                    | 0.00                                    | 0.00                                    | 6,962,288.37                            | 3,605.35                                        |
| May 2007 .....               | 0.00                                    | 0.00                                    | 0.00                                    | 6,508,372.59                            | 3,370.29                                        |

| <u>Distribution<br/>Date</u>         | <u>PE Class<br/>Planned<br/>Balance</u> | <u>PG Class<br/>Planned<br/>Balance</u> | <u>PH Class<br/>Planned<br/>Balance</u> | <u>PJ Class<br/>Planned<br/>Balance</u> | <u>R2<br/>Component<br/>Planned<br/>Balance</u> |
|--------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-------------------------------------------------|
| June 2007 .....                      | \$ 0.00                                 | \$ 0.00                                 | \$ 0.00                                 | \$ 6,063,012.14                         | \$ 3,139.67                                     |
| July 2007 .....                      | 0.00                                    | 0.00                                    | 0.00                                    | 5,626,076.68                            | 2,913.41                                        |
| August 2007 .....                    | 0.00                                    | 0.00                                    | 0.00                                    | 5,197,437.73                            | 2,691.44                                        |
| September 2007 .....                 | 0.00                                    | 0.00                                    | 0.00                                    | 4,776,968.58                            | 2,473.70                                        |
| October 2007 .....                   | 0.00                                    | 0.00                                    | 0.00                                    | 4,364,544.33                            | 2,260.13                                        |
| November 2007 .....                  | 0.00                                    | 0.00                                    | 0.00                                    | 3,960,041.81                            | 2,050.67                                        |
| December 2007 .....                  | 0.00                                    | 0.00                                    | 0.00                                    | 3,563,339.61                            | 1,845.24                                        |
| January 2008 .....                   | 0.00                                    | 0.00                                    | 0.00                                    | 3,174,317.99                            | 1,643.79                                        |
| February 2008 .....                  | 0.00                                    | 0.00                                    | 0.00                                    | 2,792,858.92                            | 1,446.25                                        |
| March 2008 .....                     | 0.00                                    | 0.00                                    | 0.00                                    | 2,418,846.03                            | 1,252.57                                        |
| April 2008 .....                     | 0.00                                    | 0.00                                    | 0.00                                    | 2,052,164.59                            | 1,062.69                                        |
| May 2008 .....                       | 0.00                                    | 0.00                                    | 0.00                                    | 1,692,701.48                            | 876.55                                          |
| June 2008 .....                      | 0.00                                    | 0.00                                    | 0.00                                    | 1,340,345.18                            | 694.08                                          |
| July 2008 .....                      | 0.00                                    | 0.00                                    | 0.00                                    | 994,985.75                              | 515.24                                          |
| August 2008 .....                    | 0.00                                    | 0.00                                    | 0.00                                    | 656,514.79                              | 339.97                                          |
| September 2008 .....                 | 0.00                                    | 0.00                                    | 0.00                                    | 324,825.44                              | 168.21                                          |
| October 2008 and<br>thereafter ..... | 0.00                                    | 0.00                                    | 0.00                                    | 0.00                                    | 0.00                                            |



## Characteristics of the R Class

In addition to distributions of principal and interest, the Holders of the R Class will be entitled to receive the proceeds of the remaining assets of the Trust, if any, after the principal balances of all Classes have been reduced to zero. It is not anticipated that there will be any material assets remaining in such circumstance.

The R Class will be subject to certain transfer restrictions. No transfer of record or beneficial ownership of an R Certificate will be allowed to a “disqualified organization.” In addition, no transfer of record or beneficial ownership of an R Certificate will be allowed to any person that is not a “U.S. Person” without the written consent of Fannie Mae. Under regulations issued by the Treasury Department on December 23, 1992 (the “Regulations”), a transfer of a “noneconomic residual interest” to a U.S. Person will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. The R Class may constitute a noneconomic residual interest under the Regulations. Any transferee of an R Certificate must execute and deliver an affidavit and an Internal Revenue Service Form W-9 on which the transferee provides its taxpayer identification number. See “Description of the Certificates—Additional Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates” in the REMIC Prospectus. Transferors of an R Certificate should consult with their own tax advisors for further information regarding such transfers.

The Holders of the R Class will be considered to be the holders of the “residual interest” in the REMIC constituted by the Trust. See “Certain Federal Income Tax Consequences” in the REMIC Prospectus. Pursuant to the Trust Agreement, Fannie Mae will be obligated to provide to such Holders (i) such information as is necessary to enable them to prepare their federal income tax returns and (ii) any reports regarding the R Class that may be required under the Code.

## Yield Considerations

*General.* There can be no assurance that the Mortgage Loans will have the characteristics assumed herein or will prepay at any of the rates assumed herein or at any other particular rate. Because the rate of principal distributions on the Certificates will be related to the amortization of the Mortgage Loans in each Pool, which are likely to include Mortgage Loans that have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal distributions on the Certificates are likely to differ from those assumed, even if all Mortgage Loans prepay at the indicated constant percentages of PSA. In addition, it is not likely that the Mortgage Loans will prepay at a constant PSA rate until maturity or that all of such Mortgage Loans will prepay at the same rate.

The timing of changes in the rate of prepayments may significantly affect the actual yield to maturity to investors, even if the average rate of principal prepayments is consistent with the expectations of investors. In general, the earlier the payment of principal of the Mortgage Loans, the greater the effect on an investor’s yield to maturity. As a result, the effect on an investor’s yield of principal prepayments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the issuance of the Certificates will not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments.

The effective yield on the Delay Classes will be reduced below the yield otherwise produced because principal and interest payable on a Distribution Date will not be distributed until the 25th day following the end of the related Interest Accrual Period and will not bear interest during such delay. No interest at all will be paid on any Class after its principal balance has been reduced to zero. As a result of the foregoing, the market value of the Delay Classes will be lower than would have been the case if there were no such delay. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

## Weighted Average Lives of the Certificates

The weighted average life of a Certificate is determined by (a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the Settlement Date to the second such Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a). For a description of the factors which may influence the weighted average life of a Certificate, see “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus.

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments, the priority sequence of distributions of principal of the Classes and the distribution of principal of certain Classes in accordance with the Principal Balance Schedules herein. In particular, if the amount distributable as principal of the Certificates on any Distribution Date exceeds the amount required to reduce the principal balances of certain Classes with higher principal payment priorities to their respective scheduled amounts as set forth in the Principal Balance Schedules, such excess principal will be distributed on the remaining Class on such Distribution Date. Conversely, if the principal distributable on any Distribution Date is less than the amount so required to reduce certain Classes to their respective scheduled amounts, no principal will be distributed on the remaining Class on such Distribution Date. Accordingly, the rate of principal payments on the Mortgage Loans is expected to have a greater effect on the weighted average life of the Support Class than on the weighted average lives of the PAC Classes. See “Distributions of Principal” herein.

The interaction of the foregoing factors may have different effects on various Classes and the effects on any Class may vary at different times during the life of such Class. Accordingly, no assurance can be given as to the weighted average life of any Class. Further, to the extent the prices of the Certificates represent discounts or premiums to their respective original principal balances, variability in the weighted average lives of such Classes of Certificates could result in variability in the related yields to maturity. For an example of how the weighted average lives of the Classes may be affected at various *constant* prepayment rates, see the Decrement Tables below.

As described under “General—Components” herein, for purposes of calculating payments of principal, the R Class is comprised of multiple Components. Since such Components are not divisible, the payment characteristics of such Class will reflect a combination of the payment characteristics of the related Components.

## Decrement Tables

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various *constant* PSA levels and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth for each such Class under 0% PSA it has been assumed that each underlying Mortgage Loan bears an interest rate of 8.50% per annum and has an original and remaining term to maturity of 180 months. It is not likely that (i) all of the underlying Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a *constant* PSA level. In addition, the diverse remaining terms to maturity of the Mortgage Loans (which may include recently originated Mortgage Loans) could produce slower or faster principal distributions than indicated in the tables at the specified *constant* PSA levels, even if the weighted average remaining term to maturity and the weighted average CAGE of the Mortgage Loans are identical to the remaining term to maturity and CAGE specified in the Pricing Assumptions.

## Percent of Original Principal Balances Outstanding

| Date                                  | PA Class                  |     |      |      |      | PB Class                  |     |      |      |      | PC Class                  |     |      |      |      |
|---------------------------------------|---------------------------|-----|------|------|------|---------------------------|-----|------|------|------|---------------------------|-----|------|------|------|
|                                       | PSA Prepayment Assumption |     |      |      |      | PSA Prepayment Assumption |     |      |      |      | PSA Prepayment Assumption |     |      |      |      |
|                                       | 0%                        | 95% | 125% | 240% | 500% | 0%                        | 95% | 125% | 240% | 500% | 0%                        | 95% | 125% | 240% | 500% |
| Initial Percent .....                 | 100                       | 100 | 100  | 100  | 100  | 100                       | 100 | 100  | 100  | 100  | 100                       | 100 | 100  | 100  | 100  |
| June 1995 .....                       | 78                        | 56  | 56   | 56   | 56   | 100                       | 100 | 100  | 100  | 100  | 100                       | 100 | 100  | 100  | 100  |
| June 1996 .....                       | 55                        | 0   | 0    | 0    | 0    | 100                       | 100 | 100  | 100  | 24   | 100                       | 100 | 100  | 100  | 100  |
| June 1997 .....                       | 29                        | 0   | 0    | 0    | 0    | 100                       | 0   | 0    | 0    | 0    | 100                       | 93  | 93   | 93   | 0    |
| June 1998 .....                       | 1                         | 0   | 0    | 0    | 0    | 100                       | 0   | 0    | 0    | 0    | 100                       | *   | *    | *    | 0    |
| June 1999 .....                       | 0                         | 0   | 0    | 0    | 0    | 45                        | 0   | 0    | 0    | 0    | 100                       | 0   | 0    | 0    | 0    |
| June 2000 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 84                        | 0   | 0    | 0    | 0    |
| June 2001 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 22                        | 0   | 0    | 0    | 0    |
| June 2002 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| June 2003 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| June 2004 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| June 2005 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| June 2006 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| June 2007 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| June 2008 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| June 2009 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| Weighted Average Life (years)** ..... | 2.2                       | 1.1 | 1.1  | 1.1  | 1.1  | 4.9                       | 2.5 | 2.5  | 2.5  | 1.9  | 6.6                       | 3.5 | 3.5  | 3.5  | 2.3  |

  

| Date                                  | PD Class                  |     |      |      |      | PE Class                  |     |      |      |      | PG Class                  |     |      |      |      |
|---------------------------------------|---------------------------|-----|------|------|------|---------------------------|-----|------|------|------|---------------------------|-----|------|------|------|
|                                       | PSA Prepayment Assumption |     |      |      |      | PSA Prepayment Assumption |     |      |      |      | PSA Prepayment Assumption |     |      |      |      |
|                                       | 0%                        | 95% | 125% | 240% | 500% | 0%                        | 95% | 125% | 240% | 500% | 0%                        | 95% | 125% | 240% | 500% |
| Initial Percent .....                 | 100                       | 100 | 100  | 100  | 100  | 100                       | 100 | 100  | 100  | 100  | 100                       | 100 | 100  | 100  | 100  |
| June 1995 .....                       | 100                       | 100 | 100  | 100  | 100  | 100                       | 100 | 100  | 100  | 100  | 100                       | 100 | 100  | 100  | 100  |
| June 1996 .....                       | 100                       | 100 | 100  | 100  | 100  | 100                       | 100 | 100  | 100  | 100  | 100                       | 100 | 100  | 100  | 100  |
| June 1997 .....                       | 100                       | 100 | 100  | 100  | 0    | 100                       | 100 | 100  | 100  | 96   | 100                       | 100 | 100  | 100  | 100  |
| June 1998 .....                       | 100                       | 100 | 100  | 100  | 0    | 100                       | 100 | 100  | 100  | 10   | 100                       | 100 | 100  | 100  | 100  |
| June 1999 .....                       | 100                       | 0   | 0    | 0    | 0    | 100                       | 96  | 96   | 96   | 0    | 100                       | 100 | 100  | 100  | 30   |
| June 2000 .....                       | 100                       | 0   | 0    | 0    | 0    | 100                       | 45  | 45   | 45   | 0    | 100                       | 100 | 100  | 100  | 0    |
| June 2001 .....                       | 100                       | 0   | 0    | 0    | 0    | 100                       | *   | *    | *    | 0    | 100                       | 100 | 100  | 100  | 0    |
| June 2002 .....                       | 45                        | 0   | 0    | 0    | 0    | 100                       | 0   | 0    | 0    | 0    | 100                       | 46  | 46   | 46   | 0    |
| June 2003 .....                       | 0                         | 0   | 0    | 0    | 0    | 77                        | 0   | 0    | 0    | 0    | 100                       | 1   | 1    | 1    | 0    |
| June 2004 .....                       | 0                         | 0   | 0    | 0    | 0    | 28                        | 0   | 0    | 0    | 0    | 100                       | 0   | 0    | 0    | 0    |
| June 2005 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 63                        | 0   | 0    | 0    | 0    |
| June 2006 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| June 2007 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| June 2008 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| June 2009 .....                       | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| Weighted Average Life (years)** ..... | 8.0                       | 4.5 | 4.5  | 4.5  | 2.8  | 9.6                       | 5.9 | 5.9  | 5.9  | 3.5  | 11.2                      | 8.0 | 8.0  | 8.0  | 4.8  |

  

| Date                                  | PH Class                  |      |      |      |      | PJ Class                  |      |      |      |      | A Class                   |      |      |      |      | R Class                   |     |      |      |      |
|---------------------------------------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|-----|------|------|------|
|                                       | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |     |      |      |      |
|                                       | 0%                        | 95%  | 125% | 240% | 500% | 0%                        | 95%  | 125% | 240% | 500% | 0%                        | 95%  | 125% | 240% | 500% | 0%                        | 95% | 125% | 240% | 500% |
| Initial Percent .....                 | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100 | 100  | 100  | 100  |
| June 1995 .....                       | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 96   | 80   | 44   | 100                       | 100 | 100  | 100  | 100  |
| June 1996 .....                       | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 89   | 50   | 0    | 100                       | 100 | 100  | 100  | 33   |
| June 1997 .....                       | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 84   | 26   | 0    | 100                       | 12  | 12   | 12   | 12   |
| June 1998 .....                       | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 80   | 10   | 0    | 100                       | 12  | 12   | 12   | 12   |
| June 1999 .....                       | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 77   | 2    | 0    | 100                       | 12  | 12   | 12   | 12   |
| June 2000 .....                       | 100                       | 100  | 100  | 100  | 60   | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 76   | *    | 0    | 12                        | 12  | 12   | 12   | 12   |
| June 2001 .....                       | 100                       | 100  | 100  | 100  | 3    | 100                       | 100  | 100  | 100  | 100  | 100                       | 97   | 73   | *    | 0    | 12                        | 12  | 12   | 12   | 12   |
| June 2002 .....                       | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 64   | 100                       | 91   | 67   | *    | 0    | 12                        | 12  | 12   | 12   | 8    |
| June 2003 .....                       | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 39   | 100                       | 81   | 59   | *    | 0    | 12                        | 12  | 12   | 12   | 5    |
| June 2004 .....                       | 100                       | 46   | 46   | 46   | 0    | 100                       | 100  | 100  | 100  | 23   | 100                       | 69   | 50   | *    | 0    | 12                        | 12  | 12   | 12   | 3    |
| June 2005 .....                       | 100                       | *    | *    | *    | 0    | 100                       | 100  | 100  | 100  | 13   | 100                       | 55   | 39   | *    | 0    | 12                        | 12  | 12   | 12   | 1    |
| June 2006 .....                       | 66                        | 0    | 0    | 0    | 0    | 100                       | 62   | 62   | 62   | 6    | 100                       | 39   | 28   | *    | 0    | 12                        | 7   | 7    | 7    | 1    |
| June 2007 .....                       | 0                         | 0    | 0    | 0    | 0    | 31                        | 31   | 31   | 31   | 3    | 97                        | 23   | 16   | *    | 0    | 4                         | 4   | 4    | 4    | *    |
| June 2008 .....                       | 0                         | 0    | 0    | 0    | 0    | 7                         | 7    | 7    | 7    | *    | 53                        | 6    | 4    | *    | 0    | 1                         | 1   | 1    | 1    | *    |
| June 2009 .....                       | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0   | 0    | 0    | 0    |
| Weighted Average Life (years)** ..... | 12.1                      | 10.0 | 10.0 | 10.0 | 6.2  | 13.0                      | 12.5 | 12.5 | 12.5 | 9.0  | 14.1                      | 11.1 | 8.9  | 2.2  | 0.9  | 5.9                       | 3.7 | 3.7  | 3.7  | 2.8  |

\* Indicates an outstanding balance greater than 0% and less than 0.5% of the original principal balance.

\*\* Determined as specified under "Weighted Average Lives of the Certificates" herein.

## **CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES**

The following tax discussion, when read in conjunction with the discussion of “Certain Federal Income Tax Consequences” in the REMIC Prospectus, describes the current federal income tax treatment of investors in the Certificates. These two tax discussions do not purport to deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Certificates.

### **REMIC Election and Special Tax Attributes**

An election will be made to treat the Trust as a REMIC for federal income tax purposes. The Certificates, other than the R Class, will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust.

As a consequence of the qualification of the Trust as a REMIC, the Certificates generally will be treated as “qualifying real property loans” for mutual savings banks and domestic building and loan associations, “regular or residual interests in a REMIC” for domestic building and loan associations, “real estate assets” for real estate investment trusts, and, except for the R Class, as “qualified mortgages” for other REMICs. See “Certain Federal Income Tax Consequences—Special Tax Attributes” in the REMIC Prospectus.

### **Taxation of Beneficial Owners of Regular Certificates**

The PH, PJ and A Classes will be, and certain other Classes of Certificates may be, issued with original issue discount for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment Assumption that will be used in determining the rate of accrual of original issue discount will be 125% PSA. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at that or any other rate. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus. In addition, certain Classes of Certificates may be treated as having been issued at a premium for federal income tax purposes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*” in the REMIC Prospectus.

### **Taxation of Beneficial Owners of Residual Certificates**

Under the Regulations, the R Class will not have significant value. As a result, an organization to which section 593 of the Code applies and which is the beneficial owner of an R Certificate may not use its allowable deductions to offset any “excess inclusions” with respect to such Certificate. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” in the REMIC Prospectus.

For purposes of determining the portion of the taxable income of the Trust that generally will not be treated as excess inclusions, the rate to be used is 120% of the “federal long-term rate.” The rate will be published on or about May 20, 1994. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” and “— Foreign Investors—*Residual Certificates*” in the REMIC Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of an R Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

## **PLAN OF DISTRIBUTION**

*General.* The Dealer will receive the Certificates in exchange for the MBS pursuant to a Fannie Mae commitment. The Dealer proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect such transactions to or through dealers.

*Increase in Certificates.* Fannie Mae and the Dealer may agree to offer hereby Certificates in addition to those contemplated as of the date hereof. In such event, the MBS will be increased in principal balance, but it is expected that all additional MBS will have the same characteristics as described herein under “Description of the Certificates—The MBS.” The proportion that the original principal balance of each Class (and any Component) bears to the aggregate original principal balance of all the Certificates will remain the same. The dollar amounts reflected in the Principal Balance Schedules will be increased in pro rata amounts that correspond to the increase of the principal balance of the Certificates.

## **LEGAL MATTERS**

Certain legal matters will be passed upon for the Dealer by Skadden, Arps, Slate, Meagher & Flom.

No dealer, salesman or other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus Supplement and the additional Disclosure Documents and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus Supplement and the aforementioned documents do not constitute an offer to sell or a solicitation of an offer to buy any of the Certificates offered hereby in any state to any person to whom it is unlawful to make such offer or solicitation in such state. The delivery of this Prospectus Supplement and the aforementioned documents at any time does not imply that the information contained herein or therein is correct as of any time subsequent to the date hereof or thereof.

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\$300,000,000

Federal National  
Mortgage Association



Guaranteed REMIC  
Pass-Through Certificates  
Fannie Mae REMIC Trust 1994-86

PROSPECTUS SUPPLEMENT

LEHMAN BROTHERS

May 12, 1994