

\$119,029,000

Federal National Mortgage Association



Guaranteed ACESSM REMIC Pass-Through Certificates
Fannie Mae Multifamily REMIC Trust 1994-M1

The Guaranteed ACESSM REMIC Pass-Through Certificates Classes A, B, C, D, E, G, IO and R (the "Certificates") will represent beneficial ownership interests in Fannie Mae Multifamily REMIC Trust 1994-M1 (the "Trust"). Only the A, B, IO and R Classes (the "Offered Certificates") are offered hereby. The assets of the Trust will consist of (i) Fannie Mae Guaranteed Mortgage Pass-Through Certificates ("MBS") and (ii) the right to receive any Yield Maintenance Payments (as hereinafter defined) if, and to the extent, payable and collected in connection with any Principal Prepayments (as hereinafter defined). Each MBS will represent a beneficial interest either in a pool (each, a "Mortgage Pool") of first lien fixed-rate mortgage loans with original maturities of ten years (the "First Mortgage Loans") secured by multifamily properties consisting of five or more rental dwelling units (each, a "Mortgaged Property") or will represent a beneficial interest in a Mortgage Pool of second lien fixed-rate mortgage loans with original maturities of ten years (the "Second Mortgage Loans" and, collectively with the First Mortgage Loans, the "Mortgage Loans") secured by the same Mortgaged Properties. The Mortgage Loans and the Mortgaged Properties are more fully described herein under "Description of the Mortgage Pools" and on Exhibit A hereto.

The Certificates will be issued and guaranteed as to timely distribution of principal and interest by Fannie Mae and offered by Fannie Mae pursuant to its Prospectus for Guaranteed Mortgage Pass-Through Certificates (the "MBS Prospectus"), available as described herein, and its Prospectus for Guaranteed Multifamily REMIC Pass-Through Certificates (the "Multifamily REMIC Prospectus") accompanying this Prospectus Supplement. Fannie Mae will not guarantee the collection from mortgagors or the servicer or the payment to Certificateholders of any Yield Maintenance Payments. See "Description of the Certificates — General — Fannie Mae Guaranty" herein.

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. PROSPECTIVE INVESTORS IN ANY CLASS OF CERTIFICATES SHOULD CAREFULLY CONSIDER WHETHER SUCH AN INVESTMENT IS APPROPRIATE FOR THEIR INVESTMENT OBJECTIVES. SEE "DESCRIPTION OF THE CERTIFICATES" HEREIN.

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—Additional Characteristics of Residual Certificates" and "Certain Federal Income Tax Consequences" in the Multifamily REMIC Prospectus, and "Description of the Certificates—Characteristics of the R Class" and "Certain Additional Federal Income Tax Consequences" herein.

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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)	Final Distribution Date
A	\$ 18,552,000	SEQ	6.50%	FIX	October 2003
B	100,477,000	SEQ	6.50%	FIX	October 2003
IO	(2)	NTL	0.87%	FIX/IO	October 2003
R	0	NPR	0	NPR	October 2003

- (1) See "Description of the Certificates—Class Definitions and Abbreviations" in the Multifamily REMIC Prospectus and "Description of the Certificates—Distributions of Interest" and "—Distributions of Principal" herein.
- (2) The IO Class will be a Notional Class, will have no principal balance and will bear interest on its notional principal balance (initially \$138,406,867). The notional principal balance of the IO Class will be calculated based on the aggregate principal balances of the Sequential Pay Classes. See "Description of the Certificates—General—Notional Class" herein.

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

The Offered Certificates will be offered by the Dealer, subject to issuance by Fannie Mae and receipt and acceptance by the Dealer, and subject to the Dealer's 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 January 31, 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, New York, New York on or about the Settlement Date.

LEHMAN BROTHERS

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

- Subject to certain restrictions, including prepayment lockout periods and/or the imposition of Yield Maintenance Payments (as hereinafter defined) on Principal Prepayments (as hereinafter defined), the Mortgage Loans generally may be prepaid prior to their stated maturities. Accordingly, the rate of principal payments on such Mortgage Loans may 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.
- In the case of any Interest Only Class, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield and, in certain cases, an actual loss on the investment.
- The allocation to any Class of any Yield Maintenance Payment may be insufficient to offset fully the adverse effects on the anticipated yield arising out of the corresponding Principal Prepayment.

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 may 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 “Maturity and Prepayment Considerations and Risks—Weighted Average Life and Final Distribution Dates” in the Multifamily 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 “Yield Considerations—Reinvestment Risk” in the Multifamily REMIC Prospectus and “Description of the Certificates—Yield Considerations” herein.
- 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 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 Multifamily REMIC Prospectus and “Description of the Mortgage Pools—Information Regarding Mortgage Loan Data—LTV Ratios” herein.

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

This Prospectus Supplement does not contain complete information about the Certificates. Investors should purchase Offered Certificates only after reading this Prospectus Supplement, the Multifamily REMIC Prospectus, the MBS Prospectus dated December 1, 1993 and the Fannie Mae Information Statement dated February 16, 1993 and any supplements thereto (the “Information Statement”). The MBS Prospectus (to the extent not inconsistent with the Multifamily REMIC Prospectus and this Prospectus Supplement) 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 202-752-7547). Such document may also be obtained from Lehman Brothers Inc. by writing or calling its Prospectus Department, 140 58th Street, Brooklyn Army Terminal, 8th Floor, Brooklyn, New York 11220 (telephone 718-921-8467).

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DESCRIPTION OF THE CERTIFICATES

The summaries below 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 Multifamily REMIC Prospectus, the MBS Prospectus and the provisions of the Trust Agreement (as defined below). Capitalized terms used and not otherwise defined in this Prospectus Supplement have the respective meanings assigned to such terms in the Multifamily REMIC Prospectus (including the Glossary contained therein), the MBS Prospectus 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 January 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 (i) the MBS and (ii) the right to receive any Yield Maintenance Payments if, and to the extent, payable and collected in connection with any Principal Prepayments, and the Certificates will evidence the entire beneficial ownership interest in the distributions of principal and interest on 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 the 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 liquidated 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 Trust 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 Multifamily REMIC Prospectus and “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus. **Fannie Mae will not guarantee the collection from mortgagors or the servicer or the payment to Certificateholders of any Yield Maintenance Payments. Accordingly, Certificateholders entitled to receive Yield Maintenance Payments will receive them only to the extent actually received by the Trustee from the servicer.** See “Description of the Certificates — Fannie Mae’s Guaranty” in the Multifamily REMIC Prospectus and “—Distributions of Yield Maintenance Payments” herein.

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, Book-Entry Form” in the Multifamily 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.

The distribution to the Holder of the R Certificate of the proceeds of any remaining assets of the Trust will be made only upon presentation and surrender of the related Certificate at the office of the Paying Agent. The Paying Agent initially will be State Street.

Notional Class. The IO Class will be a Notional Class. A Notional Class will have no principal balance and will bear interest at the per annum interest rate set forth on the cover or described herein during each Interest Accrual Period on the related notional principal balance. The notional principal balance of the Notional Class will be equal to the indicated percentage of the outstanding principal balance of the following Classes immediately prior to the related Distribution Date:

<u>Class</u>	<u>Percentage of Principal Balance of Specified Classes</u>
IO	100% of A, B, C, D, E and G Classes*

* The original principal balances of the C, D, E and G Classes are \$4,153,110, \$6,920,344, \$4,142,660 and \$4,161,753, respectively.

The notional principal balance of a Notional Class is used for purposes of the determination of interest distributions thereon and does not represent an interest in the principal distributions of the MBS or the underlying Mortgage Loans. Although a Notional Class will not have a principal balance, a REMIC Trust Factor (as described herein) will be published with respect to any such Class that will be applicable to the notional principal balance thereof, and references herein to the principal balances of the Certificates generally shall be deemed to refer also to the notional principal balance of any Notional Class.

Authorized Denominations. The Certificates, other than the R Certificate, will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The R Class will be issued as a single certificate and will not have a principal balance.

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 (each, a “Distribution Date”), 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 in the month after the Settlement Date. Interest to be distributed on each interest-bearing Certificate on a Distribution Date will consist of one month’s interest on the outstanding actual or notional principal balance of such Class immediately prior to such Distribution Date. Interest to be distributed on a Distribution Date will accrue on the interest-bearing Certificates during the one month period 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. Accordingly, scheduled monthly payments of principal, including balloon payments, on the Mortgage Loans, whether or not received, will be distributed on the Certificates in the same month in which they are due, and Principal Prepayments of the Mortgage Loans will be distributed on the Certificates in the month following the month in which they are received. See “Distributions of Interest,” “Distributions of Principal,” “Distributions of Yield Maintenance Payments” and “The MBS” herein.

Record Date. Each monthly distribution on the Certificates will be made to Holders of record on the last day of the preceding calendar 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 in the case of each such Class, when multiplied by the original principal balance of a Certificate of such Class, will be equal to the amount of principal remaining to be distributed with respect to such Certificate after giving effect to the distribution of principal to be made on the following 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 the MBS unless the principal balance of such Mortgage 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 general characteristics described in the MBS Prospectus and will consist of two MBS. The First Mortgage Loans will back the first MBS (the “First MBS”) and the Second Mortgage Loans will back the second MBS (the “Second MBS”).

The First Mortgage Loans will be conventional fixed-rate mortgage loans secured by a first mortgage, first deed of trust or first deed to secure debt on a multifamily property consisting of five or more rental dwelling units (each, a “Mortgaged Property”), and the Second Mortgage Loans will be conventional fixed-rate mortgage loans secured by a second mortgage, second deed of trust or second deed to secure debt on the same Mortgaged Properties, and in either case having the general characteristics described under “The Series Trust—The Mortgage Pools” and “Yield Considerations” in the Multifamily REMIC Prospectus and the detailed characteristics described under “Description of the Mortgage Pools” herein and on Exhibit A hereto.

As of January 1, 1994, (the “Certificate Issue Date”) the Pass-Through Rate of both the First MBS and the Second MBS is expected to be 7.37%; the aggregate unpaid principal balances of the First MBS and Second MBS are expected to be \$134,245,114 and \$4,161,753, respectively (after application of all payments of principal due on the Mortgage Loans on January 15, 1994, whether or not received); and the Mortgage Interest Rate borne by all of the First Mortgage Loans and all of the Second Mortgage Loans is expected to be 7.83%.

Following the issuance of the Certificates, Fannie Mae will make available in electronic form certain data specific to the Certificates and certain information with respect to the MBS and the underlying Mortgage Loans, in each case as of the Certificate Issue Date, including the information set forth on Exhibit A hereto. To obtain this information in electronic form, call Fannie Mae at 1-800-752-6440 or 202-752-6000.

Pledge of Certificates to Fannie Mae

Pursuant to a Credit Support and Collateral Pledge Agreement (the “Pledge Agreement”) among Fannie Mae, Lehman Capital Corporation (“LCC”), LaSalle Talman Bank, as servicer, and LaSalle National Bank, as custodian (the “Pledged Certificate Custodian”), the Class C, Class D, Class E and Class G Certificates (the “Pledged Certificates”) will be pledged to Fannie Mae to secure its guarantee of the MBS. The Pledged Certificate Custodian shall issue a custodial receipt (each a “Receipt”) in respect of each Class thereof. The Receipts do not constitute securities of Fannie Mae. Each such Receipt will be held in a separate trust (each, a “Pledged Certificate Trust”) of which the Pledged Certificate Custodian will be the trustee (the “Pledged Certificate Trustee”). The Pledged Certificate Trustee will issue certificates (the “Pledged Trust Certificates”) that will evidence the entire beneficial ownership interest of the Pledged Certificate Trusts.

In the event that a Second Mortgage Loan becomes 120 days delinquent, the holders of the Pledged Trust Certificates (the “Pledged Trust Certificateholders”) shall have the right, but not the obligation, to purchase the entire such Second Mortgage Loan at par and at their option to purchase the entire related First Mortgage Loan at par.

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	A, B, C, D, E, G and IO
Interest Only	IO
No Payment Residual	R

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

General. The interest-bearing Certificates will bear interest at the respective per annum interest rates set forth on the cover and 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 in the month after the Settlement Date. Interest to be distributed on each interest-bearing Certificate on a Distribution Date will consist of one month’s interest on the outstanding actual or notional principal balance of such Certificate immediately prior to such Distribution Date.

Interest Accrual Period. Interest to be distributed on each Distribution Date will accrue with respect to each interest-bearing Class of 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 (collectively, the “Delay Classes”)	One month period beginning on the 15th day of the month preceding the month of the Distribution Date and ending on the 14th day of the month of the Distribution Date

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

Distributions of Principal

Categories of Classes. For the purpose of payments of principal, the Classes will be categorized as follows:

<u>Principal Type*</u>	<u>Classes</u>
Sequential Pay	A, B, C, D, E and G
Notional	IO
No Payment Residual	R

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

Principal Distribution Amount. Principal will be distributed monthly on the Certificates in an amount equal to the aggregate distributions of principal concurrently made on the First MBS and Second MBS (collectively, the “Principal Distribution Amount”). Accordingly, scheduled monthly payments of principal, including balloon payments, on the Mortgage Loans, whether or not received, will be distributed on the Certificates in the same month in which they are due, and Principal

Prepayments on the Mortgage Loans will be distributed on the Certificates in the month following the month in which they are received.

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

- (i) The Principal Distribution Amount (other than the portion thereof constituting a Special Principal Distribution Amount) will be distributed sequentially to the A, B, C, D, E and G Classes, in that order, until the principal balances thereof are reduced to zero; and
 - (ii) The portion of the Principal Distribution Amount that constitutes a Special Principal Distribution Amount will be distributed sequentially to the G, E, D, C, B and A Classes, in that order, until the principal balances thereof are reduced to zero.
- } Sequential Pay Classes

The “Special Principal Distribution Amount” means the portion of a Principal Distribution Amount attributable to Approved Losses and the portion of a Principal Distribution Amount attributable to the purchase of Second Mortgage Loans by Pledged Trust Certificateholders. See “Description of the Certificates—Pledge of Certificates to Fannie Mae” herein. An “Approved Loss” with respect to a Mortgage Loan is the loss attributable to the liquidation of a defaulted Mortgage Loan as determined and approved by Fannie Mae in accordance with its published standards and procedures. Approved Losses are determined mutually by Fannie Mae and the applicable servicer and are calculated based on the proceeds of liquidation of mortgage loans or the appraisal value of the related mortgaged property.

Distributions of Yield Maintenance Payments

In the event a mortgagor under a Mortgage Loan pays a yield maintenance payment in connection with a Principal Prepayment (a “Yield Maintenance Payment”) during any Prepayment Period, such Yield Maintenance Payment will be distributed, to the extent received from the servicer, on the related Distribution Date among the holders of the respective Classes of Delay Certificates pro rata in the proportion that the related Present Value Yield Loss for each such Class bears to the aggregate related Present Value Yield Loss for all such Classes. The “Prepayment Period” for any Distribution Date is the month preceding the month in which such Distribution Date occurs.

The “Present Value Yield Loss” for any Delay Class as a result of a Principal Prepayment is equal to the present value of a series of monthly payments each equal to the Interest Payment Adjustment for such Class resulting from such Principal Prepayment and payable on each subsequent Distribution Date to and including the Final Distribution Date discounted at the applicable Reinvestment Yield (monthly compounding) for the number of months remaining from the current Distribution Date to each such subsequent Distribution Date. The “Interest Payment Adjustment” in respect of any Delay Class (other than the IO Class) as a result of a Principal Prepayment is, in the case of each such Class, equal to one-twelfth of the product of (a) the amount, if any, by which the per annum interest rate for such Class exceeds the applicable Reinvestment Yield and (b) the portion, if any, of the related Principal Distribution Amount payable on such Class as a result of such Principal Prepayment. The “Interest Payment Adjustment” in respect of the IO Class as a result of a Principal Prepayment is equal to one-twelfth of the product of (x) the per annum interest rate for such Class and (y) the amount of the particular Principal Prepayment. The “Reinvestment Yield” with respect to any Delay Class for the foregoing purposes will be equal to the lesser of (A) the yield on the U.S. Treasury issue (primary issue) with a maturity date closest to the Final Distribution Date and (B) the yield on the U.S. Treasury issue (primary issue) with a maturity equal to the remaining weighted average life of such Class (determined generally on the basis of the Pricing Assumptions described below with a CPR of 0%), with such yield being based on the bid price for such issue as published in *The Wall Street Journal* on the last business day of the Prepayment Period in which such Yield Maintenance Payment was collected and converted to a monthly compounded nominal yield.

Yield Maintenance Payments are not payable in the event of any prepayment resulting from the purchase of any Mortgage Loan, whether such purchase arises out of the breach of any representation made by LCC to Fannie Mae, the exercise of the right of Pledged Trust Certificateholders to purchase Mortgage Loans, or the occurrence of other events. In addition, a Yield Maintenance Payment would not be paid in the event that a borrower defaults on payment of its Mortgage Loan and the proceeds of liquidation of such Mortgage Loan are insufficient to make such Yield Maintenance Payment. The liquidation proceeds would be applied to the recovery of all principal, interest and liquidation expenses, before any application to a Yield Maintenance Payment in respect of the related Mortgage Loan.

In addition, certain state laws limit the amount of Yield Maintenance Payments payable in connection with the prepayment of a Mortgage Loan, and under the laws of a number of states it is unclear whether the imposition of a Yield Maintenance Payment in connection with an involuntary prepayment is enforceable. See “Maturity and Prepayment Considerations and Risks—Early Repayment of Mortgage Loans” in the Multifamily REMIC Prospectus.

Fannie Mae does not guarantee that any Yield Maintenance Payments due under any Mortgage Loan will in fact be collected from mortgagors or the servicer or paid to Certificateholders. Accordingly, Certificateholders entitled to receive Yield Maintenance Payments will receive them only to the extent actually received by the Trustee from the servicer. See “Description of the Certificates — Fannie Mae’s Guaranty” in the Multifamily REMIC Prospectus and “Description of the Mortgage Pools—Certain Terms and Conditions of the Mortgage Loans—*Prepayment Provisions*” herein.

Structuring Assumptions

Pricing Assumptions. Unless otherwise specified, the information in the tables under “Yield Considerations” and “Decrement Tables” has been prepared on the basis of the actual characteristics of the Mortgage Loans (as described in “Description of the Mortgage Pools” and on Exhibit A hereto) and the following assumptions (the “Pricing Assumptions”):

- The Mortgage Loans have an aggregate fixed monthly principal and interest payment of \$1,010,569.44, with a balloon payment equal to the unpaid principal balance thereof due at its maturity date;
- All payments (including prepayments) on the Mortgage Loans are distributed on the Certificates in the month in which such payments are received;
- The Mortgage Loans prepay at the CPR levels specified in the related table, without giving effect to lockout periods;
- The closing date for the sale of the Certificates is the Settlement Date;
- The first Distribution Date for the Certificates occurs in the month following the Settlement Date; and
- No repurchases, defaults or Approved Losses occur with respect to the Mortgage Loans and no Yield Maintenance Payments are made.

CPR Assumptions. Prepayments on mortgage loans may be measured by a prepayment standard or model. The model used herein is the “Constant Prepayment Rate” or “CPR” model. The CPR model represents an assumed constant rate of prepayment each month, expressed as a per annum percentage of the then outstanding principal balance of a pool of mortgage loans. *CPR does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a*

prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans underlying the MBS backing the Certificates. See “—Yield Considerations” and “—Decrement Tables” herein and “Yield Considerations” and “Maturity and Prepayment Considerations and Risks” in the Multifamily REMIC Prospectus.

Characteristics of the R Class

The R Certificate will not have a principal balance and will not bear interest. The Holder of the R Certificate 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 the Trust at such time.

The R Class will be subject to certain transfer restrictions. No transfer of record or beneficial ownership of the R Certificate will be allowed to a “disqualified organization.” In addition, no transfer of record or beneficial ownership of the 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 Certificate will constitute a noneconomic residual interest under the Regulations. Any transferee of the 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 Multifamily REMIC Prospectus. A transferor of the R Certificate should consult with its own tax advisors for further information regarding such transfers.

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

Yield Considerations

General. The yield to maturity on any Offered Certificate will depend on (a) the price at which such Certificate is purchased by an investor and (b) the rate, timing and amount of distributions on such Certificate. The rate, timing and amount of distributions on any Offered Certificate will in turn depend on, among other things, (x) the rate at which interest accrues in respect of such Certificate and (y) the rate and timing of principal payments (including prepayments) and other principal collections on or in respect of the Mortgage Loans and the extent to which such amounts are to be applied, after distribution on the MBS, in reduction of the actual or notional principal balance of such Certificate.

In the case of any Offered Certificates purchased at a discount from 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 Offered 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. In the case of the IO Class, a faster than anticipated rate of principal payments will result in a lower than anticipated yield and, in certain cases, an actual loss on the investment.

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 related Certificates will not be offset by a subsequent like reduction (or increase) in the rate of Principal Prepayments.

The rate of prepayment on the Mortgage Loans will depend on a variety of factors, including the characteristics of such Mortgage Loans, the level of prevailing interest rates, the application of lockout periods or the assessment of Yield Maintenance Payments and other economic, geographic and social factors. In addition, the rate of prepayments on the Mortgage Loans may be affected by the right of the Pledged Trust Certificateholders to purchase a First Mortgage Loan related to a delinquent Second Mortgage Loan if certain conditions have been met by such Certificateholders. Any such purchase by such Pledged Trust Certificateholders would constitute a prepayment of principal of the Mortgage Loan but will not result in any current or future payment of a Yield Maintenance Payment. For a description of the rights of Pledged Trust Certificateholders to repurchase Mortgage Loans, see "Description of the Certificates—Pledge of Certificates to Fannie Mae" herein. For a more detailed description of the prepayment provisions of the Mortgage Loans, see "Description of the Mortgage Pools—Certain Terms and Conditions of the Mortgage Loans—*Prepayment Provisions*" herein and Exhibit A hereto.

All of the Mortgage Loans provide for balloon payments on October 15, 2003, unless prepaid prior thereto. Each Mortgage Loan prohibits prepayment thereof until October 15, 1996, and provides for payment of Yield Maintenance Payments, except in certain circumstances. See "Description of the Mortgage Pools—Certain Terms and Conditions of the Mortgage Loans." The required payment of Yield Maintenance Payments may not be a sufficient disincentive to prevent the voluntary prepayment of the Mortgage Loans and, even if collected, allocation thereof to any Class may be insufficient to offset fully the adverse effects on the anticipated yield thereon arising out of the corresponding payment.

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 11th 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 Offered Certificates.

The table below indicates the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the IO Class to various constant percentages of CPR. The yields set forth in the table were calculated by determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the IO Class, would cause the discounted present value of such assumed streams of cash flows to equal the assumed aggregate purchase price of such Class and converting such monthly rates to corporate bond equivalent rates. Such calculations do not take into account variations that may occur in the interest rates at which investors may be able to reinvest funds received by them as distributions on the Offered Certificates and consequently do not purport to reflect the return on any investment in the Offered Certificates when such reinvestment rates are considered.

There can be no assurance that the Mortgage Loans will prepay at any of the rates assumed herein or at any other particular rate, that the pre-tax yields on the Offered Certificates will correspond to any of the pre-tax yields shown herein or that the aggregate purchase prices of the Offered Certificates will be as assumed herein. In addition, it is not likely that the Mortgage Loans will prepay at any indicated CPR level until maturity or that all of such Mortgage Loans will prepay at the same rate.

The Interest Only Class. As indicated in the table below, the yield on the IO Class will be sensitive to the rate of principal payments (including Principal Prepayments) of the Mortgage Loans. Subject to certain restrictions (including certain prepayment lockout periods and the imposition of Yield Maintenance Payments), the Mortgage Loans may be prepaid prior to their stated maturities. See “Description of the Mortgage Pools.” In addition, defaulted Second Mortgage Loans and their related First Mortgage Loans may be purchased by Pledged Trust Certificateholders. See “Description of the Certificates—Pledge of Certificates to Fannie Mae” herein. On the basis of the assumptions described below, the yield to maturity on the IO Class would be 0% if prepayments were to occur at a constant rate of approximately 7.7% CPR. If the actual prepayment rate of the Mortgage Loans were to exceed the foregoing level for as little as one month while equaling such level for the remaining months, investors in the IO Class would not fully recoup their initial investments. There can be no assurance that the Mortgage Loans will prepay at any of the rates assumed herein or at any other particular rate, that the pre-tax yields on the Certificates will correspond to any of the pre-tax yields shown herein, or that the aggregate purchase price of the Certificates will be as assumed below.

The information set forth in the following table was prepared on (i) the basis of the Pricing Assumptions and (ii) the assumption that the aggregate purchase price of the IO Class (expressed as a percentage of original notional principal balance) will be as follows:

<u>Class</u>	<u>Price*</u>
IO	5.5806%

* The price does not include accrued interest. Accrued interest has been added to such price in calculating the yields set forth in the table below.

**Sensitivity of the IO Class to Prepayments
(Pre-Tax Yields to Maturity) ***

<u>Class</u>	<u>CPR Prepayment Assumption</u>			
	<u>0%</u>	<u>2%</u>	<u>4%</u>	<u>6%</u>
IO	8.0%	5.9%	3.9%	1.8%

* This table was determined assuming no receipt of Yield Maintenance Payments.

See “Yield Considerations” in the Multifamily REMIC Prospectus.

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 “Yield Considerations” herein and “Maturity and Prepayment Considerations and Risks—Weighted Average Life and Final Distribution Dates” in the Multifamily REMIC Prospectus.

The weighted average lives of the Certificates will depend, in varying degrees, on the principal distribution priorities and also on the rate of payment of principal of the Mortgage Loans (including the timing of changes in such rate) which, in turn, will depend on the characteristics of such Mortgage Loans, the level of prevailing interest rates, the application of lockout periods or the assessment of Yield Maintenance Payments and other economic, geographic and social factors.

The interaction of the foregoing factors may have an effect on the Certificates at different times during the life of the Certificates. Accordingly, no assurance can be given as to the weighted average life of any Class. Further, to the extent the price of a Certificate represents a discount or premium to its respective original principal balance, any variability in the weighted average life of a Certificate in combination with such discount or premium could result in variability in its yield to maturity. For an example of how the weighted average life of an Offered Certificate may be affected at various *constant* prepayment rates, see the Decrement Tables below.

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* CPR levels and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions. However, it is not likely that the underlying Mortgage Loans will prepay at any *constant* CPR level. See “Description of the Mortgage Pools” herein.

Percent of Original Principal Balances Outstanding

Date	A Class				B Class				IO+ Class			
	CPR Prepayment Assumption				CPR Prepayment Assumption				CPR Prepayment Assumption			
	0%	2%	4%	6%	0%	2%	4%	6%	0%	2%	4%	6%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100
January 1995	93	78	63	48	100	100	100	100	99	97	95	93
January 1996	85	56	28	0	100	100	100	100	98	94	90	87
January 1997	77	34	0	0	100	100	99	92	97	91	86	80
January 1998	67	12	0	0	100	100	93	84	96	88	81	75
January 1999	58	0	0	0	100	98	87	76	94	85	77	69
January 2000	47	0	0	0	100	94	81	69	93	82	73	64
January 2001	35	0	0	0	100	90	75	62	91	79	69	59
January 2002	23	0	0	0	100	86	70	56	90	76	65	55
January 2003	10	0	0	0	100	82	65	50	88	73	61	50
January 2004	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years) ^{°°}	5.5	2.3	1.4	1.0	9.7	9.2	8.3	7.5	9.2	8.3	7.6	6.9

^{°°} Determined as specified under “Weighted Average Lives of the Certificates” herein.

† In the case of a Notional Class, the Decrement Table indicates the percentage of the original notional principal balance outstanding.

DESCRIPTION OF THE MORTGAGE POOLS

General

The “Cut-off Date” for each Mortgage Pool underlying the MBS will be January 15, 1994. There are twenty-nine First Mortgage Loans underlying the First MBS and twenty-nine Second Mortgage Loans underlying the Second MBS. The aggregate Cut-off Date Balances of the First and Second Mortgage Loans are expected to be \$134,245,115 and \$4,161,753, respectively (the “Aggregate Cut-off Date Balance of First Mortgage Loans” and “Aggregate Cut-off Date Balance of Second Mortgage Loans,” respectively, and, collectively, the “Aggregate Cut-Off Date Balance of the Mortgage Loans”). The “Cut-off Date Balance” of each Mortgage Loan is the unpaid principal balance thereof as of the Cut-off Date, after application of all payments of principal due on or before such date, whether or not received.

Each Mortgage Loan is evidenced by a promissory note (each, a “Mortgage Note”). Each First Mortgage Loan is secured by a first mortgage, first deed of trust or first deed to secure debt (each, a “First Mortgage”) that creates a first lien on a multifamily property consisting of five or more rental dwelling units (each, a “Mortgaged Property”), and each Second Mortgage Loan is secured by a second mortgage, second deed of trust or second deed to secure debt (each, a “Second Mortgage;” and each First Mortgage and Second Mortgage, a “Mortgage”) that creates a second lien on the same Mortgaged Property. There are twenty-nine Mortgaged Properties, and each constitutes security for both a First Mortgage Loan and a Second Mortgage Loan (such two Mortgage Loans together, a “Mortgage Loan Pair”). Each Mortgage covers a borrower’s fee simple estate in the related Mortgaged Property.

The Mortgage Loans were originated by Lexington Mortgage Company and acquired by LCC in September, 1993.

Certain Terms and Conditions of the Mortgage Loans

Due Dates. Each scheduled monthly payment of principal and interest (each, a “Monthly Payment”) on the Mortgage Loans under the terms of the related Mortgage Note (including any balloon payments at their respective stated maturity dates) will be due on the fifteenth day of each month (as to each, the “Due Date”) but will be assumed to be received as of the first day of each such month for the purpose of calculating the Principal Distribution Amount for such month. As of the Cut-off Date, no Monthly Payment on any Mortgage Loan was more than thirty (30) days past due.

Stated Maturity. Each Mortgage Loan provides for a stated maturity of October 15, 2003.

Balloon Payment. Each of the First Mortgage Loans provides that the Monthly Payments due thereon prior to stated maturity will be in a constant amount sufficient to amortize fully the original principal balance of such Mortgage Loans over a term of approximately twenty-nine years and to pay interest at the Mortgage Interest Rate. Each of the Second Mortgage Loans provides that the Monthly Payments due thereon prior to stated maturity will be in a constant amount sufficient only to pay interest at the Mortgage Interest Rate. Both the First Mortgage Loans and Second Mortgage Loans provide for a balloon payment equal to the unpaid principal balances thereof due at maturity.

Mortgage Interest Rate. The Mortgage Interest Rate borne by each Mortgage Loan will equal 7.83%.

Prepayment Provisions. A “Principal Prepayment” is any payment in whole (but not in part) of the principal balance of a Mortgage Loan made by a borrower in advance of the stated maturity date, whether voluntary or involuntary, including, without limitation, as a result of acceleration or prepayment.

The terms of each Mortgage Loan, except in the event of a casualty or condemnation in respect of the related Mortgaged Property, prohibit the prepayment thereof until October 15, 1996 (the period

ending on the day immediately preceding such date is hereinafter referred to as the “lockout period”). The Mortgage Loans provide that following the lockout period and until April 15, 2003, each Mortgage Loan may be voluntarily prepaid in whole, but not in part, for any reason, on each Due Date upon no more than 45 days’ and no less than 30 days’ prior written notice, provided that the related First or Second Mortgage Loan secured by the same Mortgaged Property is also prepaid in whole and it is accompanied by a Yield Maintenance Payment (unless the prepayment resulted from a condemnation of, or casualty on, the related Mortgaged Property). No Yield Maintenance Payment will be payable during the period from April 15, 2003 to the stated maturity of the Mortgage Loan. The “Yield Maintenance Payment” will be equal to the greater of (i) one percent of the prepaid balance of the Mortgage Loan and (ii) the present value of a series of monthly payments each equal to the Payment Differential and payable on the Due Date in every calendar month over the remaining original term of the Mortgage Loan discounted at the applicable Mortgage Loan Reinvestment Yield (monthly compounding) for the number of months remaining from the date of prepayment to each such Due Date. The “Payment Differential” will be equal to the monthly interest payment then due on the related Mortgage Note less the Reinvestment Payment. The applicable “Mortgage Loan Reinvestment Yield” for the foregoing purposes will be equal to the lesser of (A) the yield on the U.S. Treasury issue (primary issue) with a maturity date closest to the maturity date of the related Mortgage Loan, and (B) the yield on the U.S. Treasury issue (primary issue) with a maturity equal to the then remaining average life of the Mortgage Loan, with such yield (in either case, the “Treasury Yield”) being based on the bid price for such issue as published in *The Wall Street Journal* on a date two weeks prior to the date of prepayment and converted to a monthly compounded nominal yield. The “Reinvestment Payment” will be equal to one-twelfth of the prepaid balance of the Mortgage Loan times the Mortgage Loan Reinvestment Yield.

The magnitude of the Payment Differential is a function of the market fluctuation of the Treasury Yield as well as the difference between the Mortgage Interest Rate borne by a Mortgage Loan and the Treasury Yield. Unless the Mortgage Loan to be prepaid is relatively near its scheduled maturity or unless the sale price or the amount of the refinancing of the related Mortgaged Property is considerably higher than the current outstanding principal balance of such Mortgage Loan (due to an increase in the value of the Mortgaged Property or otherwise), the Yield Maintenance Payment may, in a lower interest rate environment, offset entirely or render insignificant any economic benefit to be received by the borrower upon a refinancing or sale of the Mortgaged Property.

The Yield Maintenance Payment provision of each Mortgage Loan creates an economic disincentive for the borrower to voluntarily prepay such Mortgage Loan and, accordingly, the borrower may not elect to prepay such Mortgage Loan.

The servicer will not be permitted to modify any term of any Mortgage Loan, including the Mortgage Interest Rate or amortization period of the related Mortgage Note or the obligation to pay a Yield Maintenance Payment in connection with any Principal Prepayment (except in certain circumstances where a Mortgage Loan is in default or where the servicer’s counsel determines that there is a substantial risk that the Yield Maintenance Payment is unenforceable). See “Description of the Certificates—Distributions of Yield Maintenance Payments” herein and “Maturity and Prepayment Considerations and Risks—Early Repayment of Mortgage Loans” in the Multifamily REMIC Prospectus for a description of certain limitations on the collection of Yield Maintenance Payments.

If and to the extent collected and paid to the Trustee, Yield Maintenance Payments are distributable to certain Classes of Certificates as described herein under “Description of the Certificates—Distributions of Yield Maintenance Payments.” Yield Maintenance Payments will not result from the purchase or repurchase of Mortgage Loans. See “Description of the Certificates—Pledge of Certificates to Fannie Mae” and “—Distributions of Yield Maintenance Payments” herein.

“Due-on-Sale” and “Due-on-Encumbrance” Provisions. All of the Mortgages contain “due-on-sale” clauses that permit the holder of the Mortgage to accelerate the maturity of the related Mortgage Loan if the borrower sells or otherwise transfers its interest in the Mortgaged Property, subject,

however, to certain rights to transfer to a single purpose entity as provided therein. In certain circumstances Fannie Mae will not enforce a “due-on-sale” clause of a Mortgage Loan. See “Description of the Certificates—Collection and Other Servicing Procedures—*Mortgage Loan Series Trust*” in the Multifamily REMIC Prospectus. All of the Mortgages contain “due-on-encumbrance” clauses that permit the holder of the Mortgage to accelerate the maturity of the related Mortgage Loan if the borrower encumbers the related Mortgaged Property, subject, however, to the right of the borrower to grant subordinate mortgages on the Mortgaged Property if certain conditions are satisfied.

Cross-Default of First and Second Mortgage Loans. The occurrence of an event of default under the Mortgage applicable to a First Mortgage Loan also constitutes an event of default under the Mortgage applicable to the Second Mortgage Loan secured by the same Mortgaged Property, and the occurrence of an event of default under the Mortgage applicable to a Second Mortgage Loan also constitutes an event of default under the Mortgage applicable to the related First Mortgage Loan. Thus, both the First and Second Mortgage Loans relating to a Mortgaged Property may be accelerated concurrently and a Principal Prepayment may be due on both such Mortgage Loans at the same time.

In the event that any Pledged Trust Certificateholders purchase a Second Mortgage Loan (but do not elect to purchase the related First Mortgage Loan), such purchasers are required to cure any and all defaults under the related First Mortgage Loan through the date of purchase and, so long as such purchasers maintain the cure of all such defaults, the holder of the related First Mortgage Loan may not accelerate the repayment thereof if the Second Mortgage Loan is in default.

Information Regarding Mortgage Loan Data

Exhibit A hereto sets forth the Cut-Off Date Balances of the Mortgage Loans, the LTV Ratios and Debt Service Coverage Ratios of the Mortgage Loan Pairs as of the Cut-Off Date, the occupancy levels at the Mortgaged Properties as of the Cut-Off Date, and the geographic distribution of the Mortgaged Properties by state.

LTV Ratios. An “LTV Ratio” set forth on Exhibit A for any Mortgage Loan Pair is a fraction, expressed as a percentage, the numerator of which is the Cut-off Date Balance of a Mortgage Loan Pair, and the denominator of which is the value of the related Mortgaged Property as determined by the property valuations made in connection with the origination of such Mortgage Loan Pair. Such property valuations were not based on M.A.I. (i.e., Member, Appraisal Institute) or third party appraisals performed by any person licensed or certified as an appraiser by the relevant state or otherwise meeting the customary requirements of Fannie Mae. Rather, to make such property valuations, LCC obtained market studies of the Mortgaged Properties which included physical inspection of most of the Mortgaged Properties and research into market transactions of properties similar to the Mortgaged Properties and within each Mortgaged Property’s geographic region. Through these studies, a range of market capitalization rates for every Mortgaged Property was derived. LCC then applied a capitalization rate selected from the lower end of the range for each Mortgaged Property to such Mortgaged Property’s 1993 Estimated NOI (as defined below) to arrive at a property value reflected in the LTV Ratios set forth on Exhibit A hereto. If LCC had used a different property valuation method, a different capitalization rate, or actual Net Operating Income (as defined below) for each Mortgaged Property for its fiscal year ending in 1993, there can be no assurance that such LTV Ratios would be the same and, in some cases, they could be materially higher. The company used to make the property valuation and the property valuation method used in connection with the origination of the Mortgage Loans did not conform to the standards set forth in regulations promulgated under Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989.

Debt Service Coverage Ratios. The “Debt Service Coverage Ratio” set forth on Exhibit A for any Mortgage Loan Pair is the ratio of (a) an estimation of the Net Operating Income to be produced by the related Mortgaged Property during its fiscal year ending in 1993 as described below (the “1993 Estimated NOI”), to (b) the product of the amount of the Monthly Payment in effect at origination for such Mortgage Loan Pair, multiplied by 12. “Net Operating Income” is the revenue derived from the

use and operation of a Mortgaged Property (consisting primarily of rental income, deposit forfeitures and fees derived from the use of parking areas and laundry facilities, if any) less operating expenses (such as utilities, general administrative expenses, management fees, advertising, repairs and maintenance) and less fixed expenses (such as insurance and real estate taxes). LCC derived the expected revenues for each Mortgaged Property for its fiscal year ending in 1993 by: (i) analyzing June 1993 rent rolls to determine average rental rates and historical percentage changes in rents, (ii) analyzing 1992 operating statements and operating statements through June, 1993, as well as market data on vacancy, concessions, rental and credit loss, (iii) annualizing June 1993 rent rolls and correlating results to the projected 1993 income forecast relating thereto, (iv) comparing the average per unit rent in 1992 and 1993 through June, 1993 for reasonableness, (v) analyzing rental growth and inflation rates utilizing estimated occupancy levels, historical property information and market data, (vi) analyzing other revenues and comparing them to 1992 actual, and (vii) adjusting results for significant variances.

LCC derived the expected operating expenses for each Mortgaged Property for its fiscal year ending in 1993 by: (i) comparing actual expenses for 1991, 1992, and 1993 (through June 1993) to the 1993 forecast, (ii) analyzing trends, seasonality and non-recurring items as of June, 1993 for elimination or adjustment, (iii) analyzing assessed value and tax rates as of June, 1993, (iv) utilizing a 5% management fee, (v) adjusting results for significant variances, and (vi) creating a replacement reserve schedule based on the average life of appliances, window treatments and carpeting.

Most of the basic information used by LCC in determining the 1993 Estimated NOIs for the Mortgaged Properties was supplied by the respective borrowers and was not audited or otherwise confirmed by independent third parties. The 1993 Estimated NOIs may differ materially from the actual net operating incomes for the Mortgaged Properties for 1993 and such actual results would affect calculation of the LTV Ratios and Debt Service Coverage Ratios set forth on Exhibit A hereto.

Occupancy Levels. The occupancy levels at the Mortgaged Properties set forth on Exhibit A were prepared on the basis of actual occupancy statistics through November 30, 1993, as reported to LCC by property managers.

Changes in Characteristics of the Mortgage Pools

The description herein of the Mortgage Pools and the Mortgaged Properties is based upon the Mortgage Pools as expected to be constituted at the time the Certificates are issued, as adjusted for the scheduled principal payments due on or before the Cut-off Date. Prior to the issuance of the Certificates, a Mortgage Loan may be removed from a Mortgage Pool if LCC deems such removal necessary or appropriate or if it is prepaid. A limited number of other mortgage loans may be included in a Mortgage Pool prior to the issuance of the Certificates, unless the inclusion of such mortgage loans would materially alter the characteristics of such Mortgage Pool as described herein. LCC believes that the information set forth herein will be representative of the characteristics of each Mortgage Pool as it will be constituted at the time the Certificates are issued, although the range of Mortgage Interest Rates and maturities, as well as the other characteristics of the Mortgage Loans described herein, may vary.

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 Multifamily REMIC Prospectus, describes the current federal income tax treatment of investors in the Offered 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 Offered 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 Offered Certificates, other than the R Class, will be designated as “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 Offered 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 Multifamily REMIC Prospectus.

Taxation of Beneficial Owners of Regular Certificates

The IO Class will be, and certain other Classes of Offered 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 0% CPR. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the Multifamily 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 “Maturity and Prepayment Considerations and Risks—Weighted Average Life and Final Distribution Dates” in the Multifamily 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 Multifamily REMIC Prospectus.

Taxation of Beneficial Owners of Residual Certificates

Under the Regulations, the R Certificate 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 the 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 Multifamily 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 7.37% (which is 120% of the “federal long-term rate”). See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” and “—Foreign Investors—*Residual Certificates*” in the Multifamily REMIC Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of the R Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

PLAN OF DISTRIBUTION

The Dealer will receive the Certificates in exchange for the MBS pursuant to a Fannie Mae commitment. The Dealer proposes to offer the Offered 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.

LEGAL MATTERS

Certain legal matters will be passed upon for Fannie Mae by Mayer, Brown & Platt, Chicago, Illinois; and an opinion with respect to certain tax matters will be delivered to Fannie Mae by Dewey Ballantine, Washington, D.C. Certain legal matters will be passed upon for the Dealer by Thacher Proffitt & Wood, New York, New York.

1994-M1 First MBS (Pool No. 080381) *

Exhibit A

FNMA Loan Number	City	State	Zip Code	Original Balance	Cut-off Date Balance	Mortgage Interest Rate	Maturity	First Monthly Payment Date	Original Amortization Term (Mo.)	Yield Maintenance Payment Code (A)	# of Units	1993 Estimated NOI (B)	LTV Ratio (C)	Value (D)	Occupancy (E)	Debt Service Coverage Ratio (F)
1661369387	Garland	TX	75043	\$ 1,731,450	\$ 1,727,355	7.83%	10/15/2003	11/15/93	344	(A)	96	\$ 222,465	70.05%	\$2,542,457	93.80%	1.426
1661369397	South Bend	IN	46637	5,590,110	5,576,892	7.83	10/15/2003	11/15/93	344	(A)	200	743,857	79.23	7,257,141	99.50	1.477
1661369402	San Antonio	TX	78229	2,968,200	2,961,181	7.83	10/15/2003	11/15/93	344	(A)	217	375,269	79.32	3,848,913	85.70	1.403
1661369403	Gadsden	AL	35903	3,413,430	3,405,357	7.83	10/15/2003	11/15/93	344	(A)	248	433,000	79.06	4,441,026	93.50	1.408
1661369404	Houston	TX	77040	5,045,940	5,034,006	7.83	10/15/2003	11/15/93	344	(A)	412	579,031	85.15	6,095,063	91.30	1.288
1661369405	Cary	NC	27511	3,942,759	3,933,436	7.83	10/15/2003	11/15/93	344	(A)	184	500,514	76.97	5,268,568	97.30	1.409
1661369377	Mobile	AL	36609	3,645,939	3,637,317	7.83	10/15/2003	11/15/93	344	(A)	178	477,952	76.50	4,902,072	98.30	1.455
1661369378	Cedar Rapids	IA	52404	6,579,510	6,563,951	7.83	10/15/2003	11/15/93	344	(A)	328	857,078	78.96	8,570,780	95.10	1.445
1661369379	Plainsboro	NJ	08536	18,798,600	18,754,145	7.83	10/15/2003	11/15/93	344	(A)	632	2,498,107	69.66	27,756,744	90.00	1.475
1661369380	Harrisburg	PA	17111	5,639,580	5,626,243	7.83	10/15/2003	11/15/93	344	(A)	324	626,485	83.33	6,960,944	94.10	1.233
1661369381	Cedar Rapids	IA	52402	1,632,510	1,628,648	7.83	10/15/2003	11/15/93	344	(A)	73	223,564	78.86	2,129,181	97.30	1.520
1661369382	Westmont	IL	60559	11,378,100	11,351,193	7.83	10/15/2003	11/15/93	344	(A)	399	1,402,070	79.30	14,758,632	98.50	1.367
1661369383	Gretna	LA	70056	4,600,710	4,589,829	7.83	10/15/2003	11/15/93	344	(A)	226	662,908	71.38	6,629,080	93.40	1.599
1661369384	Ridgeland	MS	39156	2,597,175	2,591,032	7.83	10/15/2003	11/15/93	344	(A)	160	352,975	70.01	3,815,946	98.80	1.508
1661369385	Denton	TX	76205	5,293,290	5,280,773	7.83	10/15/2003	11/15/93	344	(A)	264	678,905	70.17	7,758,914	96.20	1.423
1661369386	Indianapolis	IN	46226	8,756,190	8,735,482	7.83	10/15/2003	11/15/93	344	(A)	388	1,025,250	83.45	10,792,105	96.60	1.299
1661369388	Brandon	FL	33511	1,978,800	1,974,100	7.83	10/15/2003	11/15/93	344	(A)	112	372,027	53.34	3,815,662	92.00	2.085
1661369389	Marietta	GA	30062	6,431,100	6,415,893	7.83	10/15/2003	11/15/93	344	(A)	320	987,728	60.27	10,974,756	97.50	1.704
1661369390	Dallas	TX	75248	4,848,060	4,836,602	7.83	10/15/2003	11/15/93	344	(A)	180	749,735	58.20	8,568,400	93.00	1.716
1661369391	Atlanta	GA	30328	1,978,800	1,974,122	7.83	10/15/2003	11/15/93	344	(A)	120	378,013	48.46	4,200,144	97.00	2.120
1661369392	Atlanta	GA	30350	1,731,450	1,727,355	7.83	10/15/2003	11/15/93	344	(A)	133	248,711	64.44	2,763,456	93.20	1.594
1661369393	Ft. Collins	CO	80525	4,749,120	4,737,890	7.83	10/15/2003	11/15/93	344	(A)	188	667,861	73.14	6,678,610	98.40	1.560
1661369394	Grand Prairie	TX	75050	2,201,415	2,196,210	7.83	10/15/2003	11/15/93	344	(A)	100	251,708	78.71	2,876,663	95.00	1.269
1661369395	Sharonville	OH	45241	5,441,700	5,428,831	7.83	10/15/2003	11/15/93	344	(A)	248	703,250	75.61	7,402,632	80.20	1.434
1661369396	Gastonia	NC	28052	2,557,599	2,551,552	7.83	10/15/2003	11/15/93	344	(A)	188	342,597	71.03	3,703,751	96.80	1.486
1661369398	Northglenn	CO	80233	2,770,320	2,763,768	7.83	10/15/2003	11/15/93	344	(A)	180	332,848	85.61	3,328,480	93.30	1.333
1661369399	Olathe	KS	66602	2,572,440	2,566,356	7.83	10/15/2003	11/15/93	344	(A)	131	331,547	75.81	3,489,968	96.90	1.430
1661369400	Bloomington	IN	47408	2,968,200	2,961,181	7.83	10/15/2003	11/15/93	344	(A)	146	406,526	73.22	4,169,497	100.00	1.520
1661369401	Augusta	GA	30904	2,720,850	2,714,417	7.83	10/15/2003	11/15/93	344	(A)	188	318,071	85.79	3,262,267	88.30	1.297
				\$ 134,563,347	\$134,245,115						6,563	\$17,750,052	73.32%	\$188,761,853	94.25%	1.464

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* The sum or percentage in any column of this Exhibit may not equal the indicated amount due to rounding.

- (A) Subject to certain exceptions, a lockout period is in effect until October 15, 1996, then a Yield Maintenance Payment until April 15, 2003; then par thereafter. See "Description of the Mortgage Pools—Certain Terms and Conditions of the Mortgage Loans—Prepayment Provisions" herein.
- (B) The 1993 Estimated NOI was not based on the actual Net Operating Income for each Mortgaged Property for its fiscal year ending in 1993. See "Description of the Mortgage Pools—Information Regarding Mortgage Loan Data—Debt Service Coverage Ratios" herein for a description of the method used to calculate 1993 Estimated NOI.
- (C) Loan-to-value based on the "total debt" of the combined First and Second Mortgage Loans as of the Cut-off Date. See "Description of the Mortgage Pools—Information Regarding Mortgage Loan Data—LTV Ratios" herein.
- (D) The value of the Mortgage Property was calculated by applying capitalization rates determined in a market study and was based on 1993 Estimated NOI. See "Description of the Mortgage Pools—Information Regarding Mortgage Loan Data—LTV Ratios" herein.
- (E) Occupancy levels as of December 1, 1993.
- (F) Based on an effective 30-year amortization of the total debt proceeds of the combined First and Second Mortgage Loans on the Mortgaged Property and the 1993 Estimated NOI. See "Description of the Mortgage Pools—Information Regarding Mortgage Loan Data—Debt Service Coverage Ratios" herein.

1994-M1 Second MBS (Pool No. 080382) *

Exhibit A

FNMA Loan Number	City	State	Zip Code	Original Balance	Cut-off Date Balance	Mortgage Interest Rate	Maturity	First Monthly Payment Date	Original Amortization Term	Yield Maintenance Payment Code (A)	# of Units	1993 Estimated NOI (B)	LTV Ratio (C)	Value (D)	Occupancy (E)	Debt Service Coverage Ratio (F)
1661369416	Garland	TX	75043	\$ 53,550	\$ 53,550	7.83%	10/15/2003	11/15/93	IO	(A)	96	\$ 222,465	70.05%	\$ 2,542,457	93.80%	1.426
1661369426	South Bend	IN	46637	172,890	172,890	7.83	10/15/2003	11/15/93	IO	(A)	200	743,857	79.23	7,257,141	99.50	1.477
1661369431	San Antonio	TX	78229	91,800	91,800	7.83	10/15/2003	11/15/93	IO	(A)	217	375,269	79.32	3,848,913	85.70	1.403
1661369432	Gadsden	AL	35903	105,570	105,570	7.83	10/15/2003	11/15/93	IO	(A)	248	433,000	79.06	4,441,026	93.50	1.408
1661369433	Houston	TX	77040	156,060	156,060	7.83	10/15/2003	11/15/93	IO	(A)	412	579,031	85.15	6,095,063	91.30	1.288
1661369434	Cary	NC	27511	121,941	121,941	7.83	10/15/2003	11/15/93	IO	(A)	184	500,514	76.97	5,268,568	97.30	1.409
1661369406	Mobile	AL	36609	112,761	112,761	7.83	10/15/2003	11/15/93	IO	(A)	178	477,952	76.50	4,902,072	98.30	1.455
1661369407	Cedar Rapids	IA	52404	203,490	203,490	7.83	10/15/2003	11/15/93	IO	(A)	328	857,078	78.96	8,570,780	95.10	1.445
1661369408	Plainsboro	NJ	08536	581,400	581,400	7.83	10/15/2003	11/15/93	IO	(A)	632	2,498,107	69.66	27,756,744	90.00	1.475
1661369409	Harrisburg	PA	17111	174,420	174,420	7.83	10/15/2003	11/15/93	IO	(A)	324	626,485	83.33	6,960,944	94.10	1.233
1661369410	Cedar Rapids	IA	52402	50,490	50,490	7.83	10/15/2003	11/15/93	IO	(A)	73	223,564	78.86	2,129,181	97.30	1.520
1661369411	Westmont	IL	60559	351,900	351,900	7.83	10/15/2003	11/15/93	IO	(A)	399	1,402,070	79.30	14,758,632	98.50	1.367
1661369412	Gretna	LA	70056	142,290	142,290	7.83	10/15/2003	11/15/93	IO	(A)	226	662,908	71.38	6,629,080	93.40	1.599
1661369413	Ridgeland	MS	39156	80,325	80,325	7.83	10/15/2003	11/15/93	IO	(A)	160	352,975	70.01	3,815,946	98.80	1.508
1661369414	Denton	TX	76205	163,710	163,710	7.83	10/15/2003	11/15/93	IO	(A)	264	678,905	70.17	7,758,914	96.20	1.423
1661369415	Indianapolis	IN	46226	270,810	270,810	7.83	10/15/2003	11/15/93	IO	(A)	388	1,025,250	83.45	10,792,105	96.60	1.299
1661369417	Brandon	FL	33511	61,200	61,200	7.83	10/15/2003	11/15/93	IO	(A)	112	372,027	53.34	3,815,662	92.00	2.085
1661369418	Marietta	GA	30062	198,900	198,900	7.83	10/15/2003	11/15/93	IO	(A)	320	987,728	60.27	10,974,756	97.50	1.704
1661369419	Dallas	TX	75248	149,940	149,940	7.83	10/15/2003	11/15/93	IO	(A)	180	749,735	58.20	8,568,400	93.00	1.716
1661369420	Atlanta	GA	30328	61,200	61,200	7.83	10/15/2003	11/15/93	IO	(A)	120	378,013	48.46	4,200,144	97.00	2.120
1661369421	Atlanta	GA	30350	53,550	53,550	7.83	10/15/2003	11/15/93	IO	(A)	133	248,711	64.44	2,763,456	93.20	1.594
1661369422	Ft. Collins	CO	80525	146,880	146,880	7.83	10/15/2003	11/15/93	IO	(A)	188	667,861	73.14	6,678,610	98.40	1.560
1661369423	Grand Prairie	TX	75050	68,085	68,085	7.83	10/15/2003	11/15/93	IO	(A)	100	251,708	78.71	2,876,663	95.00	1.269
1661369424	Sharonville	OH	45241	168,300	168,300	7.83	10/15/2003	11/15/93	IO	(A)	248	703,250	75.61	7,402,632	80.20	1.434
1661369425	Gastonia	NC	28052	79,101	79,101	7.83	10/15/2003	11/15/93	IO	(A)	188	342,597	71.03	3,703,751	96.80	1.486
1661369427	Northglenn	CO	80233	85,680	85,680	7.83	10/15/2003	11/15/93	IO	(A)	180	332,848	85.61	3,328,480	93.30	1.333
1661369428	Olathe	KS	66602	79,560	79,560	7.83	10/15/2003	11/15/93	IO	(A)	131	331,547	75.81	3,489,968	96.90	1.430
1661369429	Bloomington	IN	47408	91,800	91,800	7.83	10/15/2003	11/15/93	IO	(A)	146	406,526	73.22	4,169,497	100.00	1.520
1661369430	Augusta	GA	30904	84,150	84,150	7.83	10/15/2003	11/15/93	IO	(A)	188	318,071	85.79	3,262,267	88.30	1.297
				\$ 4,161,753	\$ 4,161,753						6,563	\$ 17,750,052	73.32%	\$ 188,761,853	94.25%	1.464

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- (D) The value of the Mortgage Property was calculated by applying capitalization rates determined in a market study and was based on 1993 Estimated NOI. See "Description of the Mortgage Pools—Information Regarding Mortgage Loan Data—LTV Ratios" herein.
- (E) Occupancy levels as of December 1, 1993.
- (F) Based on an effective 30-year amortization of the total debt proceeds of the combined First and Second Mortgage Loans on the Mortgaged Property and the 1993 Estimated NOI. See "Description of the Mortgage Pools—Information Regarding Mortgage Loan Data—Debt Service Coverage Ratios" herein.

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, the Multifamily REMIC Prospectus, the MBS Prospectus, and the Information Statement 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.

\$119,029,000

Federal National
Mortgage Association



Guaranteed ACESSM
REMIC Pass-Through
Certificates

Fannie Mae Multifamily
REMIC Trust
1994-M1

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PROSPECTUS SUPPLEMENT

LEHMAN BROTHERS

December 23, 1993