Prospectus

$150,144,000
Federal National Mortgage Association

FannieMae

Guaranteed Grantor Trust Pass-Through Certificates
Fannie Mae Grantor Trust 1995-T2

The Guaranteed Grantor Trust Pass-Through Certificates (the "Certificates") will represent beneficial ownership interests in Fannie Mae Grantor Trust 1995-T2 (the "Trust"). The assets of the Trust will consist of three Underlying REMIC Certificates described herein, which in turn represent beneficial ownership interests in (i) first and junior lien, single-family, closed-end, fixed rate, amortizing and balloon residential mortgage loans (the "Mortgage Loans") having the characteristics described herein and (ii) a Pre-Funding Account (as defined herein) and certain other assets.

The Underlying REMIC Certificates will be issued by a trust (the "Underlying REMIC Trust") to be established by Advanta Mortgage Conduit Services, Inc. (the "Depositor"). The Underlying REMIC Certificates represent three classes of REMIC "regular interests" issued by the Underlying REMIC Trust. The three classes of Certificates offered hereby will receive payments due (less certain fees) with respect to the related Underlying REMIC Certificates. The Underlying REMIC Trust contains a Pre-Funding Account from which the Underlying REMIC Trustee will acquire Subsequent Mortgage Loans (as defined herein) from the Depositor, as described herein. In the event that not all of the moneys originally deposited to the Pre-Funding Account held by the Underlying REMIC Trust are used to acquire the Subsequent Mortgage Loans from the Depositor by December 22, 1995, a mandatory prepayment of the Certificates will occur on the December 1995 Distribution Date. See "Yield and Prepayment Considerations" herein.

Investors should not purchase the Certificates before reading this Prospectus and the Information Statement referred to at the bottom of page 2.

THE CERTIFICATES WILL BE ISSUED BY FANNIE MAE, AND WILL BE GUARANTEED BY FANNIE MAE AS TO THE TIMELY DISTRIBUTION OF INTEREST AND THE PRINCIPAL DISTRIBUTION AMOUNT DUE THEREON, WHICH AMOUNTS CORRESPOND TO THE INTEREST AND PRINCIPAL DUE ON THE UNDERLYING REMIC CERTIFICATES (LESS CERTAIN FEES). SEE "GENERAL—FANNIE MAE GUARANTY" HEREIN.

(Cover continued on next page)

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

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)(2)	Interest Rate	Interest Type(1)	CUSIP Number	Final Distribution Date(3)
A1	$71,743,000	SEQ	6.35%	FIX	31359LXW0	October 2007
A2	50,013,000	SEQ	6.40	FIX	31359LXX8	November 2010
A3	28,388,000	SEQ	6.61	FIX	31359LXY6	November 2018

(1) See "Description of the Certificates—Class Definitions and Abbreviations," "—Distributions of Interest" and "—Distributions of Principal" herein.
(2) Sequential pay, as a result of being direct ownership interests in the related Underlying REMIC Certificates, which are sequential pay securities.
(3) Calculated as described herein under "Yield and Prepayment Considerations—Maturity Considerations and Final Distribution Dates."

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

The Certificates offered hereby will be offered by the Dealer, subject to issuance by Fannie Mae and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, and subject to approval of certain legal matters by counsel. It is expected that the Certificates offered hereby will be available through the book-entry system of The Depository Trust Company on or about September 28, 1995 (the "Settlement Date").

LEHMAN BROTHERS

September 14, 1995

(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 portion of Pre-Funding Account moneys, if any, applied to a mandatory prepayment of the Certificates, the actual characteristics of such Mortgage Loans and the purchase price paid for the related Class. Accordingly, investors should consider the following risks:

- **The Mortgage Loans may be prepaid by the related borrowers at any time and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time. However, approximately 57% of the Initial Mortgage Loans (by aggregate principal balance as of the Issue Date) contain prepayment penalties applicable at various times and in various amounts. Depending on other factors present at the time, Mortgage Loans having prepayment penalties may be less likely to prepay than Mortgage Loans which do not have such penalties.**
- **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.**
- **There will be no reimbursement to investors for any premium paid by such investors, or for any loss in an investor's yield, if such investors receive early payments of principal (including early payments received as a result of any mandatory prepayment following the end of the Pre-Funding Period, as a result of any early termination of the Underlying REMIC Trust, or as a result of repurchases of Mortgage Loans by the Depositor).**

See "Yield and Prepayment Considerations" herein.

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

- **In the event that not all of the moneys originally deposited to the Pre-Funding Account held by the Underlying REMIC Trust are used to acquire the Subsequent Mortgage Loans from the Depositor by December 22, 1995, a mandatory prepayment of the Certificates, in an amount equal to the amount of any such unused moneys, will occur on the December 1995 Distribution Date. See "General—Pre-Funding Account."**
- **The actual final Distribution Date for 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 "Yield and Prepayment Considerations—Weighted Average Lives of the Certificates" herein.**
- **The rate of principal distributions of the Certificates is uncertain and investors may be unable to reinvest the distributions thereof at yields equaling the yields on the Certificates. See "Yield and Prepayment Considerations—Reinvestment Risk" herein.**
- **Variations may occur in the rate of amortization of the Certificates relative to the rate of amortization of the Mortgage Loans. See "General—Overcollateralization Feature of the Underlying REMIC Trust."**
- **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" herein.**
- **Because no advances will be made to cover delinquent payments of principal on the Mortgage Loans, any such delinquencies will affect, and may significantly affect, the rate of principal distributions on the Certificates, particularly in the case of final payments on the Balloon Mortgage Loans (as defined herein). In addition, certain of the Mortgage Loans are Simple Interest Loans (as defined herein) and accordingly, the timing of the receipt of payments thereon will affect the rate of principal distributions on the Certificates. See "Description of the Certificates—Distributions of Principal" and "Yield and Prepayment Considerations" herein.**

The Dealer intends to make a secondary market for the Certificates offered hereby 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 marketable.

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. Any representation to the contrary is a criminal offense.

Although no REMIC election will be made with respect to the Trust, Holders will be treated for federal income tax purposes as being the owner of an undivided interest in the related Underlying REMIC Certificate held by the Trust. See "Certain Federal Income Tax Consequences" herein.

Investors should purchase the Certificates only if they have read and understood this Prospectus and Fannie Mae's Information Statement dated March 31, 1995 and any supplements thereto (collectively, the "Information Statement").

The Information Statement is 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 document may also be obtained from Lehman Brothers by writing or calling its Registration Department at 536 Broadhollow Road, Melville, New York 11747 (telephone 516-254-7106).

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REFERENCE SHEET

This reference sheet is not a summary of the transactions described herein, and it does not contain complete information about the Certificates. Investors should purchase the Certificates only after reading this Prospectus and the Information Statement referred to herein in their entirety.

Assumed Characteristics of the Mortgage Loans

The table contained herein under the heading "The Mortgage Loans—General" sets forth certain information regarding the assumed characteristics of the Mortgage Loans as of the Issue Date (as defined herein), aggregated on the basis of the characteristics specified therein, including certain information regarding principal balance, weighted average net mortgage rate, weighted average age, WAC, original WAM, weighted average remaining amortization term, and with respect to the Balloon Mortgage Loans, weighted average months to balloon payment, together with assumed characteristics of the Subsequent Mortgage Loans.

Interest Rates

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

See "Description of the Certificates—Distributions of Interest" herein.

Distributions of Principal

Principal Distribution Amount

Principal will be distributed monthly on each Class of Certificates in an amount equal to the Principal Distribution Amount due on each Class of related Underlying REMIC Certificates. Consequently, on each Distribution Date, the Principal Distribution Amount will be distributed, sequentially, as principal to the A1, A2 and A3 Classes, in that order, to zero.

See "Description of the Certificates—Distributions of Principal" herein.

Weighted Average Lives (years)*

	% of Prepayment Scenarios**				
Class	**0%**	**50%**	**100%**	**125%**	**150%**
A1	6.2	1.8	1.1	0.9	0.8
A2	13.6	5.4	3.1	2.5	2.1
A3	18.7	9.0	5.2	4.2	3.5

* Determined as specified under "Yield and Prepayment Considerations—Weighted Average Lives of the Certificates" herein.

** For a description of the Prepayment Scenario, see "Yield and Prepayment Considerations—Prepayment Scenario and Decrement Tables" herein.

GENERAL

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, the Information Statement and the provisions of the Trust Agreement (defined below). Capitalized terms used and not otherwise defined in this Prospectus have the meanings assigned to such terms in the Information Statement or in the Trust Agreement (as the context may require).

Structure. The Certificates will be issued and guaranteed by the Federal National Mortgage Association (''Fannie Mae''), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*). The Trust will be created pursuant to a trust agreement dated as of September 1, 1995 (the ''Trust Agreement''), executed by Fannie Mae in its corporate capacity and in its capacity as Trustee (in such capacity, the ''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 assets of the Trust will consist of three certificates (the ''Underlying REMIC Certificates'') to be issued by a trust (the ''Underlying REMIC Trust'') to be established by Advanta Mortgage Conduit Services, Inc. (the ''Depositor'') and administered by the ''Underlying REMIC Trustee.'' The Underlying REMIC Certificates represent three classes of REMIC ''regular interests'' issued by the Underlying REMIC Trust, and each Class of Certificates offered hereby will receive payments due (less certain fees) with respect to the related Underlying REMIC Certificates. The Underlying REMIC Trust contains a Pre-Funding Account from which the Underlying REMIC Trustee will acquire Subsequent Mortgage Loans from the Depositor. In the event that not all of the moneys originally deposited to the Pre-Funding Account held by the Underlying REMIC Trust are used to acquire the Subsequent Mortgage Loans from the Depositor by December 22, 1995, a mandatory prepayment of the Certificates (which will be applied in the same manner as the other principal distributions on the Certificates) will occur on the December 1995 Distribution Date.

In addition to the Underlying REMIC Certificates, certain other REMIC ''regular interests'', and one class of REMIC ''residual interest'', will be issued by the Underlying REMIC Trust and will represent the entire undivided ownership interests in the Mortgage Loans not represented by the Underlying REMIC Certificates; such additional interests will not be acquired by the Trust, and no distributions with respect thereto will be received by the Trust.

The agreements and documents relating to the Underlying REMIC Trust are collectively referred to herein as the ''Underlying REMIC Agreements.''

Pre-Funding Account. In addition to the Mortgage Loans, the Underlying REMIC Trust will also contain a Pre-Funding Account into which a cash deposit of $65,138,214.76 (the ''Original Pre-Funded Amount'') will be made on the Settlement Date; such deposit will be funded from a portion of the proceeds of the sale of the Aggregate REMIC Interests. From time to time during the period commencing on the Settlement Date and ending, at the latest, on December 22, 1995 (such period, the ''Pre-Funding Period''), the Depositor may convey additional Mortgage Loans to the Underlying REMIC Trust (such additional Mortgage Loans, the ''Subsequent Mortgage Loans'') in exchange for the release of a portion of the moneys on deposit in the Pre-Funding Account related to the principal balance of such Subsequent Mortgage Loans.

If any amount remains on deposit in the Pre-Funding Account on December 22, 1995 (or, if the amount therein is reduced to less than $100,000 by October 24, 1995 or by November 24, 1995), then such remaining amounts will be applied to the mandatory prepayment of the Underlying REMIC Certificates (and thus passed-through as a mandatory prepayment on the related classes of Certificates) on the Distribution Date in December 1995 (or on the Distribution Date in October 1995 or in

November 1995, in the event that the Pre-Funding Account balance is reduced to less than $100,000 prior to either such Distribution Date). The amount of any such mandatory prepayment will be applied in the same manner as other distribution amounts related to principal. Due to the sequential-pay feature of principal distributions on the Underlying REMIC Certificates and the application thereof to the related Certificates, any such mandatory principal prepayment will have a greater effect on the first Classes of Certificates entitled to receive principal distributions. The Certificateholders are not entitled to receive any prepayment premium in the event of any such prepayment.

Overcollateralization Feature of the Underlying REMIC Trust. The overcollateralization feature of the Underlying REMIC Trust temporarily applies certain excess interest (otherwise distributable on the Underlying REMIC Trust "residual interest") received with respect to the Mortgage Loans to the payment of principal on the Aggregate REMIC Interests (as hereinafter defined), creating overcollateralization (*i.e.*, the aggregate principal balance of the Mortgage Loans exceed the aggregate principal balance of the Aggregate REMIC Interests). Such application results in a limited acceleration of principal distributions made with respect to the Underlying REMIC Certificates (and thus on the related Classes of Certificates) relative to the amortization of the Mortgage Loans. Such accelerated payments of principal will also be applied in the same manner as other distribution amounts relating to the payments of principal. When the required level of overcollateralization is achieved and maintained, subject to the provisions described in the next paragraph, the acceleration of payments of principal will cease.

The Underlying REMIC Agreements provide that the required level of overcollateralization with respect to the Mortgage Loans may increase or decrease over time, based upon the performance of the Mortgage Loans, as well as certain other factors. An increase would result in a temporary period of accelerated amortization of the related classes of Aggregate REMIC Interests (and thus on the related Classes of Certificates) to increase the actual level of overcollateralization to its required level; a decrease would result in a temporary period of decelerated amortization to reduce the actual level of overcollateralization to its required level. As a result of the overcollateralization feature, in certain cases it is possible that there will be a temporary period in which no principal amortization on the Certificates occurs.

Accelerated amortization may also occur, as needed, to reinstate the level of overcollateralization to its specified level if the actual level thereof is reduced due to losses on the Mortgage Loans. As a result of the foregoing, and since the amount of any increase in the actual level of overcollateralization is limited on any Distribution Date by the amount, if any, of available excess interest on such Distribution Date, the amount of any realized loss experienced on the Mortgage Loans may or may not be passed-through on the Distribution Date following the realization of such loss, although such amount will ultimately be passed-through.

The decrement tables set forth herein under "Yield and Prepayment Considerations—Prepayment Scenario and Decrement Tables" illustrate the effect of the overcollateralization feature, without taking into account variations in the application of excess interest that may result from Mortgage Loan losses.

Authorized Denominations. The Certificates will be issued in minimum denominations of $1,000 and integral multiples of $1 in excess thereof.

Characteristics of Certificates. The Certificates will be represented by one or more certificates (the "DTC Certificates") to be registered at all times in the name of the nominee of the Depository (as defined herein), which Depository will maintain such Certificates through its book-entry facilities. When used herein with respect to any DTC Certificate, the terms "Holders" and "Certificateholders" refer to the nominee of the Depository.

See "Description of the Certificates—Book-Entry Procedures" herein.

Fannie Mae Guaranty. Pursuant to its guaranty of the Certificates, Fannie Mae will be obligated to distribute to the Holders of Certificates (i) all interest accrued on the Classes of Certificates during each Interest Accrual Period at the respective interest rates described on the cover hereof and (ii) the Principal Distribution Amount, whether or not sufficient funds are received with respect to the Underlying REMIC Certificates. If Fannie Mae were unable to perform these guaranty obligations, distributions to Certificateholders would consist solely of payments and other recoveries on the Underlying REMIC Certificates and, accordingly, delinquencies and defaults on the Mortgage Loans, and defaults under any third-party credit enhancement arrangement with respect to the Underlying REMIC Certificates could affect distributions to Certificateholders. The guaranty of Fannie Mae is not backed by the full faith and credit of the United States.

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.

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

Trust Factors. As soon as practicable following the twenty-third 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.

Optional Termination. Fannie Mae may effect an early termination of the Trust as described herein under "The Trust Agreement—Termination."

THE MORTGAGE LOANS

General

It is expected that the Underlying REMIC Trust will consist initially of, among other things, approximately 2,284 mortgage loans (collectively, the "Initial Mortgage Loans") having an aggregate principal balance of approximately $125,451,785.24 as of September 1, 1995 (the "Issue Date").

The Initial Mortgage Loans consist of first and junior lien, single-family, closed-end, fixed rate, amortizing and balloon residential mortgage loans. Each Initial Mortgage Loan is evidenced by a promissory note or similar evidence of indebtedness (a "Mortgage Note") that is secured by a first or junior mortgage or deed of trust and that provides for monthly payments of principal and interest. As used herein, the property that secures repayment of a Mortgage Loan is referred to as the "Mortgaged Property."

As of the Issue Date, approximately 83.81% of the Initial Mortgage Loans were secured by first liens on the related Mortgaged Properties and approximately 16.19% of the Initial Mortgage Loans were secured by junior liens on the related Mortgaged Properties (in each case based upon the aggregate principal balance of the Mortgage Loans as of such date).

As of the Issue Date, approximately 84.11% of the Initial Mortgage Loans (based upon the aggregate principal balance of the Initial Mortgage Loans as of such date) are fully amortizing Mortgage Loans and approximately 15.89% are Balloon Mortgage Loans. A "Balloon Mortgage Loan" is a Mortgage Loan providing for amortization on the basis of an amortization schedule extending beyond its stated maturity with a disproportionate payment due on a stated maturity date equal to the remaining principal balance of such Mortgage Loan. The monthly payments for the Balloon Mortgage Loans in the Underlying REMIC Trust generally are based upon 30 year amortization schedules, with lump sum payments on the related dates of maturity (in most cases, 15 years from origination). See "Yield and Prepayment Considerations—Maturity Considerations and Final Distribution Dates" herein.

As of the Issue Date, approximately 92.86% of the Initial Mortgage Loans are Actuarial Loans (as defined below) and approximately 7.14% of the Initial Mortgage Loans are Simple Interest Loans (as defined below), in each case based upon the aggregate principal balance of the Initial Mortgage Loans as of such date.

Set forth below is certain summary information regarding the assumed characteristics of the Mortgage Loans, aggregated on the basis of the specified characteristics as of the Issue Date:

Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Age (in months)	WAC	Original WAM (in months)	Weighted Average Remaining Amortization Term (in months)	Weighted Average Months to Balloon Payment
Initial Mortgage Loans						
$ 1,650,923.72	11.455%	3	11.955%	34	349	31
1,868,058.71	12.151	2	12.651	65	358	63
16,420,027.01	11.317	3	11.817	175	356	172
4,882,492.99	10.517	1	11.017	112	111	—
44,042,369.42	10.445	2	10.945	180	178	—
5,821,365.98	10.024	9	10.524	258	249	—
50,766,547.41	10.399	10	10.899	360	350	—
$125,451,785.24	10.562%	6	11.062%	250		
Subsequent Mortgage Loans*						
$ 2,526,177.24	11.855%	0	12.355%	70	357	70
7,805,836.02	11.262	0	11.762	180	359	180
25,380,751.92	10.449	0	10.949	173	173	—
29,425,449.58	10.363	0	10.863	349	349	—
$ 65,138,214.76	10.562%	0	11.062%	249		

* The decrement tables set forth herein under "Yield and Prepayment Considerations—Prepayment Scenario and Decrement Tables" assume that one-half of the Subsequent Mortgage Loans having each of the specified characteristics set forth above are delivered in October 1995, and one-half are delivered in November 1995.

The "Weighted Average Net Mortgage Rate" for any Distribution Date is the weighted average of the Net Mortgage Rates in effect during the preceding Due Period (as defined herein), weighted on the basis of the respective principal balances of the Mortgage Loans immediately prior to the beginning of such Due Period. The "Net Mortgage Rate" for any Mortgage Loan is the Mortgage Interest Rate thereof less 0.50%.

Conveyance of Subsequent Mortgage Loans

During the Pre-Funding Period, the Underlying REMIC Trust may acquire up to $65,138,214.76 in aggregate principal balance of Subsequent Mortgage Loans. Accordingly, the statistical characteristics of the Mortgage Loan pool will vary from those set forth in the above tables upon the Underlying REMIC Trust's acquisition of Subsequent Mortgage Loans.

The obligation of the Underlying REMIC Trust to purchase any Subsequent Mortgage Loan is subject to the following requirements: (i) such Subsequent Mortgage Loan may not be 30 or more days contractually delinquent as of the related "Subsequent Cut-Off Date"; (ii) the remaining term to maturity of such Subsequent Mortgage Loan may not exceed 30 years; (iii) such Subsequent Mortgage Loan has a gross coupon rate of at least 7.95%; and (iv) following the purchase of all such Subsequent Mortgage Loans by the Underlying REMIC Trust, the Mortgage Loans (including the Subsequent Mortgage Loans): (a) will have a weighted average gross coupon rate of at least 10.90%;

(b) will have a weighted average remaining term to stated maturity of not more than 255 months; (c) will have a weighted average combined loan-to-value ratio of not more than 75%; (d) will have Balloon Loans representing not more than 17.50% in aggregate principal balance of the Mortgage Loans; (e) will have no Mortgage Loan with a principal balance in excess of Fannie Mae's maximum loan amounts (as set forth below); and (f) will not have more than 9% in aggregate principal balance of Mortgage Loans relating to non-owner occupied properties.

Interest Payments on the Mortgage Loans

Each Mortgage Loan provides for monthly payments by the obligor on the related mortgage note (the "borrower") according to one of the following methods: the actuarial method to be calculated on the basis of a 360-day year consisting of twelve 30-day months, (such Mortgage Loans, the "Actuarial Loans"), or the "simple interest" method (such Mortgage Loans, the "Simple Interest Loans").

Actuarial Loans provide that interest is charged to each related borrower, and payments are due therefrom, as of a scheduled day in each month that is fixed at the time of origination. Scheduled monthly payments by a borrower on an Actuarial Loan either earlier or later than the scheduled due date therefor will not affect the amortization schedule or the relative application of such payment to principal and interest.

Simple Interest Loans provide that interest is charged to each related borrower at the rate of interest set forth in the related mortgage note (the "Mortgage Interest Rate") on the outstanding principal balance thereof and calculated based on the number of days elapsed between receipt of the borrower's last payment through receipt of the borrower's most recent payment. Such interest is deducted from the borrower's payment amount and the remainder, if any, of the payment is applied to reduce the outstanding principal balance of such Mortgage Loan. Although the borrower is required to remit equal monthly payments on a specified monthly payment date that would reduce the outstanding principal balance of such Mortgage Loan to zero on such Mortgage Loan's maturity date, payments by the borrower after the due date therefor would not cause the outstanding principal balance of such Mortgage Loan to be reduced to zero. In such case, the borrower would be required to make an additional principal payment at the related maturity date. If it were assumed that all of the borrowers on the Simple Interest Loans were to pay on the latest date possible without the Simple Interest Loans being in default, the amount of such additional principal payment could be relatively significant. On the other hand, if a borrower makes a payment (other than a prepayment) before the due date therefor, the reduction in the outstanding principal balance of such Mortgage Loan would occur over a shorter period of time than would have occurred had it been based on the schedule of amortization in effect on the Issue Date.

Additional Mortgage Loan Characteristics

General

In general, the underwriting standards applicable to the Mortgage Loans are intended to assess the credit quality of the borrower, the value of the related Mortgaged Property and to evaluate the adequacy of such property as collateral for the Mortgage Loan. Under these standards, the borrowers may or may not qualify for loans conforming to Fannie Mae guidelines but may have substantial equity in the related Mortgaged Property, or certain other factors which justify the decision to originate the Mortgage Loan. As a result of these standards, the Mortgage Loans are likely to experience rates of delinquency, foreclosure and bankruptcy that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten to Fannie Mae conforming guidelines. Furthermore, changes in the values of Mortgaged Properties may have a greater effect on the delinquency, foreclosure, bankruptcy and loss experience of the Mortgage Loans than on mortgage loans originated in a more traditional manner. No assurance can be given that the values of the Mortgaged Properties have remained or will remain at the levels in effect on the dates of origination of the related Mortgage Loans.

Maximum Loan Amounts

First lien conventional mortgage loans secured by residential property must be real property loans secured by first mortgages on residential properties with original principal balances that (when combined with the original principal balance of any second lien mortgage loan in which Fannie Mae has an interest) did not exceed certain federally imposed maximum principal balance limitations applicable to Fannie Mae. Currently, the maximum dollar purchase limitations for residential mortgage loans are as follows: $203,150 for mortgages secured by one-family residences ($304,725 in Alaska, Hawaii and the Virgin Islands); $259,850 for mortgages secured by two-family residences ($389,775 in Alaska, Hawaii and the Virgin Islands); $314,100 for mortgages secured by three-family residences ($417,150 in Alaska, Hawaii and the Virgin Islands); and $390,400 for mortgages secured by four-family residences ($585,600 in Alaska, Hawaii and the Virgin Islands). The maximum mortgage amount for any second lien mortgage loan is 50% of Fannie Mae's conventional first mortgage limit for a single-family dwelling. Additionally, if Fannie Mae has purchased, serviced, sold or otherwise dealt with the first lien mortgage loan on a single-family dwelling, Fannie Mae will acquire the second lien mortgage loan on such dwelling only if the combined original balance of both the first mortgage loan and the second lien mortgage loan do not exceed $203,150 ($304,725 in Alaska, Hawaii and the Virgin Islands).

Summary Information

A Preliminary Data Statement, setting forth summary information of the Initial Mortgage Loans as of the Issue Date will not accompany this Prospectus but will be made available by Fannie Mae. After the Pre-Funding Period, Fannie Mae will make available a Final Data Statement setting forth summary information of the Initial and Subsequent Mortgage Loans. The summary information contained in both the Preliminary and Final Data Statements has been collected and summarized by the Depositor and provided to Fannie Mae. To request the Preliminary or Final Data Statement, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. The contents of the Preliminary and Final Data Statements 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.

DESCRIPTION OF THE CERTIFICATES

Book-Entry Procedures

General

The Certificates will be represented by one or more certificates (the "DTC Certificates") to be registered at all times in the name of the nominee of The Depository Trust Company, a New York-chartered limited purpose trust company, or any successor depository selected or approved by Fannie Mae (the "Depository"). In accordance with its normal procedures, the Depository will record the positions held by each Depository participating firm (each, a "Depository Participant") in the DTC Certificates, whether held for its own account or as a nominee for another person. State Street Bank & Trust Company will act as paying agent for, and perform certain administrative functions with respect to, the DTC Certificates.

No person acquiring a beneficial ownership interest in the DTC Certificates (a "beneficial owner" or an "investor") will be entitled to receive a physical certificate representing such ownership interest. An investor's interest in the DTC Certificates will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a "financial intermediary") that maintains such investor's account for such purpose. In turn, the financial intermediary's record ownership of such interest will be recorded on the records of the Depository (or of a Depository Participant that acts as an agent for the financial intermediary if such intermediary is not a Depository Participant). Accordingly, an investor will not be recognized by the Trustee or the Depository as a Certificateholder and must rely on the foregoing arrangements to evidence its interest in the DTC Certificates.

Beneficial ownership of an investor's interest in the DTC Certificates may be transferred only by compliance with the procedures of an investor's financial intermediary and of Depository Participants. In general, beneficial ownership of an investor's interest in the DTC Certificates will be subject to the rules, regulations and procedures governing the Depository and Depository Participants as in effect from time to time.

Method of Distribution

Each distribution on the DTC Certificates will be distributed by the Trustee to the Depository in immediately available funds. The Depository will be responsible for crediting the amount of such distributions to the accounts of the Depository Participants entitled thereto, in accordance with the Depository's normal procedures, which currently provide for distributions in next-day funds settled through the New York Clearing House. Each Depository Participant and each financial intermediary will be responsible for disbursing such distributions to the beneficial owners of the DTC Certificates that it represents. Accordingly, the beneficial owners may experience some delay in their receipt of distributions.

Distributions of Interest

Categories of Classes

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

Interest Type*	Classes
Fixed Rate	A1, A2, A3

* See "Description of the Certificates—Class Definitions and Abbreviations" herein.

General. The Certificates will bear interest at the respective per annum interest rates set forth on the cover. Distributions of interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be paid monthly on each Distribution Date, commencing in the month after the Settlement Date. The interest to be distributed on each Distribution Date with respect to a Class of Certificates will consist of one month's interest on the outstanding principal balance of such Class of Certificates immediately prior to such Distribution Date.

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

Classes	Interest Accrual Period
All interest-bearing Classes	Calendar month preceding the month in which the Distribution Date occurs.

See "Yield and Prepayment Considerations" herein.

Distributions of Principal

Categories of Classes

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

Principal Type*	Classes
Sequential Pay	A1, A2, A3

* See "Description of the Certificates—Class Definitions and Abbreviations" herein.

General. Each Class of Certificateholders will be entitled to receive, on each Distribution Date, the amount of the principal distribution due to be paid with respect to the related class of Underlying

REMIC Certificates on such Distribution Date, whether or not such amount is in fact paid with respect to the related Class of Underlying REMIC Certificates (the "Principal Distribution Amount").

The Underlying REMIC Certificates represent the first three classes of five "sequential-pay" classes issued by the Underlying REMIC Trust. Accordingly, on each Distribution Date, the Principal Distribution Amount will be distributed, sequentially, as principal of the A1, A2 and A3 Classes, in that order, until the respective principal balances thereof are reduced to zero.

The remaining two classes of REMIC "regular interests" issued by the Underlying REMIC Trust that are entitled to Underlying Principal Distribution Amounts and are not held by the Trust have an aggregate principal balance as of the Settlement Date of $40,446,000. The three Underlying REMIC Certificates held by the Trust and such other two classes of regular interests are the "Aggregate REMIC Interests", which, together with the "residual interest" in the Underlying REMIC Trust, represent 100% of the beneficial ownership interest in the Mortgage Loans held by the Underlying REMIC Trust. As of the Settlement Date, the Underlying REMIC Trust held $125,451,785.24 in aggregate principal balance of Initial Mortgage Loans, and the Pre-Funding Account containing, initially, $65,138,214.76

Principal Distribution Amount

The "Principal Distribution Amount" as of any Distribution Date is the Underlying Principal Distribution Amount applicable to the Underlying REMIC Certificates for such Distribution Date, whether or not such Underlying Principal Distribution Amount is in fact distributed by the Underlying REMIC Trust.

The Underlying REMIC Agreements require that an amount (the "Underlying Principal Distribution Amount") be distributed monthly on each Distribution Date in an amount equal to the lesser of:

(a) the Available Funds plus any related Insured Payment minus the Interest Distribution Amount, and

(b) (i) the sum, without duplication of:

(A) the amount of any Subordination Deficit due from any prior period;

(B) the principal actually collected by the Depositor with respect to the Mortgage Loans during the prior Due Period;

(C) the principal balance of each Mortgage Loan that either was repurchased or purchased with respect to the prior Due Period, to the extent actually received by the Underlying REMIC Trustee;

(D) any amounts delivered by the Depositor with respect to the related Due Period in connection with a substitution of a Mortgage Loan to the extent actually received by the Underlying REMIC Trustee;

(E) all net liquidation proceeds actually collected with respect to the Mortgage Loans during the prior Due Period (to the extent such net liquidation proceeds relate to principal);

(F) the amount of any Subordination Deficit for such Distribution Date;

(G) the proceeds received by the Underlying REMIC Trustee from any termination of the Underlying REMIC Trust (to the extent such proceeds relate to principal on the Mortgage Loans);

(H) any moneys released from the Pre-Funding Account as a mandatory prepayment on the regular interests issued by the Underlying REMIC Trust on or prior to the December 1995 Distribution Date; and

(I) the amount of any Subordination Increase Amount for such Distribution Date to the extent of any excess cashflow available for such purpose;

minus

(ii) the amount of any Subordination Reduction Amount for such Distribution Date.

As used above:

"Available Funds" means, as of any Distribution Date, all amounts on deposit with the Underlying REMIC Trustee and available for application of the interest and principal due with respect to the Aggregate REMIC Interests on such Distribution Date, other than the amount of any Insured Payment.

"Due Period" means, with respect to any Distribution Date, the calendar month immediately preceding the month in which such Distribution Date occurs.

"Insured Distribution Amount" means (i) as of any Distribution Date, the sum of (x) the Interest Distribution Amount for such Distribution Date and (y) the Subordination Deficit, if any, for such Distribution Date and (ii) the amount of any distributions previously made and recovered as "preferential transfers" under the United States Bankruptcy Code.

"Insured Payment" means, as of any Distribution Date, the excess of (x) the Insured Distribution Amount as of such Distribution Date over (y) the Available Funds as of such Distribution Date; the third-party credit enhancer, if any, named in the Underlying REMIC Agreements will be obligated to pay the Insured Payment amount to the Underlying REMIC Trustee with respect to each Distribution Date.

"Interest Distribution Amount" means, as of any Distribution Date, the interest then due on the Aggregate REMIC Interests.

"Subordination Deficit" means, as of any Distribution Date, the excess, if any, of (x) the aggregate principal balance of the Aggregate REMIC Interests on such Distribution Date, and following the making of all other principal distributions with respect to the Aggregate REMIC Interests on such Distribution Date over (y) the aggregate principal balances of the Mortgage Loans, plus any amount on deposit in the Pre-Funding Account, in each case as of the end of the immediately preceding calendar month.

"Subordination Increase Amount" means, as of any Distribution Date, any excess interest applied to the accelerated amortization of the aggregate principal balance of the Aggregate REMIC Interests for the purpose of creating overcollateralization to the level then required by the Underlying REMIC Agreements.

"Subordination Reduction Amount" means, as of any Distribution Date, any amount of collected principal not passed-through on account of principal on the Aggregate REMIC Interests for the purpose of decelerating the amortization thereof relative to the Mortgage Loans, and allowing the level of overcollateralization to "step down" to a lower level, as then permitted by the Underlying REMIC Agreements.

Class Definitions and Abbreviations

Classes of Certificates fall into different categories. The following chart identifies and generally defines the categories of Classes specified on the cover page of the Prospectus.

Abbreviation	Category of Class	Definition
		PRINCIPAL TYPES
SEQ	Sequential Pay	A single Class that receives principal payments before or after all other Classes in the same Series of Certificates may be identified as a Sequential Pay Class.
		INTEREST TYPES
FIX	Fixed Rate	A Class whose interest rate is fixed throughout the life of the Class.

Structuring Assumptions

Pricing Assumptions. Unless otherwise specified, the information in the tables in this Prospectus has been prepared on the basis of (i) the assumed characteristics of the Mortgage Loans set forth herein under "The Mortgage Loans—General" and (ii) the following assumptions (the "Pricing Assumptions"):

For the purpose of the tables set forth in this Prospectus, it is assumed that:

(i) the Settlement Date for the Certificates is September 28, 1995;

(ii) the Mortgage Interest Rate is net of the servicing fee and certain other fees;

(iii) the related Mortgage Loans' prepayment rates are the indicated multiple of the Prepayment Scenario;

(iv) all prepayments are prepayments in full, and include 30 days' interest thereon;

(v) the overcollateralization levels are set initially as specified in the Underlying REMIC Agreements, and thereafter decrease in accordance with the provisions of the Underlying REMIC Agreements;

(vi) no Mortgage Loan is ever delinquent;

(vii) all funds originally deposited to the Pre-Funding Account are used to purchase the Subsequent Mortgage Loans; one-half of such amount is purchased in October 1995, and one-half of such amount is purchased in November 1995; and

(viii) interest accrues on the funds in the Pre-Funding Account at an annual rate of 7.0% and is deposited the first day of each month.

YIELD AND PREPAYMENT CONSIDERATIONS

Yield Generally

The effective yield to Certificateholders in the Trust will depend upon the purchase price of the related Certificates, the rate of principal payments, including prepayments, on the Mortgage Loans, and the actual characteristics of the Mortgage Loans. An investor should purchase Certificates only after performing an analysis of such Certificates based upon the investor's own assumptions as to future rates of prepayment.

The timing of changes in the rate of principal payments (including prepayments) may significantly affect the yield to an investor, even if the average rate of principal prepayments is consistent with such investor's expectations. In general, the earlier the payment of principal, the greater the effect on an investor's yield to maturity. As a result, the effect on an investor's yield of principal payments (including prepayments) occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the Settlement Date will not be offset by any subsequent equivalent reduction (or increase) in the rate of principal payments (including prepayments).

The effective yield on the Certificates 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 Certificates 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.

The effective yield on any Certificates purchased at a discount will be reduced to the extent delinquencies occur in the payment of principal on the Mortgage Loans. Because no advances will be made to cover delinquent payments of principal on the Mortgage Loans, any such delinquencies will affect, and may significantly affect, the rate of principal distributions on the Certificates, particularly in the case of final payments on the Balloon Mortgage Loans. In addition, late payments on the Simple Interest Loans will affect the rate of principal distribution on the Certificates.

Because Fannie Mae will guaranty the timely distribution of all interest accrued on the Certificates, it is not anticipated that any prepayment or other liquidation of a Mortgage Loan during any Due Period and the timing of the distribution of the proceeds thereof will have an adverse effect on the amount of interest distributed to Certificateholders on the related Distribution Date.

The Certificates will also be affected by the mandatory prepayment feature of the Underlying REMIC Trust. In the event that on December 22, 1995, not all of the amount originally deposited in the Pre-Funding Account has been used to acquire Subsequent Mortgage Loans, the Underlying REMIC Certificates (and thus the related Certificates) will be prepaid on the December 1995 Distribution Date, in accordance with the "sequential pay" feature, from and to the extent of such remaining funds. As a further result of such "sequential pay" feature, any such mandatory prepayment will have the most material effect on the first Classes of Certificates entitled to receive principal distributions. There will be no reimbursement to investors for any premium paid by investors, or for any loss in an investor's yield if such investors receive early payments of principal (including early payments received as a result of any mandatory prepayment following the end of the Pre-Funding Period, as a result of any early termination of the Underlying REMIC Trust, or as a result of repurchases of Mortgage Loans by the Depositor).

Additionally, the overcollateralization provisions of the Underlying REMIC Trust result in a limited acceleration of the Underlying REMIC Certificates relative to the amortization of the Mortgage Loans in the early months of the transaction. Such accelerated payments of principal will be made in accordance with the "sequential pay" feature of the Underlying REMIC Trust. This acceleration feature creates overcollateralization (*i.e.*, the aggregate principal balances of the Mortgage Loans exceed the aggregate principal balance of the Aggregate REMIC Interests). The Underlying REMIC Agreements provide that the required level of overcollateralization with respect to the Mortgage Loans may increase or decrease over time. An increase would result in a temporary period of accelerated amortization to increase the actual level of overcollateralization to its required level; a decrease would result in a temporary period of decelerated amortization to reduce the actual level of overcollateralization to its required level. As a result of the overcollateralization feature, in certain cases it is possible that there will be a temporary period in which no principal amortization on the Certificates occurs.

Reinvestment Risk

Because the Mortgage Loans may be prepaid at any time (although a significant portion of the Mortgage Loans have prepayment penalties, as described below), it is not possible to predict the rate at which distributions of principal of the Certificates will be received. Accordingly, since prevailing interest rates are subject to fluctuation, there can be no assurance that investors in the Certificates will be able to reinvest the distributions thereon at yields equalling or exceeding the yields on such Certificates. It is possible that yields on such reinvestments will be lower, and may be significantly lower, than the yields on such Certificates. Prospective investors in the Certificates should carefully consider the related reinvestment risks in light of other investments that may be available to such investors.

Prepayment Considerations and Risks

General

The rate of principal payments of Certificates is related directly to the rate of payments of principal of the Mortgage Loans, which may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations resulting from default, casualty or condemnation and payments made pursuant to any guaranty of payment by, or option to repurchase of, the Depositor). The Mortgage Loans may be prepaid by the related borrowers at any time, and accordingly, the rate of principal payments thereon is likely to vary considerably from time to time. However, approximately 57% of the Initial Mortgage Loans (by aggregate principal balance as of the Issue Date) contain prepayment penalties applicable at various times and in varying amounts. Depending on other factors present at the time, Mortgage Loans having prepayment penalties may be less likely to prepay than Mortgage Loans which do not have such penalties. Any collected prepayment penalties will be retained by the Depositor and will not be available for distributions on the Certificates.

Generally, if the actual rate of payments on the Mortgage Loans is slower than the rate anticipated by an investor who purchased a Certificate at a discount, the actual yield to such investor will be lower than such investor's anticipated yield. If the actual rate of payment on the Mortgage Loans is faster than the rate anticipated by an investor who purchased a Certificate at a premium, the actual yield to such investor will also be lower than such investor's anticipated yield.

In an environment of declining interest rates, lenders servicing mortgage loans often are asked by borrowers to refinance the mortgage loans through issuance of new loans secured by mortgages on the same properties. The resulting prepayments, if they involve the Mortgage Loans, will result in the distribution to Certificateholders of the principal balances of the prepaid Mortgage Loans and their removal from the Underlying REMIC Trust.

In general, when the level of prevailing interest rates declines sufficiently relative to the interest rate on fixed-rate mortgage loans, the rate of prepayment is likely to increase, although the prepayment rate is influenced by a number of other factors as well, including general economic conditions and homeowner mobility. In addition, it is increasingly difficult to generalize as to the degree to which interest rates must decline before significant prepayments are likely to be experienced. Increased borrower sophistication regarding the benefits of refinancing and extensive solicitation by lenders may result in an increase in the rate at which the Mortgage Loans are prepaid due to refinancing. On the other hand, lenders may have originated certain Mortgage Loans at above-market interest rates to provide a means for the payment of certain closing costs or interest rate buydown deposits. Such Mortgage Loans may have been made to borrowers who, for a variety of reasons, may not seek or readily be able to refinance mortgage loans.

Acceleration of mortgage payments as a result of the sale of the related Mortgaged Property is another factor affecting prepayment rates. The Mortgage Loans will generally provide by their terms that, in the event of the transfer or prospective transfer of title to the underlying Mortgaged Property, the full unpaid principal balance of the Mortgage Loan is due and payable at the option of the holder of the related Mortgage Loan.

Junior Lien Mortgage Loans

The original maturities of a substantial majority of the junior lien Mortgage Loans are expected to be between 10 and 15 years. Fannie Mae is not aware of any reliable studies or statistics on the rate of prepayment of junior lien Mortgage Loans. Generally, junior lien mortgage loans are not viewed by borrowers as permanent financing because in most instances the term is shorter and the interest rate is higher than on first lien mortgage loans placed under similar circumstances. Accordingly, they may prepay at a higher rate than traditional first lien mortgage loans with substantially similar coupons. In addition, any future limitation on the right of borrowers to deduct interest payments on junior lien mortgage loans for federal income tax purposes also may contribute to a higher rate of prepayments of such mortgage loans. Prepayment experience may also be affected by a wide variety of additional factors, including general economic conditions, interest rates, the availability of alternative financing and homeowner mobility.

Weighted Average Lives of the Certificates

The weighted average life of a security refers to the average length of time, weighted by principal, that will elapse from the date of issuance to the date each dollar of principal is repaid to the investor. 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).

The weighted average lives of the Certificates will be influenced by, among other factors, the rate at which principal payments (including scheduled payments, principal prepayments, early payments under Simple Interest Loans, liquidations due to default, casualty and condemnation, the accelerated and decelerated amortization provisions described above, and the provisions allowing for a mandatory prepayment in the event of a failure to deliver the Subsequent Mortgage Loans) are made on the Mortgage Loans or with respect to the Underlying REMIC Certificates. Prepayments on the Mortgage Loans will be applied to principal distributions on the Certificates. In addition, because no advances will be made to cover delinquent payments of principal on the Mortgage Loans, any such delinquencies will delay the receipt of principal payments on such Mortgage Loans, particularly in the case of final payments on Balloon Mortgage Loans and, to a lesser degree, final payments on Simple Interest Loans to the extent arising from late monthly payments during previous periods. The foregoing delay will affect, and may significantly affect, the rate of distributions of principal of the Certificates. 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.

Maturity Considerations and Final Distribution Dates

The original maturities of substantially all of the Mortgage Loans are expected to be between 10 and 30 years. Except for Balloon Mortgage Loans, each Mortgage Loan will provide for amortization of principal according to a schedule that, in the absence of prepayments and, with respect to Simple Interest Loans, late payments, would result in repayment of the Mortgage Loan by its maturity date. Each Balloon Mortgage Loan provides for monthly payments, which generally are based upon a 30 year amortization schedule with a lump sum payment equal to the unpaid principal balance of the Balloon Mortgage Loan on its maturity date (generally 15 years from origination).

The Final Distribution Date for a particular Class is the date by which the principal balance is required to be fully paid, assuming no prepayments and taking into account the "sequential-pay" feature of principal distributions, and is specified on the cover page hereof. The Final Distribution Date of the respective Classes will be determined so that distributions will be sufficient to retire each such Class on or before its Final Distribution Date, and does not take into account the effects of the accelerated and decelerated amortization provisions described above.

Prepayment Scenario and Decrement Tables

The model used in this Prospectus is a prepayment scenario (the "Prepayment Scenario") which represents an assumed rate of prepayment each month relative to the then outstanding principal balance of a pool of mortgage loans for the life of such mortgage loans. A 100% Prepayment Scenario assumes a conditional prepayment rate of 3% per annum of the then outstanding principal balance of the Mortgage Loans in the first month of the life of the related Mortgage Loans and an additional 1.5454545455% per annum in each month thereafter until the twelfth month. Beginning in the twelfth month and in each month thereafter during the life of related Mortgage Loans, the 100% Prepayment Scenario assumes a conditional prepayment rate of 20% per annum each month. As used in the table below, 0% Prepayment Scenario assumes prepayment rates equal to 0% of the Prepayment Scenario, *i.e.*, no prepayments on the eleven aggregated mortgage pools having the characteristics described above under "Structuring Assumptions." Correspondingly, 100% Prepayment Scenario assumes prepayment rates equal to 100% of the Prepayment Scenario, and so forth.

The Prepayment Scenario does not purport to be 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. It is highly unlikely that the Mortgage Loans will repay at any constant percentage of the Prepayment Scenario or at any other constant rate.

The tables below were prepared on the basis of the assumptions described above under "Structuring Assumptions." It should be noted that there are differences between the characteristics of the actual Mortgage Loans and the characteristics of the Mortgage Loans assumed in preparing the tables. Any such difference may have an effect upon the percentages of the Certificate principal balances outstanding and weighted average lives of the Certificates set forth in the tables. In addition, since the actual Mortgage Loans have characteristics which differ from those assumed in preparing the tables set forth below, the distributions of principal on the Certificates may be made earlier or later than as indicated in the 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* percentages of the Prepayment Scenario 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 the case that all of the Mortgage Loans will have the interest rates or remaining terms to maturity assumed or that the Mortgage Loans will prepay at a *constant* percentage of the Prepayment Scenario. Moreover, 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* percentages of the Prepayment Scenario, even if the distributions of the weighted average maturities of the Mortgage Loans are identical to the distributions of the weighted average maturities specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

	Class A-1					Class A-2					Class A-3				
	Prepayment Scenarios					Prepayment Scenarios					Prepayment Scenarios				
Date	0%	50%	100%	125%	150%	0%	50%	100%	125%	150%	0%	50%	100%	125%	150%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1996	89	71	52	42	33	100	100	100	100	100	100	100	100	100	100
September 1997	85	43	4	0	0	100	100	100	80	55	100	100	100	100	100
September 1998	77	15	0	0	0	100	100	49	19	0	100	100	100	100	88
September 1999	72	0	0	0	0	100	90	8	0	0	100	100	100	60	15
September 2000	65	0	0	0	0	100	60	0	0	0	100	100	58	5	0
September 2001	52	0	0	0	0	100	30	0	0	0	100	100	9	0	0
September 2002	45	0	0	0	0	100	8	0	0	0	100	100	0	0	0
September 2003	36	0	0	0	0	100	0	0	0	0	100	79	0	0	0
September 2004	26	0	0	0	0	100	0	0	0	0	100	47	0	0	0
September 2005	16	0	0	0	0	100	0	0	0	0	100	20	0	0	0
September 2006	5	0	0	0	0	100	0	0	0	0	100	0	0	0	0
September 2007	0	0	0	0	0	90	0	0	0	0	100	0	0	0	0
September 2008	0	0	0	0	0	71	0	0	0	0	100	0	0	0	0
September 2009	0	0	0	0	0	50	0	0	0	0	100	0	0	0	0
September 2010	0	0	0	0	0	5	0	0	0	0	100	0	0	0	0
September 2011	0	0	0	0	0	0	0	0	0	0	79	0	0	0	0
September 2012	0	0	0	0	0	0	0	0	0	0	70	0	0	0	0
September 2013	0	0	0	0	0	0	0	0	0	0	60	0	0	0	0
September 2014	0	0	0	0	0	0	0	0	0	0	48	0	0	0	0
September 2015	0	0	0	0	0	0	0	0	0	0	36	0	0	0	0
September 2016	0	0	0	0	0	0	0	0	0	0	22	0	0	0	0
September 2017	0	0	0	0	0	0	0	0	0	0	9	0	0	0	0
September 2018	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2019	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2021	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2022	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	6.2	1.8	1.1	0.9	0.8	13.6	5.4	3.1	2.5	2.1	18.7	9.0	5.2	4.2	3.5

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

THE TRUST AGREEMENT

The following summaries describe certain provisions of the Trust Agreement not otherwise summarized in this Prospectus. Certain capitalized terms in these summaries are used as defined in the Trust Agreement. These summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the more complete provisions of the Trust Agreement.

Reports to Certificateholders

As soon as practicable following the twenty-third calendar day of each month, Fannie Mae will publish or otherwise make available the Trust Factor (carried to eight decimal places) for each Class of Certificates after giving effect to the distribution of principal to be made on the following Distribution Date. The principal balance of a Certificate of any Class after giving effect to such principal distribution will be the product of the applicable Trust Factor and the applicable denomination or initial principal balance of such Certificate. With respect to each distribution on Certificates of each Class, Fannie Mae will cause to be forwarded to each Holder thereof a statement setting forth the total principal and interest distributions on such Distribution Date with respect to the Certificate in each Class held by such Holder. Fannie Mae also will furnish to each person who was a Certificateholder at any time during a calendar year such statements and information as shall be required to be furnished pursuant to the Code.

Calculations with respect to amounts due to Certificateholders will be made by Fannie Mae or on its behalf by another entity retained specifically for that purpose.

Certain Matters Regarding Fannie Mae

The Trust Agreement provides that Fannie Mae may not resign from its obligations and duties thereunder, except upon determination that those duties are no longer permissible under applicable law. No such resignation will become effective until a successor has assumed Fannie Mae's obligations and duties under the Trust Agreement; provided, however, that no successor will succeed to Fannie Mae's guaranty obligations described above. Fannie Mae will continue to be responsible under its guaranty notwithstanding any termination of its other duties and responsibilities under the Trust Agreement.

The Trust Agreement also provides that neither Fannie Mae nor any director, officer, employee, or agent of Fannie Mae will be under any liability to the Trust or to Certificateholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to the Trust Agreement or for errors in judgment; provided, however, that neither Fannie Mae nor any such person will be protected against any liability that would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of willful disregard of obligations and duties.

In addition, the Trust Agreement provides that Fannie Mae is not under any obligation to appear in, prosecute, or defend any legal action that is not incidental to its responsibilities under the Trust Agreement and that in its opinion may involve it in any expense or liability. Fannie Mae may, however, in its discretion undertake any such legal action that it may deem necessary or desirable in the interests of the Certificateholders. In such event, the legal expenses and costs of such action will be expenses and costs of Fannie Mae.

Any corporation into which Fannie Mae may be merged or consolidated, or any corporation resulting from any merger, conversion, or consolidation to which Fannie Mae is a party, or any corporation succeeding to the business of Fannie Mae, will be the successor of Fannie Mae under the terms of the Trust Agreement.

Events of Default

Events of Default under the Trust Agreement will consist of (i) any failure by Fannie Mae to distribute to Holders of Certificates of any Class any required distribution that continues unremedied for 15 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates representing principal balances aggregating not less than five percent of the aggregate principal balances of all Certificates of such Class; (ii) any failure by Fannie Mae duly to observe or perform in any material respect any other of its covenants or agreements in the Trust Agreement, which failure continues unremedied for 60 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates of any Class representing principal balances aggregating not less than 25 percent of the aggregate principal balances of all of the Certificates of such Class; and (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings and certain actions by or against Fannie Mae indicating its insolvency, reorganization or inability to pay its obligations.

Rights Upon Event of Default

As long as an Event of Default under the Trust Agreement for the Trust remains unremedied, the Holders of Certificates of any Class representing principal balances aggregating not less than 25 percent of the aggregate of the principal balances of all Certificates of such Class may, in writing, terminate all of the obligations and duties of Fannie Mae as Trustee and in its corporate capacity under the Trust Agreement in respect of such Trust (other than its guaranty obligations described above, which continue notwithstanding any such termination) and name and appoint, in writing, a successor to succeed to all such responsibilities, duties and obligations of Fannie Mae thereunder (other than Fannie Mae's guaranty obligations) and to the legal title of the Underlying REMIC Certificates and other assets held in the Trust.

Amendment

The Trust Agreement may be amended by Fannie Mae and the Trustee without the consent of or notice to any of the Certificateholders, for one or more of the following purposes: (i) to add to the covenants of Fannie Mae; (ii) to evidence the succession of another party or parties to Fannie Mae and the assumption by such successor or successors of the obligations of Fannie Mae thereunder in its corporate capacity or in its capacity as Trustee or in both such capacities; (iii) to eliminate any right reserved to or conferred upon Fannie Mae in its corporate capacity; or (iv) to make provisions for the purpose of curing any ambiguity or correcting or supplementing any provision in the Trust Agreement, provided such provisions do not adversely affect the interest of any Certificateholder.

The Trust Agreement also may be amended by Fannie Mae with the consent of the Holders of Certificates of each Class representing principal balances aggregating not less than 66 percent of the aggregate principal balances of all Certificates of such Class so as to waive compliance by Fannie Mae with any terms of the Trust Agreement, or to allow Fannie Mae to eliminate, change, add to or modify the terms of the Trust Agreement. However, no such waiver or amendment may, without the consent of all Certificateholders, terminate or modify the guaranty obligations of Fannie Mae or reduce the percentages of the Certificates the Holders of which are required to consent to any waiver or amendments. In addition, no waiver or amendment shall, without the consent of each Certificateholder affected thereby, reduce in any manner the amount of, or delay the timing of, payments received on the Underlying REMIC Certificates or other assets in the Trust that are required to be distributed on any Certificate.

Termination

The Trust Agreement terminates upon the final payment or liquidation of the Underlying REMIC Certificates and distribution of all proceeds thereof. The Underlying REMIC Agreements contain a feature pursuant to which certain parties may terminate the Underlying REMIC Trust in the event that the Underlying REMIC ceases to qualify as a REMIC for federal income tax purposes; in such event, such party will cause the early redemption of the Underlying REMIC Certificates at a price of par plus accrued interest thereon, which amounts will be passed-through to the Holders of the related Classes of Certificates, as received.

The Trust Agreement will terminate also upon repurchase by Fannie Mae, at its option, of the Underlying REMIC Certificates then remaining in the Trust at a price equal to 100 percent of the outstanding principal balance thereof together with one month's accrued interest thereon, provided that Fannie Mae will not exercise such option unless the aggregate outstanding principal balance of the Underlying REMIC Certificates at the time of repurchase is less than one percent of the aggregate outstanding principal balance thereof as of the Issue Date. The exercise of such option will effect retirement of the Certificates. In addition, Fannie Mae does not intend to exercise such option in respect of the Trust if (i) it has knowledge that any related Certificate has been pledged to secure an issue of cash flow obligations or is included in assets underlying an issue of cash flow obligations and (ii) the exercise of such option would take place prior to the earliest date upon which the issuer of such cash flow obligations can exercise an option to redeem such obligations or purchase such Certificates without premium.

In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the persons named in the Trust Agreement. Fannie Mae will give written notice of termination of the Trust Agreement as it relates to each affected Certificateholder, and the final distribution will be made to the person entitled thereto.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The following is a general discussion of the anticipated material income tax consequences to beneficial owners of the purchase, ownership and disposition of the Certificates. The discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. The discussion does 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.

The Certificates, evidencing interests in the Trust, will be issued under a book-entry system to Holders acting on behalf of beneficial owners ("Owners"). The arrangement pursuant to which the Trust will be administered by Fannie Mae and the Certificates will be issued will not be classified as an association taxable as a corporation. Rather, it will be classified as a grantor trust under subpart E, Part I of subchapter J of the Internal Revenue Code of 1986, as amended (the "Code"). Each Owner of a Certificate will be treated for federal income tax purposes as the owner of an undivided interest in the related Underlying REMIC Certificate held by the Trust and will be required to report its pro rata share of the entire income accruing with respect to such Certificate.

Each Owner also will be entitled to deduct, consistent with its method of accounting, its pro rata share of reasonable fees paid or incurred by the Trust as provided in section 162 or 212 of the Code. If an Owner is an individual, estate or trust, the deduction for such Owner's share of such fees will be allowed only to the extent that all of such Owner's miscellaneous itemized deductions, including such Owner's share of such fees, exceed 2% of such Owner's adjusted gross income. In addition, in the case of an Owner who is an individual, certain otherwise allowable itemized deductions will be reduced by an amount equal to 3% of such Owner's adjusted gross income in excess of a statutorily defined threshold, but not by more than 80% of such itemized deductions.

Regulations issued by the Treasury Department on December 23, 1992 (the "Regulations") provide some guidance regarding the federal income tax consequences associated with the purchase, ownership and disposition of REMIC Certificates. Generally, the Regulations apply to any REMIC the "settlement date" of which is on or after November 12, 1991. While certain material provisions of the Regulations are discussed below, investors should consult their own tax advisors regarding the possible application of the Regulations in their specific circumstances.

REMIC Certificates

Except as indicated below in this federal income tax discussion, REMIC regular interests are treated for federal income tax purposes as debt instruments issued by a REMIC on the date such Certificates were first sold to the public (the "Settlement Date") and not as ownership interests in a REMIC or its assets. Beneficial owners of REMIC regular interests that otherwise report income under a cash method of accounting are required to report income with respect to such Certificates under an accrual method.

Original Issue Discount

The Underlying REMIC Certificates may be issued with "original issue discount" within the meaning of section 1273(a) of the Code. Owners should be aware that for federal income tax purposes they must include in gross income original issue discount as it accrues under a method that takes account of the compounding of interest, generally in advance of receipt of the cash attributable to such income. Fannie Mae will supply, at the time and in the manner required by the Internal Revenue Service (the "IRS"), to Holders of Certificates, brokers and middlemen information with respect to the original issue discount accruing on the Underlying REMIC Certificates.

In general, a REMIC Certificate will be considered to be issued with original issue discount equal to the excess, if any, of its "stated redemption price at maturity" over its "issue price." The issue price of a REMIC Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the REMIC Certificates was sold. The issue price also includes any accrued interest attributable to the period between the beginning of the first Interest Accrual Period and the REMIC's Settlement Date. The stated redemption price at maturity of a REMIC Certificate is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Settlement Date to the first Distribution Date.

Notwithstanding the general definition, original issue discount will be treated as zero in the case of a REMIC Certificate if such discount is less than 0.25 percent of the stated redemption price at maturity of such Certificate multiplied by its weighted average life. The weighted average life of a REMIC Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the Mortgage Loans backing the Underlying REMIC Certificates prepay at the rate specified herein (the "Prepayment Assumption") by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the REMIC Certificate's stated redemption price at maturity. If original issue discount is treated as zero under this rule, the actual amount of original issue discount must be allocated to the principal distributions on the REMIC Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized.

Section 1272(a)(6) of the Code contains special original issue discount rules applicable to the REMIC Certificates. Under these rules, (i) it is anticipated that the amount and rate of accrual of original issue discount on each REMIC Certificate issued by a REMIC will be based on the Prepayment Assumption and (ii) adjustments will be made in the amount of discount accruing in each taxable year in which the actual prepayment rate differs from the Prepayment Assumption.

Section 1272(a)(6)(B)(iii) of the Code requires that the prepayment assumption used to calculate original issue discount be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. Fannie Mae anticipates that the Prepayment Assumption for each REMIC Certificate will be consistent with this standard. The Prepayment

Assumption for the REMIC Certificates held by the Trust is the 100% Prepayment Scenario (as described under "Yield and Prepayment Considerations—Prepayment Scenario and Decrement Tables" herein). Fannie Mae makes no representation, however, that the Mortgage Loans backing the Underlying REMIC Certificates will prepay at that rate or at any other rate. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Certificates.

Each Owner must include in gross income the sum of the "daily portions" of original issue discount on the corresponding REMIC Certificate for each day during its taxable year on which it held such Certificate. For this purpose, in the case of an original Owner of a REMIC Certificate, the daily portions of original issue discount will be determined as follows. A calculation will first be made of the portion of the original issue discount that accrued during each "accrual period." Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with original issue discount (the "OID Regulations") provide that for purposes of measuring the accrual of original issue discount on a debt instrument, each Owner may use an accrual period of any length, up to one year, as long as each Distribution Date falls on either the final day or the first day of an accrual period. Fannie Mae intends to report original issue discount based on accrual periods of one month, beginning on a Distribution Date and ending on the day before the next Distribution Date.

The portion of original issue discount treated as accruing for any accrual period will equal the *excess*, if any, of (i) the sum of (A) the present values of all the distributions remaining to be made on the REMIC Certificate, if any, as of the end of the accrual period and (B) the distribution made on such Certificate during the accrual period of amounts included in the stated redemption price at maturity, *over* (ii) the adjusted issue price of such Certificate at the beginning of the accrual period. The present value of the remaining distributions referred to in the preceding sentence will be calculated based on (i) the original yield to maturity of the REMIC Certificate, calculated as of the REMIC's Settlement Date, giving effect to the Prepayment Assumption, (ii) events (including actual prepayments) that have occurred prior to the end of the accrual period and (iii) the Prepayment Assumption. The adjusted issue price of a REMIC Certificate at any time will equal the issue price of such Certificate, increased by the aggregate amount of previously accrued original discount with respect to such Certificate, and reduced by the amount of any distributions made on such Certificate as of that time of amounts included in the stated redemption price at maturity. The original issue discount accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of original issue discount.

A subsequent purchaser of a Certificate that is treated as purchasing a REMIC Certificate at a cost less than its remaining stated redemption price at maturity also will be required to include in gross income for each day on which it holds such Certificate, the daily portion of original issue discount with respect to such Certificate (but reduced, if the cost of such Certificate to such purchaser exceeds its adjusted issue price, by an amount equal to the product of (i) such daily portion and (ii) a constant fraction the numerator of which is such excess and the denominator of which is the sum of the daily portions of original issue discount on such Certificate for all days on or after the day of purchase).

Certificates Purchased at a Premium

An Owner that is treated as purchasing a REMIC Certificate at a cost greater than its remaining stated redemption price at maturity will be considered to have purchased such REMIC Certificate (a "Premium Certificate") at a premium. Such a purchaser need not include in income any remaining original issue discount and may elect, under section 171(c)(2) of the Code, to treat such premium as "amortizable bond premium." If an Owner makes such an election, the amount of any interest payment that must be included in such Owner's income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to such period based on the Premium Certificate's yield to maturity. The legislative history of the Tax Reform Act of 1986 states that such premium amortization should be made under principles analogous to those governing the accrual of market discount (as discussed below under "Market Discount"). If such election is made by the Owner, the election also will apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludable from gross income ("fully taxable bonds") held by the Owner at the beginning of the first taxable year to which the election applies and to all such fully taxable bonds thereafter acquired by it, and is irrevocable without the consent of the IRS. If such an election is not made, (i) such Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the principal distributions on the Premium Certificate and, when each such distribution is received, a loss equal to the premium allocated to such distribution will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

Market Discount

An Owner that is treated as purchasing a REMIC Certificate at a market discount, that is, at a purchase price less than the remaining stated redemption price at maturity of such REMIC Certificate, or in the case of a REMIC Certificate issued with original issue discount, less than the adjusted issue price of such Certificate, will be required to allocate each principal distribution first to accrued market discount on the REMIC Certificate, and recognize ordinary income to the extent such distribution does not exceed the aggregate amount of accrued market discount on such REMIC Certificate that was not previously included in income. With respect to a REMIC Certificate that has unaccrued original issue discount, such market discount must be included in income in addition to original issue discount includible under the rules described above under *"Original Issue Discount."* An Owner that incurs or continues indebtedness to acquire a REMIC Certificate at a market discount may also be required to defer the deduction of all or a portion of the interest on such indebtedness until the corresponding amount of market discount is included in income. In general terms, market discount on a REMIC Certificate may be treated as accruing either (i) under a constant yield method, taking into account the Prepayment Assumption or (ii) in proportion to remaining accruals of original issue discount, if any, or if none, in proportion to remaining distributions of interest on the REMIC Certificate. Fannie Mae will make available, as required by the IRS, to Holders of Certificates information necessary to compute the accrual of market discount on the REMIC Certificates.

Notwithstanding the above rules, market discount on a REMIC Certificate will be considered to be zero if such discount is less than 0.25 percent of the remaining stated redemption price at maturity of such Certificate multiplied by its weighted average remaining life. Weighted average remaining life presumably would be calculated in a manner similar to weighted average life, taking into account payments (including prepayments) prior to the date of acquisition of the REMIC Certificate by the subsequent purchaser. If market discount on a REMIC Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on the REMIC Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized.

Special Election

For any REMIC Certificate acquired on or after April 4, 1994, the OID Regulations permit an Owner to elect to include in gross income all "interest" that accrues on the REMIC Certificate by using a constant yield method. For purposes of the election, the term "interest" includes stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. An Owner should consult its own tax advisor regarding the time and manner of making, and the scope of, the election and the implementation of the constant yield method.

Special Tax Attributes

The Underlying REMIC Certificates are "regular interests in a REMIC" within the meaning of section 7701(a)(19)(C)(xi) of the Code, "qualifying real property loans" within the meaning of section 593(d) of the Code and "real estate assets" within the meaning of section 856(c)(5)(A) of the Code. If at any time during a calendar year less than 95 percent of the assets of a REMIC Trust consist of qualified mortgages, then the portion of the REMIC Certificates that are qualifying assets under those sections during such calendar year may be limited to the portion of the assets of such REMIC Trust that are qualified mortgages. Similarly, income on the REMIC Certificates will be treated as "interest on obligations secured by mortgages on real property" within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. For purposes of applying this limitation, a REMIC Trust should be treated as owning the assets represented by the qualified mortgages. The assets of the Underlying REMIC Trust include, in addition to the Mortgage Loans, the Pre-Funding Account, certain other mortgage loans, certain accounts and moneys held pending distribution on the Underlying REMIC Certificates and any reinvestment income thereon. REMIC Certificates held by a financial institution to which section 585, 586 or 593 of the Code applies will be treated as evidences of indebtedness for purposes of section 582(c)(1) of the Code.

Sales of Certificates

A sale or other disposition of a Certificate constitutes a sale or other disposition of a prorata portion of the corresponding Underlying REMIC Certificate. An Owner's tax basis in a Certificate should be allocated to the corresponding REMIC Certificate based on its relative fair market value at the time of purchase. The proceeds of the sale or other disposition of a Certificate should be allocated to the Underlying REMIC Certificate in a similar manner at the time of sale.

Except as provided below, if a REMIC Certificate is sold, the seller will recognize gain or loss equal to the difference between the amount realized from the sale and its adjusted basis in the REMIC Certificate. The adjusted basis of a REMIC Certificate generally will equal the cost of such REMIC Certificate to the seller, increased by any original issue discount or market discount included in the seller's gross income with respect to such REMIC Certificate and reduced by distributions on such REMIC Certificate previously received by the seller of amounts included in the stated redemption price at maturity and by any premium that has reduced the seller's interest income with respect to such REMIC Certificate. Except as provided in the following paragraph or under section 582(c) of the Code, any such gain or loss will be capital gain or loss, provided such REMIC Certificate is held as a "capital asset" (generally, property held for investment) within the meaning of section 1221 of the Code.

Gain from the sale of a REMIC Certificate that might otherwise be capital gain will be treated as ordinary income to the extent that such gain does not exceed the excess, if any, of (i) the amount that would have been includible in the income of the Owner had income accrued at a rate equal to 110 percent of the "applicable Federal rate" (generally, an average of current yields on Treasury securities) as of the date of purchase over (ii) the amount actually includible in such Owner's income. In addition, gain recognized on such a sale by an Owner who purchased a REMIC Certificate at a market discount would also be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period such Certificate was held by such Owner, reduced by any market discount includible in income under the rules described above under "REMIC Certificates — *Market Discount*."

Information Reporting and Backup Withholding

Fannie Mae will furnish or make available, within a reasonable time after the end of each calendar year, to each Holder of a Certificate at any time during such year, such information as is required by Treasury regulations and such other information as Fannie Mae deems necessary or desirable to assist

Holders in preparing their federal income tax returns, or to enable Holders to make such information available to Owners or other financial intermediaries for which such Holders hold Certificates as nominees.

Distributions of interest and principal may be subject to the "backup withholding tax" under section 3406 of the Code at a rate of 31 percent if recipients of such distributions fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a distribution to a recipient would be allowed as a credit against such recipient's federal income tax. Furthermore, certain penalties may be imposed by the IRS on a recipient of distributions that is required to supply information but that does not do so in the proper manner.

Foreign Investors

Distributions made on a REMIC Certificate to, or on behalf of, an Owner that is not a U.S. Person (a "Non-U.S. Person") generally will be exempt from U.S. federal income and withholding taxes, provided (a) the Owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of the Certificate, (b) the Owner signs a statement under penalties of perjury that certifies that such Owner is a Non-U.S. Person, and provides the name and address of such Owner, and (c) the last U.S. Person in the chain of payment to the Owner receives such statement from such Owner or a financial institution holding on its behalf and does not have actual knowledge that such statement is false.

LEGAL INVESTMENT CONSIDERATIONS

Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates. Any financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration or other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the Certificates. Financial institutions should review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities (to the extent adopted by their respective federal regulators), which, among other things, sets forth guidelines for investing in certain types of mortgage related securities, including securities such as the Certificates. In addition, financial institutions should consult their regulators concerning the risk-based capital treatment of any Certificate.

Pursuant to the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA"), securities issued or guaranteed by Fannie Mae (such as the Certificates) will be legal investments for such entities created under the laws of the United States or any state whose authorized investments are subject to state regulation to the same extent as obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Under SMMEA, if a state enacted legislation prior to October 4, 1991 specifically limiting the legal investment authority of any such entities with respect to securities issued or guaranteed by Fannie Mae, such securities will constitute legal investments for such entities only to the extent provided in such legislation. Certain states have adopted such legislation prior to the October 4, 1991 deadline. Investors should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment.

LEGAL OPINION

Any purchaser of Certificates will be furnished upon request an opinion by the General Counsel or Deputy General Counsel of Fannie Mae as to the validity of the Certificates and the Trust Agreement.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code impose certain requirements on employee benefit plans and certain other retirement plans and arrangements, as well as on collective investment funds and separate accounts in which such plans or arrangements are invested (all of which are hereinafter referred to as a "Plan") and on persons who are fiduciaries with respect to such Plans. Any Plan fiduciary which proposes to cause a Plan to acquire any Certificates would be required to determine whether such an investment is permitted under the governing Plan instruments and is prudent and appropriate for the Plan in view of its overall investment policy and the composition and diversification of its portfolio. In addition, ERISA and the Code prohibit certain transactions involving the assets of a Plan and "disqualified persons" (within the meaning of the Code) and "parties in interest" (within the meaning of ERISA) who have certain specified relationships to the Plan. Therefore, a Plan fiduciary considering an investment in Certificates should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or the Code.

The United States Department of Labor ("Labor") issued a final regulation on November 13, 1986 (the "Regulation"), which provides that in the case where a Plan acquires a "guaranteed governmental mortgage pool certificate" then, for purposes of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of the Code, the Plan's assets include the certificate and all of its rights with respect to such certificate under applicable law, but do not, solely by reason of the Plan's holding of such certificate, include any of the mortgages underlying such certificate. Under the Regulation, the term "guaranteed governmental mortgage pool certificate" is specifically defined to include a certificate "backed by, or evidencing an interest in specified mortgages or participation interests therein" and with respect to which interest and principal payable pursuant to the certificate are guaranteed by Fannie Mae. The effect of the Regulation is to make clear that the sponsor (that is, the entity that organizes and services the trust, in this case Fannie Mae), the trustee, and other persons, in providing services with respect to the assets in the trust, would not be subject to the fiduciary responsibility provisions of Title I of ERISA, nor be subject to the prohibited transaction provisions of section 4975 of the Code, merely by reason of the Plan's investment in a certificate. At the time the Regulation was originally issued, certificates similar to the Certificates were not in existence. However, Fannie Mae has been advised by its counsel, Arter & Hadden, that the Certificates qualify as "guaranteed governmental mortgage pool certificates," and thus the acquisition and holding of the Certificates by Plans should not be considered to be the acquisition and holding of the Mortgage Loans underlying the Certificates.

PLAN OF DISTRIBUTION

Fannie Mae will acquire the Underlying REMIC Certificates from the Depositor. The Dealer, who has been retained by the Depositor, 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.

LEGAL MATTERS

Certain legal matters will be passed upon for the Dealer by Dewey Ballantine, New York, New York. Dewey Ballantine also performs legal services for Fannie Mae and for the Depositor.

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No dealer, salesman or other person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this 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 and the Information Statement 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 and the Information Statement 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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$150,144,000

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FannieMae

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PROSPECTUS

Lehman Brothers

September 14, 1995